



# FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

### INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the "Company") is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2001. The unaudited interim financial results has been reviewed by the Company's audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

		Six months ended	
		30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000
Turnover	4	386,041	393,440
Cost of sales		(303,531)	(273,650)
Gross profit		82,510	119,790
Other revenue		10,039	10,832
Selling and distribution costs		(2,836)	(1,014)
Administrative expenses	5	(57,864)	(73,483)
Other operating expenses		(4,858)	(1,749)
Unrealised losses on investments in securities		(13,591)	(8,750)
Profit from operations		13,400	45,626
Gain on disposal of subsidiaries	6	35,317	-
Share of results of a jointly controlled entity		7,207	-
Loss on profit guarantee in respect of a subsidiary	7	(7,405)	-
Share of results of associates		(2,020)	9,746
Finance costs		(25,998)	(20,854)
Profit before taxation		20,501	34,518
Taxation	8	(5,485)	(8,601)
Profit before minority interests		15,016	25,917
Minority interests		(672)	(3,264)
Net profit for the period		14,344	22,653
Dividend	9	Nil	Nil
Earnings per share			
- Basic	10	1.5 cents	2.4 cents

#### Notes:

#### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

#### 2. 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 accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies.

#### Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30th September, 2000 have been amended so that they are presented on a consistent basis.

#### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 3).

#### 3. Prior period adjustment

The adoption of the revised accounting policy, resulted from the adoption of the revised SSAP 9 as described in note 2, has been applied retrospectively. It has given rise to an increase in retained profits at 1st April, 2000 and 2001 HK\$18,783,000 and HK\$19,049,000 respectively and the derecognition of dividends payable amounting to HK\$18,783,000 (year 2000 final dividend) and HK\$19,049,000 (year 2001 final dividend) at 31st March, 2000 and 31st March, 2001 respectively.

Comparative amounts have been restated in line with the revised accounting policy.

#### 4. Segmental Information

##### Business segments

	Turnover		Segment results	
	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000
<i>By principal activity:</i>				
Property investment and development	304,592	325,966	30,020	50,332
Loan interest income and commitment fee	1,974	9,053	(6,142)	(4,112)
Manufacturer of boiler products	16,386	32,219	(1,671)	(1,586)
Hotel operation	21,958	26,202	1,644	2,725
Securities trading	41,131	-	(8,955)	(10)
	386,041	393,440	14,896	47,349
Unallocated corporate expenses			(1,496)	(1,723)
Profit from operations			13,400	45,626

##### By geographical market:

	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000
Hong Kong	41,023	30,261	(328)	8,012
Other regions in the People's Republic of China ("PRC")	68,387	138,558	1,495	2,417
Malaysia	123,168	60,321	4,998	14,483
United States of America	647	11,586	(341)	(6,463)
Australia	152,816	149,260	9,072	28,634
Singapore	-	3,084	-	849
Others	-	370	-	(583)
	386,041	393,440	14,896	47,349
Unallocated corporate expenses			(1,496)	(1,723)
Profit from operations			13,400	45,626

#### 5. Depreciation

During the period, depreciation of approximately HK\$3 million (six months ended 30th September 2000: HK\$5 million) was charged in respect of the Group's property, plant and equipment.

#### 6. Gain on disposal of subsidiaries

The amount represents a gain on disposal of two subsidiaries, Goldleaf Limited and Mayland Universal Sdn. Bhd. which engaged in investment holding and property development respectively for consideration of approximately HK\$105,569,000.

#### 7. Loss on profit guarantee in respect of a subsidiary

The Group had entered into an agreement with the underwriters for the purpose of the listing of its subsidiary, New China Homes ("NCH") in NASDAQ stock market in the United States of America. Pursuant to the agreement, the Group has agreed that 25% of NCH shares held by the Group will be cancelled if the net income of NCH is less than HK\$10 million in the first year after listing in NASDAQ. Since the profit target has not been achieved, 25% of the NCH shares held by the Group has been cancelled during the period which has resulted in a loss HK\$7,405,000.

#### 8. Taxation

	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000
Profit tax (credit) charge:		
Hong Kong	(715)	(8)
Other regions in the PRC	1,852	3,128
Other jurisdictions	3,108	4,095
	4,245	7,215
Deferred taxation		
Other regions in the PRC	845	515
Taxation attributable to the Company and its subsidiaries	5,090	7,730
Share of taxation attributable to associates	395	871
	5,485	8,601

#### 9. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th September, 2001 (six months ended 30th September, 2000: Nil).

During the current interim period, HK\$19,049,000 was paid in respect of year 2001 final dividend (six months ended 30th September, 2000: HK\$18,783,000 in respect of year 2000 final dividend).

#### 10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$14,344,000 (six months ended 30th September, 2000: HK\$22,653,000) and on the weighted average number of 952,702,668 (six months ended 30th September, 2000: 939,147,635) shares in issue during the period.

