

CORPORATE INFORMATION



PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (*Chairman*)
David CHIU, Dato', B.Sc. (*Deputy Chairman
and Chief Executive Officer*)
Craig Grenfell WILLIAMS, B. ENG. (*CIVIL*)
Dennis CHIU, B.A.

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.
Dick Tat Sang CHIU, M.A.
Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kee Leong CHEE, Datuk
David Kwok Kwei LO
Jian Yin JIANG

QUALIFIED ACCOUNTANT

Bill Kwai Pui MOK, M.B.A., A.I.C.P.A., H.K.S.A.

COMPANY SECRETARY

Kwok Wor CHOW, F.C.S., F.H.K.S.A.

AUTHORIZED REPRESENTATIVE

Deacon Te Ken CHIU
David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo
David Lo & Partners

Malaysia

Shearn Delamore & Co.

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited
Citic Ka Wah Bank Limited
Hang Seng Bank Limited
Liu Chong Hing Bank Limited
Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank Limited

Malaysia

Alliance Bank Malaysia Berhad
Southern Bank Berhad

Singapore

The Hongkong and Shanghai Banking
Corporation Limited

Australia

Australia and New Zealand Banking
Group Limited
Commonwealth Bank of Australia
National Australia Bank Limited

China

Construction Bank of China
Industrial and Commercial Bank of China

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town, Grand Cayman,
Cayman Islands, British West Indies.

PRINCIPAL OFFICE

16/F., Far East Consortium Building,
121 Des Voeux Road Central, Hong Kong.

SHARE REGISTRARS

Standard Registrars Limited
G/F, BEA Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong.

LISTING INFORMATION

Ordinary Shares (Code: 035)
Zero Coupon Convertible Bonds 2009
(Code: 2576)
The Stock Exchange of Hong Kong Limited

WEBSITE

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

FAR EAST CONSORTIUM is committed to become a top developer of affordable quality townhouses and low-rise condominiums in China with the middle class as our target customers and to be a leading 3-star hotel owner and operator.

FINANCIAL YEAR 2004 was an important year to the Group. This is not because we made a turnaround in our profitability. More important, we have defined our long-term goals and formulated strategies to achieve such goals.



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The English text of this Annual Report shall prevail over the Chinese text.

CHAIRMAN'S STATEMENT



The financial year of 2004 was a challenging year to us as well as Hong Kong. In the beginning of the year, we were greeted with the outbreak of Severe Acute Respiratory Syndrome (SARS), which had a devastating impact on local economy and, probably, no single business could avoid being affected. Fortunately, with the fading of SARS and the introduction of Closer Economic Participation Arrangement (CEPA), the local economy had been promptly recovered and the market sentiment improved.

Despite the challenging economic environment, our Group was able to achieve a profit attributable to shareholders of HK\$149 million for the year. Earnings per share was HK14.3 cents.

The Board of Directors recommended a payment of final dividend of HK3 cents per share. Together with the interim dividend of HK2 cents per share, the total dividend for the full year is HK5 cents per share.

With the signing of the CEPA and more cities in China relax in granting tourist visas to their residents to visit Hong Kong, the domestic economy will benefit and the market conditions will be more favourable to the business community. In view of the increasing number of Mainland's visitors, we are positive about the performance of our hotel business going forward. In addition, we will add 597 hotel rooms into our hotel portfolio as our Cosmopolitan Hotel in Causeway Bay and Dorsett Olympia Hotel in Tai Kok Tsui commence operations in the second half of this financial year.

In recent months, the China property market has been clouded by the austerity measures announced by the Central Government. There have been concerns on the steep decline of property prices. We do not believe it is the Government's intention to disrupt the property developments in China. It is our view that the introduction of austerity measures is to prevent the property market from overheating. As a matter of fact, we believe the measures could actually support a healthy long-term growth of the property market.

CHAIRMAN'S STATEMENT

We confidently believe the future of Far East Consortium is exciting and promising. With the share placement and issue of convertible bonds in the financial year of 2004, we are now in a stronger financial position to pursue our goals in the years to come.

