



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, 2003

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003. 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, 2003

		Six months ended	
		30/9/2003	30/9/2002
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	359,421	495,746
Cost of sales		(243,986)	(390,611)
Gross profit		115,435	105,135
Other operating income		11,891	8,385
Selling and distribution costs		(7,944)	(1,544)
Administrative expenses		(59,164)	(60,943)
Other operating expenses		(3,539)	(3,133)
Impairment loss recognised in respect of properties held for development	3	–	(5,000)
Unrealised gains(losses) on investments in securities		3,027	(2,882)
Profit from operations	4	59,706	40,018
Profit on disposal of subsidiaries		5,676	27
Share of results of jointly controlled entity		1,833	7,912
Written back on profit guarantee		–	2,364
Share of results of associates		2,992	(21,707)
Finance costs		(15,698)	(20,371)
Profit before taxation		54,509	8,243
Taxation	5	(11,298)	(5,801)
Profit before minority interests		43,211	2,442
Minority interests		(648)	5,110
Net profit for the period		42,563	7,552
Dividend	6	23,212	Nil
Earnings per share	7		
– Basic		4.6 cents	0.8 cents

1. Basis of presentation and accounting policies

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In this interim financial report for the six months ended 30th September, 2002 a jointly controlled asset, a multi-storey property development was classified as a jointly controlled entity and the result of HK\$37,223,000 included in the share of results of jointly controlled entity in the interim financial report for the six months ended 30th September, 2002. Subsequently in the 31st March, 2003 financial statements this classification was amended, accordingly in the interim financial report, the comparative figures of the condensed consolidated income statement have been restated. As a result of the restatement, the sales for the period ended 30th September, 2002 has been increased by HK\$110,858,000, the cost of sales for the period ended 30th September, 2002 has been increased by HK\$73,635,000 and the share of results of jointly controlled entity for the period ended 30th September, 2002 has been decreased by HK\$37,223,000.

The condensed financial statements have been prepared under the historical cost convention, as modified for the 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, 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes” which becomes effective in the current period. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the retained profits at 1st April, 2003 has been increased by HK\$22,169,000 (1st April, 2002: HK\$14,173,000). The assets revaluation reserve at 1st April, 2003 has been decreased by HK\$112,149,000 (1st April, 2002: HK\$74,416,000).

2. Turnover and segment information

For management purposes, the Group is currently organized into five operating divisions – securities investment, property development and investment, hotel operations, industries, and treasury. These divisions are the basis on which the Group reports its primary segment information.

Business segments

	Turnover		Segment results	
	Six months ended		Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
By principal activity:				
Property Development and investment	321,589	428,336	59,318	38,130
Hotel operations	17,481	22,236	2,605	3,708
Securities investment	5,045	28,194	3,984	(3,067)
Industries	13,350	14,976	(859)	429
Treasury	1,956	2,004	(528)	3,001
Others	–	–	(882)	–
	<u>359,421</u>	<u>495,746</u>	<u>63,638</u>	<u>42,201</u>
Unallocated corporate expenses			(3,932)	(2,183)
Profit from operations			<u>59,706</u>	<u>40,018</u>

3. Impairment loss recognised in respect of properties held for development

The directors assessed the recoverable amount of the properties under development project, one of which was not able to generate positive cash flow to the Group in the future. An impairment loss of HK\$5,000,000 was recognised in the period ended 30th September, 2002.

4. Profit from operations

	Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
	Profit from operations has been arrived at after charging (crediting):	
Depreciation on property, plant and equipment	4,490	3,148
Amortisation of jointly controlled entity	1,452	–
Negative goodwill release to income (included in other operating income)	(3,847)	–
Interest income	(515)	(411)
Dividends from listed investment	(301)	(1,493)
Profit on disposal of property, plant and equipment	<u>(633)</u>	<u>–</u>

5. Taxation

	Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
Profit tax charge:		
Hong Kong	1,269	3
Other region in the People's Republic of China (" PRC")	9,132	1,929
Other jurisdictions	296	1,369
	<u>10,697</u>	<u>3,301</u>
Deferred taxation		
Other regions in the PRC	–	1,929
Taxation attributable to the Company and its subsidiaries	10,697	5,230
Share of taxation attributable to associates	601	571
	<u>11,298</u>	<u>5,801</u>

6. Dividend

Scrip dividend alternatives were offered in respect of the 2003 and 2002 final dividends. These scrip dividend alternative were accepted by the shareholders, as follows:

	Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
Final dividend in respect of 2003 of HK\$2 cents (2002: HK\$2 cents) paid:		
Cash	8,471	12,558
Share alternative	11,232	6,797
	<u>19,703</u>	<u>19,355</u>

The Directors recommend payment of interim dividend of HK2 cents per share for the six months ended 30th September, 2003 (six months ended 30th September, 2002: Nil) with amount HK\$23,212,000.

7. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$42,563,000 (six months ended 30th September, 2002: HK\$7,552,000) and on the weighted average number of 935,071,986 (six months ended 30th September, 2002: 967,844,872) shares in issue during the period.

Diluted earnings per share has not been presented for either period because the Company does not have any dilutive potential ordinary shares.

INTERIM DIVIDEND

The directors recommend an interim dividend for the six months ended 30th September, 2003 of 2 cents (six months ended 30th September, 2002: Nil) per share to shareholders whose names appear on the Company's Register of Members on 21st January, 2004 amounting to HK\$23 million. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 21st January 2004. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 26th January, 2004. Dividends warrants or new shares certificates will be posted on or about 18th February, 2004.

BOOK CLOSE PERIOD

The register of members of the Company will be closed from Monday, 19th January, 2004 to Wednesday, 21st January, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited of G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 16th January, 2004.

BUSINESS REVIEW

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

Turnover for the six months ended 30th September, 2003 was HK\$359 million against the result of HK\$496 million for the corresponding period of the year 2002. Profit attributable to shareholders was HK\$42.6 million as compared to HK\$7.6 million for the corresponding period of the year 2002, representing an increase of HK\$35 million or approximately 463%.

Property Division

Hong Kong

Bakerview, Hung Hom – a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 sq.ft. comprises of 104 residential units, 26 car-parks and 2 floors of shopping units was completed with the occupancy permit obtained in late November 2002. As of the date of this report, approximately 70% of the units have been sold, generating total revenue of approximately HK\$117 million.

Clear Water Bay Knoll, Sai Kung – a 15 detached house development with a total gross floor area of approximately 18,000 sq.ft. built on a 30,000 sq.ft. site. Construction has completed and the group is in the process of applying for the certificate of compliance. The pre-sale launch is scheduled at the last quarter of this year.

Art Del Sol, Sai Kung – a proposed development of 24 houses with a total gross floor area of approximately 50,000 sq.ft. Building work on phase 1 has completed and the group is in the process of applying for the certificate of compliance, the pre-sales launch is scheduled at the first quarter of the year 2004. Development for other phases will depend on government approval therefor.

Chuk Kok, Sai Kung – a 10 detached house development with a total gross floor area of approximately 12,000 sq.ft. built on a 30,000 sq.ft. site. Site formation and building works are currently in progress and completion is expected in the last quarter of 2004.

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

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

Fung Lok Wai, Yuen Long – This is a joint venture project with Cheung Kong and Sun Hung Kai & Co. Limited for residential estate development with a total area of approximately 8,610,000 sq.ft. No definite plan for this development at present. During the period under review, the Group has acquired an additional interest of 3.67% in this project. The group currently holds 25.33% beneficial interest in this project.

China

Shanghai – a residential development with a land area of approximately 14.5 million sq.ft. with an approved built-up area of approximately 12.4 million sq.ft. Upon full completion of the development, this project will boost a total of approximately 8,100 units of a mixture of residential and commercial properties with more than 97% are residential units. Prior to the period under review a total of 2,400 units of residential and commercial development have been built with over 98% sold since its first phase of development in the late 90's. For the period under review, the company has completed another 160 units and is expected to complete a further 240 units before the end of current financial year, making it a total of 400 units for the financial year ending 31st March, 2004. The balances of approximately 5,300 units are scheduled for completion over the next 4 to 5 years with an average of 1,300 units a year. This project will be the main profit source of the group in the future.

New Time Plaza, Guangzhou – the Group owns 45% of this development comprises of an auxiliary building completed with 8,000 sq.m. and a proposed 29-storey residential tower with a gross floor area of approximately 27,000 sq.m. Construction work is in progress.

Huadiwan, Guangzhou – the Group owns 100% of this development comprises of 2 blocks of 32-storey residential building with a total gross floor area of approximately 43,000 sq.m. comprises of 40,000 sq.m. of residential, 2,000 sq.m. of commercial and 1,000 sq.m. of car park. Currently the development is still at the planning stage, the construction is expected to start in the month of April 2004 and is expected to complete in the month of December 2005.

Australia

Flinder Wharf, Melbourne – the Group owns 50% of this high-class residential development with 301 units located next to the Melbourne Exhibition and Convention Centre and The Crown Casino. More than 90% of the project have been sold as of todate. Construction commenced in February 2002 and completed in November 2003.