No diluted earnings per share has been presented because the exercise prices of the Company's share options were higher than the average market price for shares for the six months ended 30th September, 2000 and 2001.

#### 11. Transfer to and from reserves

	30/9/2001 (unaudited) HK\$'000	31/3/2001 (audited) HK\$'000
Share premium		
At beginning of the period/year	653,128	647,806
Credit arising on scrip dividend	5,523	5,322
At end of the period/year	658,651	653,128
Exchange reserve		
At beginning of the period/year	(188,417)	(163,908)
Share of associates' reserves movement during the period/year	3,462	(26,634)
Exchange difference on translation of overseas operations	14,832	2,125
At end of the period/year	(170,123)	(188,417)
Investment revaluation reserve		
At beginning of the period/year	(56,073)	(38,277)
Revaluation decrease during the period/year	(8,028)	(17,796)
At end of the period/year	(64,101)	(56,073)
Retained profits		
At beginning of the period/year	678,985	650,122
Prior period adjustment (Note 3)	19,049	18,783
At beginning of the period/year as restated	698,034	668,905
Profit for the period/year	14,344	47,912
Dividend paid	(19,049)	(18,783)
At end of the period/year	693,329	698,034

#### 12. Contingencies and commitments

##### (i) Contingencies

At the reporting date, contingent liabilities of the Group were as follows:

	30/9/2001 (unaudited) HK\$'000	31/3/2001 (audited) HK\$'000
(a) Guarantees issued to secure banking and other facilities made available to		
- third parties	11,000	11,000
- an investee company	44,275	44,275

(b) The Group has pre-sold part of the real estate development project in 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 installment payments in respect of the provisional tax liability because it has informally agreed with the relevant tax authority to allow the installments to be delayed until the project completed. Were the Group to be assessed at the daily rate of 0.2% on the balance due, as of 30th September, 2001 the potential delinquent charge would be approximately HK\$33 million (31/3/2001: HK\$23 million).

(c) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 30th September, 2001 the total amount of mortgages outstanding which are subject to these guarantees was approximately HK\$84 million (31/3/2001: HK\$73 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 has agreed that 25% of NCH shares holding by the Group will be cancelled if the net income of NCH is less than US\$20 million in the next following 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.

##### (ii) Commitments

(a) At the reporting date, the Group had contracted but not provided for property development expenditure of approximately HK\$391 million (31/3/2001: HK\$191 million); and

(b) At the reporting date, the Group had authorised but not contracted for additional expenditure of a property development project in PRC of approximately HK\$221 million (31/3/2001: HK\$211 million).

#### 13. Pledge of assets

(a) The Group's properties and bank deposits with an aggregate net book value of approximately HK\$1,879 million (31/3/2001: HK\$1,922 million) together with properties of associates and a third party were mortgaged or 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\$1,511 million (31/3/2001: HK\$1,328 million) and HK\$101 million (31/3/2001: HK\$101 million) respectively.

(b) The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of a property project in the PRC. In accordance with those agreements, the Group deposits either 10% of the consideration of the properties sold and financed under the mortgage loans or between 10% and 20% of the amount of financing provided as a guarantee for settlement of the mortgage installments. Should mortgagors fail to pay mortgage installments, the bank can draw down the deposits up to the amount of mortgage installments 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 banks as security for the respective mortgage loans. At the reporting date, deposit of approximately HK\$4.5 million (31/3/2001: HK\$4.5 million) was placed with banks to guarantee the above agreements.

#### INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30th September, 2001 (2000: Nil).

#### REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

##### 1. Corporate results

Turnover for the six months ended 30th September, 2001 was HK\$386,041,000 as compared to HK\$393,440,000 in the corresponding period of 2000, a decrease of 1.88%. Profit attributable to shareholders was HK\$14,344,000, a decrease of 36%.

##### 2. Financial resources and liquidity

###### Borrowings and charge on Group assets

The Group's total borrowings amount to approximately HK\$1,031 million as at 30th September, 2001 (31/3/2001: HK\$1,011 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 42% to 43% during the period.

###### Current ratio

The current ratio is 1.36. The Group has maintained sufficient liquid assets to finance its daily operations.

##### 3. Business review

###### Property Division

###### Hong Kong

The main projects under development are as follows:

*Baker Street, Hung Hom* - a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 sq.ft. Superstructure work has reached the 20th floor level and sales were launched in early December 2001 for which the response was encouraging. Completion is scheduled to take place in mid 2002.

*Pak Shek Wo, Sai Kung* - a 15 detached house development with a total gross floor area of 18,000 sq.ft.. Access road construction and site formation work has commenced since September 2001. The project will be scheduled to put on the market in mid 2002.

*Chuk Kok, Sai Kung* - this piece of land with a site area of about 30,000 sq.ft. acquired through government auction in December 2000 will be developed into 10 detached houses with a total gross floor area of approximately 12,000 sq.ft.. Site formation works will be commenced in early 2002.

