



# FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2000

### INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the "Company") is pleased to announce that the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2000. This unaudited interim financial results has been reviewed by the Company's audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

		Six months ended	
	NOTES	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000
Turnover		393,440	377,635
Cost of sales		(273,650)	(279,857)
Gross profit		119,790	97,778
Other revenue		10,832	11,028
Selling and distribution costs		(1,014)	(3,287)
Administrative expenses	3	(73,483)	(45,645)
Other operating expenses		(1,749)	(655)
Unrealised (losses) gains on investments in securities		(8,750)	1,335
Profit from operations		45,626	60,554
Share of results of associates		9,746	1,299
Finance costs		(20,854)	(24,086)
Profit before taxation		34,518	37,767
Taxation	4	(8,601)	(6,933)
Profit before minority interests		25,917	30,834
Minority interests		(3,264)	(586)
Net profit for the period		22,653	30,248
Dividends	5	Nil	Nil
Earnings per share			
– Basic	6	2.4 cents	3.3 cents

### CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2000

	NOTES	30/9/2000 (unaudited) HK\$'000	31/3/2000 HK\$'000
<b>Non-current assets</b>			
Investment properties	7	1,135,359	1,149,118
Property, plant and equipment	7	372,701	377,708
Properties under development	7	400,283	385,999
Interests in associates		441,745	446,907
Interest in a jointly controlled entity		83,990	60,990
Investments in securities		113,748	136,736
Amount due from an investee company		57,655	57,655
Other assets		14,815	14,815
Long-term loans receivable		5,147	4,985
Deposits for acquisition of properties	13	91,256	91,256
Deposit for acquisition of an investment		8,875	8,875
Amount due from a minority shareholder		563	563
Amounts due from associates		142,870	144,995
Pledged bank deposits		11,689	43,351
		2,880,696	2,923,953
<b>Current assets</b>			
Completed properties for sale		36,958	40,354
Properties under development for sale		421,333	342,894
Trade and other receivables	8	110,926	138,155
Deposits and prepayments		142,836	102,246
Long-term loans receivable		956	19,282
Loans receivables		–	26,993
Investments in securities		47	56
Inventories		23,265	30,413
Amounts due from associates		64,552	62,358
Pledged bank deposits		14,358	17,795
Bank balances and cash		64,004	121,612
		879,235	902,158
<b>Current liabilities</b>			
Trade and other payables	9	123,019	144,606
Accruals		62,288	55,139
Customers' deposits received		27,176	35,902
Obligations under hire purchase contracts		279	496
Bank and other borrowings		239,972	229,163
Amounts due to parties related to directors		2,229	4,182
Amounts due to associates		131,323	138,551
Taxation payable		33,167	32,130
Dividends payable		18,783	18,783
		638,236	658,952
<b>Net current assets</b>		240,999	243,206
		3,121,695	3,167,159
<b>Capital and reserves</b>			
Share capital	10	93,915	93,915
Share premium and reserves		2,337,275	2,342,530
		2,431,190	2,436,445
<b>Minority interest</b>		75,082	71,445
<b>Non-current liabilities</b>			
Bank and other borrowings		469,644	458,978
Deferred taxation		4,285	4,613
Obligations under hire purchase contracts		145	162
Amounts due to associates		121,589	175,756
Amount due to a minority shareholder		19,760	19,760
		615,423	659,269
		3,121,695	3,167,159

### NOTES:

- Accounting policies**  
The condensed financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments in securities.  
The interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented, for the statement of recognised gains and losses and the cash flow statement to be included in the interim financial report relating to accounting period ended 30th September, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.  
Save as disclosed above, the condensed financial statements have been prepared in accordance with SSAP 25. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2000.  
Under SSAP 24, investments in securities are now classified as held-to maturity (carried at amortised cost less provision for irrecoverable amounts), trading securities (carried at fair value, with valuation movements dealt with in the income statement) and other securities (carried at fair value, with valuation movements dealt with in equity). In prior years, the Group's investments were classified either as long-term (carried at cost less provision for permanent diminution in value) or short-term (carried at the lower of cost and market value). The accounting treatment specified by SSAP 24 has been applied retrospectively. The results of the prior interim reporting period for the six months ended 30th September 1999 previously reported has not been adjusted for the above adoption and is restated resulting in an increase in profit in prior interim period of HK\$1,335,000. Comparative amounts have been restated to reflect this change in accounting policy.
- Segment information**