Royal Domain Tower, Melbourne – this is a 149 units luxury residential apartment development each costing more than A\$1 million. This project is located along St Kilda Road in the City overseeing the Melbourne Botanic Garden and Showground. Upon completion this will be one of the tallest prestige residential building in Melbourne. The group started the construction since beginning of the year and as of todate approximately 50% or A\$100 million of the project have been sold.

Hotel Division

Proposed New Addition to the Group – The Group has acquired the ‘old’ New China News Agency Building at Causeway Bay and has obtained the preliminary approval for a hotel plan with more than 460 rooms from the Building Department in early 2003. The Group has commenced the refurbishment work to expedite the completion of this 4-star hotel program and be ready for operation by the year 2004.

Dorsett Garden Hotel and Dorsett Seaview Hotel – the Group operates two 3-star hotels in Hong Kong with a total of 368 rooms. The SARs outbreak from April to July this year had affected the operation of the hotels. However, the occupancy rate and the room rate have rebounded since August this year and the hotels achieved approximately 10% year on year revenue growth from August to November this year.

Dorsett Regency Hotel, Kuala Lumpur – this 320 rooms hotel is located right at the Central Business District of the busy Kuala Lumpur. The operation of the hotel was affected during the SARs outbreak. However the room rate and the occupancy were back to normal since August and the situation continues to improve since then. The group expects the hotel to maintain its status as one of the top performing 4-star hotel in Kuala Lumpur.

Kau U Fong, Central – a hotel development site for approximately 167 rooms in a 34-storey building with a total gross floor area of approximately 63,000 sq.ft. Building plans have been submitted for government approval. Completion date for this hotel is scheduled for the year 2005.

Anchor Street, Tai Kok Tsui – a 21-storey hotel development with approximately 137 rooms with a gross floor area of 46,000 sq.ft. With the town planning application approved, construction has commenced in November 2002 and it is due for opening in the year 2004.

Dallas Grand Hotel, Dallas, USA – after the 911 event and the continuing sluggish economy in the USA, the Group has decided to revisit the feasibility study of the proposal to tie up this hotel with an international ‘Brand’ . The group is expected to finalise the feasibility study and make a final decision on the hotel by the first half of the year 2004

Industrial Infrastructure Division

The boiler factory in Guangzhou achieved an improved performance with a 34% increase of its gross profit. The Board believes that such improvement will continue towards the second half of the year. The 68% owned 44km National Highway 311 in Henan Province continues to perform satisfactorily.

Recurrent Income

The Group’s rental income derives mainly from four commercial/office buildings in Hong Kong. The occupancy rate with the exception of Mongkok building, which is currently under renovation, maintains at an average of approximately 90% during the review period.

Corporate Overview

The property development in Shanghai continues to perform well during the period under review. The anticipated sales to the financial year ending 31st March, 2004 will be approximately 450 units, with substantial part of the sales revenue will be accounted for in the second half of the current financial year. With the strong GDP and population growth as well as the strong emergence of affluent middle class in Shanghai, the group is optimistic that the strong demand for middle-ranged low-density houses market will continue in Shanghai. The group has targeted to fully develop the balance of approximately 5,300 units of its existing Shanghai project over the next 4 to 5 years with an immediate plan to develop approximately 1,300 units in the next financial year. The group is planning to replicate the success of its Shanghai project in other major cities in China and has recently signed an MOU with the Chengdu district government for a similar project. The present situations in Chengdu have a lot of similarities to that of Shanghai 5 years ago when we started our development with a fast growing economy, more than 10 million population, cheap land cost, cheap labour cost and the beginning of the emergence of middle class.

Amidst the SARS epidemics from April to July this year that badly affected the tourism industry in Hong Kong, the hotel division of the group achieved satisfactory performance during the period under review. The tourism industry enjoyed a strong rebound since August this year attributable to the strong tourism promotion by Hong Kong government, the introduction of CEPA and the lifting of travel restriction on the individual traveler from mainland China. The increases of visitors from China in particular benefit the 3-star hotel in Hong Kong. The group's hotels enjoyed an average occupancy rate of over 95% since August this year. With the 3 hotels under development, which will bring in additional 765 rooms to the group's portfolio over the next 2 years, we are optimistic that the hotel division will contribute satisfactory return to the group in the ensuing years.

With the positive efforts made by the Hong Kong government to stabilise the property market, the Hong Kong property market has shown signs of improvement over the last 4 months. During the period under review the group has achieved additional HK\$43 million sales for its Bakerview project. The construction for Clear Water Bay Knoll and the Art Del Sol projects have been completed and will be launched over the next 3 months.