*Anchor Street, Tai Kok Tsui* - a 21-storey hotel development with 143 rooms with a total gross floor area of approximately 46,000 sq.ft.. Town planning application for hotel development has been approved.

*Kau U Fong, Central* - a piece of vacant land for commercial use to be developed into a 31-storey hotel development with 151 suites, covering a total gross floor area of approximately 63,000. Demolition work was completed and building plans for government approval was submitted. Site work will commence upon approval thereafter.

*Tan Kwai Tsuen, Yuen Long* - this project consists of 62 units of 4-storey apartments with a total gross floor area of 52,000 sq.ft., is in the process of applying land exchange and access road formation.

*Sheung Yeung, Sai Kung* - it is proposed to build 24 village houses with a total gross floor area of 50,000 sq.ft.. Building work on Phase 1 with 4 houses will commence soon. Other phases will follow depending on government approval schedule.

*Hung Shui Kiu, Yuen Long* - a 7-storey residential development with a total gross floor area of approximately 38,000 sq.ft., is currently in the process of applying land exchange.

*Fung Lok Wai, Yuen Long* - raw land area with approximately 8,610,000 sq.ft., will be developed into a residential project. The Group has an effective interest of 21.66% in the project after the acquisition of an additional 15.33% for HK\$120,000,000 during 2001.

*Hong Kong 26 Court, Mid-level, Central* - an existing residential block of units acquired and will be held for rental purposes.

###### China

*California Gardens* - this project in Shanghai continues contributing healthy profit to the Group and over 2,300 homes have been sold. Construction work for over 1,000 homes has been commenced with proposed sale in mid 2002.

*New Time Plaza, Guangzhou* - the Group owns 45% of this project which consists of a completed 8,000 sq.m. auxiliary building and a 29-storey residential tower of 27,000 sq.m.. Preparation for the construction work of the residential tower is in progress and sales will be launched soon.

*Malaysia*

*Karunmas Ehsan* - this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Phase 1 and 2 totaling 426 units of terrace houses have been 95% sold and in Phase 3, comprising 240 units of condominiums, have been 70% sold.

*Taman Teluk Gedong Ludah* - this project consists of 628 units of terrace houses and 200 units of low cost flats. About 80% of the terrace house has been sold.

###### Australia

*St. Kilda Road, Melbourne* - about 92% of 120 units of office suites at 370 St. Kilda Road have been sold as at 30th September, 2001.

The construction of the residential apartments at 360 St. Kilda Road has been completed in September 2001.

*Flinders Wharf, Melbourne* - the Group has a 50% interest in a high-class residential development of 301 units located on the Yarra River in the city of Melbourne in the vicinity of the Melbourne Exhibition and Convention Centre and the Crown Casino. Sales commenced in June 2001 with about 80% sold to date.

Construction work will commence in early 2002.

###### Hotel Division

*Dorsett Garden Hotel and Dorsett Seaview Hotel* - the Group operates two 3 stars hotels in Hong Kong, with a total of 356 rooms. The Dorsett Garden Hotel and Dorsett Seaview Hotel maintains an average occupancy rate of over 92% and 85% respectively during the period. The two hotels continue to provide a steady income to the Group.

*Dorsett Regency Hotel, Kuala Lumpur* - with 320 rooms, continues to perform well during the period.

*Dallas Grand Hotel, USA* - with 700 rooms plus convention facilities, will be refurbished and upgraded to enhance its occupancy rate and to meet the growing demand of rooms in the expanding convention market in Dallas in the years to come.

###### Industrial and Infrastructure Division

The boiler factory in Guangzhou had a moderate performance. The Board believes that the operation of the boiler factory will gradually improve.

The Company has acquired a 68% interest in the 44 km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways tollroad collections. The Company expects this investment will contribute a satisfactory return.

###### Recurrent Income

The Group's rental income comes mainly from four commercial/office buildings in Hong Kong. The occupancy rate of leased tenants maintained 90% during this review period.

##### 4. Employees and remuneration policies

The number of employees of the Group as at 30th September, 2001 was approximately 1,500. Employees are remunerated according to nature of the job and market conditions.

##### 5. Corporate Strategy and Outlook

The Group has full confidence in Hong Kong and will utilise its financial capabilities to concentrate in property development in Hong Kong and China. At present, our focus in China is to build middle-class link-houses in the "California Garden" in Shanghai and will intend to do the same in other major Chinese cities in future.

With regard to the continuing project developments in Hong Kong, we have launched our Bakerview property sales in December 2001. The initial response from the market is encouraging. We are cautiously optimistic that the property development profits will be steady in the next five years following the financial year ending 2002.

In order to achieve our corporate objective and to yield steady growth in and to enhance return on our assets, we will continue to:

(a) dispose of our overseas assets and the non-core businesses in the Group;

(b) strengthen our investment in 3 and 4 stars hotels in Hong Kong and China to meet the emerging demands of tourist occupancy for the advent of 2008 Beijing Olympics in China;

(c) build quality and price competitive properties for sales; and