	Turnover		Contribution to results from ordinary activities	
	Six months ended		Six months ended	
	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000
<b>By principal activity:</b>				
Continuing operations:				
Property investment and development	325,966	299,836	94,949	84,867
Loan interest income and commitment fee	9,053	758	3,148	0
Manufacture of boiler products	32,219	33,105	3,552	3,297
Hotel operation	26,202	23,502	18,141	3,652
	393,440	357,201	119,790	91,816
Discontinued operation:				
Cement manufacturing	0	20,434	0	5,962
	393,440	377,635	119,790	97,778
Other revenue			10,832	11,028
Selling and distribution costs			(1,014)	(3,287)
Administrative expenses			(73,483)	(45,645)
Other operating expenses			(1,749)	(655)
Unrealised (losses) gains on investments in securities			(8,750)	1,335
Profit from operations			45,626	60,554

	Turnover		Contribution to results from ordinary activities before taxation	
	Six months ended		Six months ended	
	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000
<b>By geographical market:</b>				
Hong Kong	30,261	99,710	26,386	43,643
Other regions in the People's Republic of China ("PRC")	138,558	168,505	24,306	33,013
Malaysia	60,321	22,128	29,728	4,125
United States of America	11,586	16,035	5,286	2,626
Australia	149,260	68,019	32,877	13,577
Singapore	3,084	3,238	1,656	794
Others	370	0	(449)	0
	393,440	377,635	119,790	97,778
Other revenue			10,832	11,028
Selling and distribution costs			(1,014)	(3,287)
Administrative expenses			(73,483)	(45,645)
Other operating expenses			(1,749)	(655)
Unrealised (losses) gains on investments in securities			(8,750)	1,335
Profit from operations			45,626	60,554

- Depreciation**  
During the period, depreciation of HK\$5 million (six months ended 30th September 1999: HK\$4 million) was charged in respect of the Group's property, plant and equipment.
- Taxation**

	Six months ended	
	30/9/2000 (unaudited) HK\$'000	30/9/1999 (unaudited) HK\$'000
Current tax:		
Hong Kong	(8)	960
Other regions in the PRC	3,128	4,094
Other jurisdictions	4,095	(532)
	7,215	4,522
Deferred taxation		
Other regions in the PRC	515	1,406
Taxation attributable to the Company and its subsidiaries	7,730	5,928
Share of taxation attributable to associates	871	1,005
	8,601	6,933

- Dividends**  
The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th September, 2000 (six months ended 30th September, 1999: Nil).
- Earnings per share**  
The calculation of earnings per share is based on the profit attributable to shareholders of HK\$22,653,000 (six months ended 30th September, 1999: HK\$30,248,000) and on the weighted average number of 939,147,635 (six months ended 30th September, 1999: 924,699,367) shares in issue during the period.

No diluted earnings per share has been presented because the exercise prices of the Company's share options and warrants were higher than the average market price for shares for the six months ended 30th September, 1999 and 2000.

- Additions to investment properties and property, plant and equipment**  
During the period, the Group spent approximately HK\$3 million (for the year ended 31st March, 2000: HK\$9 million) on renovation of the investment properties.