Our group will continue to focus on our principle activities to enhance the profitabilities and returns to our shareholders in the following area:

- a) continue to build link houses and low density houses in major cities in China; and
- b) continue to improve the occupancy, room rates and the profitabilities of 3 and 4 star hotels in Hong Kong.

Our group will also achieve the following objectives on timely basis:-

- a) continue to dispose of non core assets; and
- b) to dispose of all marketable securities held in our books for trading or investment purposes including the substantial stake in Far East Technology International Limited. Thereafter, we will not be holding any security trading position in the accounts of the group.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$1,694 million as at 30th September, 2003 (31/3/2003: HK\$1,594 million), in which HK\$534 million was payable within one year and HK\$1,159 million was payable after one year. HK\$1,584 million of the borrowings was secured while the remaining HK\$109 million was unsecured. The Group's borrowings are primarily denominated in Hong Kong dollars.

Placement of shares and increase of Issued and Paid Up Share Capital

Refer to the announcement dated 5th September, 2003, the company placed out a total of 165 million shares with a placing price of HK\$1.20. The net proceeds of the placement after deducting relevant expenses is approximately HK\$193 million.

Contingencies and commitments

Contingencies

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

- (a) Guarantee issued to secured banking and other facilities made available to – an investee company HK\$19,475,000 as at 30th September 2003 compares to HK\$44,793,000 as at 31st March 2003.
- (b) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in PRC. At 30th September, 2003, the total amount of mortgages outstanding which are subject to these guarantees was HK\$7 million (31/3/2003: HK\$28 million).
- (c) During the period, the Group's subsidiary Zhongshan Developments Limited (previously New China Homes Limited) was sued by 2 consultants for a total claims of HK\$11.7 million, inclusive of the compensation for alleged misrepresentation by the company, outstanding salaries, payment in lieu of notice for early termination and reimbursement of expenses. The group has filed a motion for dismissal in the court of the United States and the claim is still in progress. While the outcome of the case cannot be estimated with certainty at this stage, base on the independent legal advice, the directors are of the opinion that the outcome of this case would not have material adverse impact on the financial position of the company.
- (d) During the period the Group was sued by the contractor of Baker Court development. The contractor alleges that the Group owes it approximately HK\$8.3 million for works performed. Of this amount, approximately HK\$3.4 million was accrued by the Group in the financial statement as at 30th September, 2003. The Directors are of the opinion that the contractor failed to comply with certain specifications of the construction contract and complete the project on schedule. As a result a counter claim was filed against the contractor for damages. While the outcome of these proceedings cannot be estimated with certainty at this stage, the directors are of the opinion that the outcome of this case would not have a material impact on the financial position of the Group.

Commitments

At the balance sheet date:

- (a) the Group had capital expenditure contracted for but not provided in the financial statements on property development expenditure of approximately HK\$372 million (31/3/2003: HK\$507 million); and
- (b) the Group had capital expenditure authorised but not yet contracted for additional expenditure on a property development project in Shanghai of approximately HK\$368 million (31/3/2003: HK\$160 million).

Gearing ratio

The gearing ratio (total bank and other borrowings to shareholders' equity) for 30th September, 2003 improved to 66% compares to 69% 31st March, 2003.

Current ratio

The current ratio as at 30th September, 2003 was 1.64 (31/3/2003: 1.32). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the period.

Pledge of assets

At the reporting date, the Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,189 million (31/3/2003: HK\$2,225 million) together with the properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities to the Group and its associates to the extent of approximately HK\$2,041 million and HK\$5 million (31/3/2003: HK\$1,987 million and HK\$5 million) respectively.

The group's listed investment of approximately HK\$41,121,000 (31/3/2003: HK\$20,335,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$7,000,000 (31/3/2003: HK\$8,800,000), of which HK\$3,036,000 (31/3/2003: HK\$5,332,000) were utilised.

Material acquisitions and disposals of subsidiaries and associated companies

During the interim period, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2003 was approximately 1,500. Employees were remunerated according to nature of the job and market conditions. The Group has not adopted any training scheme for the employees during the interim period.

The Company had adopted a new share option scheme on 28th August, 2002 in line with the amended Chapter 17 (Share Option Scheme) of 1st September, 2001 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board is pleased to announce the appointment of The Honorable Abraham Razack J.P. as an independent non-executive director of the Company with effect from today.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th September, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the interim results of the Group for the six months ended 30th September, 2003 required by paragraph 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

On behalf of the Board

DAVID CHIU

Deputy Chairman

Hong Kong, 17th December, 2003