In addition, the Group spent approximately HK\$14 million (for the year ended 31st March, 2000: HK\$249 million) on the stages of construction works of the development properties and HK\$3 million (for the year ended 31st March, 2000: HK\$9 million) on additions to manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

- Trade and other receivables**  
The Group allows an average credit period of 60 days to its trade customers.  
The following is an aged analysis of accounts receivables at the reporting date:

	30/9/2000 (unaudited) HK\$'000	31/3/2000 HK\$'000
0 – 60 days	43,484	42,915
61 – 90 days	28,549	22,387
>90 days	38,893	72,853
	110,926	138,155

- Trade and other payables**  
The following is an aged analysis of accounts payables at the reporting date:

	30/9/2000 (unaudited) HK\$'000	31/3/2000 HK\$'000
0 – 60 days	18,433	30,702
61 – 90 days	10,921	28,969
>90 days	93,665	84,935
	123,019	144,606

- Share capital**  
There were no movements in the share capital of the Company in the current interim reporting period.  
During the prior interim reporting period, the Company issued and allotted a total of 13,008,279 shares at par, the details are:

	No. of shares at HK\$0.10 each
Issued pursuant to share dividend scheme for 1999 final dividend	13,008,253
Exercise of warrant subscription rights	26
	13,008,279

- Contingencies and commitments**  
(i) **Contingencies**  
At the reporting date, contingent liabilities of the Group were as follows:

	30/9/2000 (unaudited) HK\$'000	31/3/2000 HK\$'000
(a) Guarantees issued to secure banking and other facilities made available to – third parties – an investee company	11,000 44,672	11,000 44,672
(b) The Group has pre-sold part of the real estate development project in Shanghai, the PRC and has accrued for accounting purposes the full amount of provisional foreign enterprises income tax on the deemed profits arising from the pre-sale pursuant to the relevant tax regulations. The Group, however, has not made instalment payments in respect of the provisional tax liability because it has informally agreed with the relevant tax authority to allow the instalments to be delayed until the projects completed. Were the Group to be assessed at the daily rate of 0.2% on the balance due, as of 30th September, 2000 the potential delinquent charge would be approximately HK\$19 million (31/03/2000: HK\$13 million).		
(c) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property development project in Shanghai, the PRC. At 30th September 2000, the total amount of mortgages outstanding which are subject to these guarantees was HK\$78 million (31/03/2000: HK\$71 million).		
(d) The Group had entered into an agreement with the underwriters for the purpose of listing of its subsidiary, New China Homes, Ltd ("NCH") in NASDAQ Stock Market in the United States of America (the "USA"). Pursuant to the said agreement, the Group have agreed that 25% of NCH shares holding by the Group will be cancelled if the net income of NCH is less than US\$10 million in the first one-year period commencing on the first day of the month following the closing date of the public offer of the NCH shares in the USA; and if the net income of NCH is less than US\$20 million in the next following one-year period. There was no share of NCH being cancelled under this undertaking during the period.		
(ii) <b>Capital commitments</b>		
(a) At the reporting date, the Group had so far as not provided for financial statement, contracted commitments as follows:		
(i) property development expenditure of approximately HK\$306 million (31/03/2000: HK\$234 million); and		
(ii) acquisition of properties in Thailand of approximately HK\$270 million (31/03/2000: HK\$270 million).		
(b) At the reporting date, the Group had authorised but not contracted for additional expenditure of a property development project in Shanghai, the PRC of approximately HK\$211 million (31/03/2000: HK\$204 million).		

- Pledge of assets**  
(a) The Group's properties and bank deposits with an aggregate net book value of approximately HK\$1,357 million (31/3/2000: HK\$1,337 million) together with properties of associates and a third party were mortgaged and pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$849 million (31/3/2000: HK\$861 million) and HK\$205 million (31/3/2000: HK\$205 million) respectively.

- The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of property development project in Shanghai, the PRC. In accordance with those agreements, the Group deposits either 10% of the consideration of the properties sold and financed under the mortgage loan or between 10% and 20% of the amount of financing provided as a guarantee for settlement of the mortgage instalments. Should mortgagors fail to pay mortgage instalment the bank can draw down the deposits up to the amount of mortgage instalment not paid during the period from the mortgage drawdown to the date of releasing such guarantees. The guarantees will be released when property title deeds are passed to the bank as security for the respective mortgage loans. At the reporting date, deposit of HK\$4 million (31/3/2000: HK\$5 million) was placed with banks to guarantee the above agreements.

- Significant event**  
In respect of the Group's deposit of HK\$91,256,000 for acquisition of properties in Thailand, details of which were set out in note 43 of the Group's annual report for the year ended 31st March, 2000, the parties are under negotiation to restructure the project in Thailand.

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30th September, 2000 (1999 – Nil).

### REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

- Corporate Results**  
Turnover for the six months ended 30th September, 2000 was HK\$393,440,000 as compared to HK\$377,635,000 in the corresponding period of 1999, an increase of 4%. Profit attributable to shareholders was HK\$22,653,000, a decrease of 25%.

- Financial Resources and Liquidity**  
**Borrowings and Charge on Group Assets**  
The Group's total borrowings amount to approximately HK\$710 million as at 30th September, 2000 (31/3/2000: HK\$688 million).

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate.

**Gearing Ratio**  
The gearing ratio (total bank and other borrowings to shareholders' equity) increased from 28.2% to 29.2% during the period. This ratio is considered satisfactory.

**Current Ratio**  
The current ratio is 1.40. The Group has maintained sufficient liquid assets to finance its daily operations.

- Business Review**  
**Property Division**  
**Hong Kong**

- The main projects under development are as follows:
- Baker Street, Hunglom** – A 35-storey commercial-residential development comprising a total gross floor area of approximately 59,000 sq.ft. Foundation work has commenced and is expected to be finished by March 2001. The sales launch is scheduled to take place in the first half of 2001.
  - Pak Shek Wo, Sai Kung** – A 15 detached house development with a total gross floor area of 18,000 sq.ft. Site work is scheduled to commence in early 2001.
  - Anchor Street, Tai Kok Tsui** – The site will be developed into a four star hotel with 200 rooms. Construction should commence by mid 2001. The site is at present rented out to parking.
  - Tan Kwai Tsuen, Yuen Long** – This project consists of 62 units of 4-storey apartments with a total gross floor area of 52,200 sq.ft. Construction work will commence in mid 2001.
  - Sheung Yeung, Sai Kung** – It is proposed to build 24 village houses with a total gross floor area of 50,400 sq.ft. We have commenced building work on 4 houses for Phase I, and depending on market response the other phases will follow.

In addition, the Group has increased its land bank and property portfolio with the following acquisitions subsequent to the financial period:

- the property located at Chuk Kok, Sai Kung with a land area of about 30,000 sq.ft.;
- the property located at Hung Shui Kiu with a land area of about 30,300 sq.ft.;
- the property known as Hong Kong 26 Court, No. 5B Chancery Lane, Mid-Levels, Central, Hong Kong.

A conditional agreement has entered into to acquire up to a maximum of 15.33% interest in the property located at Fung Lok Wai, Yuen Long with a land area of about 8,610,000 sq.ft..

- China**  
1. **California Gardens** – This project in Shanghai consists of approximately 6,000 homes when fully developed. Over 2,000 homes have been sold.
- New Time Plaza, Guangzhou** – Preparation for the construction work of the residential tower is in progress. We intend to commence sales next year.

- Malaysia**  
1. **Karunmas Ehsan** – This project consists of a total of 877 units. Phases 1 and 2 totalling 426 units have been 88% sold and in Phase 3, comprising 240 units have been 54% sold.
- Taman Teluk Gedong Indah** – This project consists of 828 units. In Phase 1, 335 units have been sold. The balance will be launched next year.
- Sri Dutamas** – This will be by far the largest housing project to be undertaken by the Group in Malaysia and will comprise of 3,300 units to be developed in phases. Construction will begin and sales will be launched next year.

- Australia**  
**360-370 St Kilda Road Development** – Following the successful completion of Phase 1, Phase 2 has commenced construction and has been 100