Finally, I would take this opportunity to express my appreciation to my fellow directors, senior management teams and all staff for their contributions and hard work during the year and our shareholders for their invaluable support to our Group.

Deacon Te Ken Chiu

Chairman

15th July 2004

CHIEF EXECUTIVE OFFICER'S REPORT



The financial year of 2004 was an important year to the Group. This is not because we made a turnaround in our profitability. More important, we have defined our long-term goals and formulated strategies to achieve such goals.

After the property bubble burst in 1997, we understood that the Hong Kong property market was no longer as lucrative as before. Hence, we had been exploring different investment opportunities to sustain our profitability and to enhance our shareholders' value.

After experiencing different investment strategies over the past few years, we are confident in our future growth with commitments in two principal businesses. The first one is to develop affordable quality townhouses and low-rise condominiums in major cities in China with middle class as our primary targeted customers. Our second commitment is to develop and operate 3-star hotels in Hong Kong and Greater China so as to capitalize the increasing number of mainland's travelers in the area.

We target at the middle class market because it represents the majority of demand for housing in China and it is an end-user market. We believe this market is more resilient against substantial fluctuations in prices than the high-end market which is mostly supported by investors.

Although austerity measures create uncertainties over the property market in China, we believe the measures are good for the market in longer term and prevent it from overheating. Furthermore, the slowdown of the market may create investment opportunities to us to assessing those under-funded property development projects.

Aiming to repeat our success of California Garden in Shanghai, we have been seeking other investment opportunities in China. In late 2003, we signed a memorandum of understanding with Chengdu government to develop a residential community with a land area of 1,200mu or 800,000square meters. The project will be consisted of a number of phases with an overall development period of six years. Due to the introduction of austerity measures, our negotiations with the local government have been taken longer than expected. However, we are confident that we can finalize all the necessary authority approvals within the next few months.

For hotel development, our focus will be on 3-star hotels despite the fact that our Cosmopolitan Hotel will be regarded as a 4-star hotel given its prime location and the high quality of rooms. We believe the 3-star hotels in Hong Kong will continue to benefit from the increasing number of mainland's travelers in years to come.

With the aim to diversify our hotel portfolio, we are also seeking hotel investments in the nearby areas. Our first targeted city is Macao. Like Hong Kong, we believe Macao will also benefit from the relaxation of tourist visa approvals for the visitors from China. In addition, the open of casino sector not only attracts new foreign investors but also travelers given more casinos will be built.

CHIEF EXECUTIVE OFFICER'S REPORT

In the beginning of 2004, we signed a memorandum of understanding with Venetian Group from Las Vegas, USA, to develop and operate a 3-4 star hotel with a total capacity of 3,000 rooms in Cotai, Macao. The first phase of the development will consist of 1,500 rooms. The construction work is expected to commence construction in early 2005 and to complete before 2007. We believe this development will enhance our future growth.

Over the last few years, we have streamlined our businesses by disposing non-core businesses and overseas assets. In addition to improving our operating efficiency, we believe such action can provide a clear focus on strategic direction of what we would like to achieve and to invest in the future. Subject to the market conditions, we will continue to dispose the remaining non-core and overseas assets or investments. In addition, going forward we have no intentions to further pursue property development or investment property businesses in countries out of Hong Kong and Greater China.

OBJECTIVES FOR THE FINANCIAL YEAR 2005

Here are the objectives that we aim to achieve in the financial year 2005

- To ensure the construction work of our property development projects completed on schedule and be available for sale as planned.
- To seek for new investment opportunities of townhouses and low-rise condominiums in China.
- To improve and maximize our operating efficiency through disposing non-core and overseas assets.
- To strengthen our balance sheet management and to enhance our shareholders' returns.
- To build and retain a strong professional management team.
- To further improve our corporate governance.
- To further strengthen our relations with the investment community, the media and the community.

David Chiu

Deputy Chairman and Chief Executive Officer

15th July 2004

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT



EXECUTIVE DIRECTORS

Mr. Deacon Te Ken CHIU, J.P. *(Chairman)*

Mr. Chiu, aged 79, is the founder of the Far East Group. He has been the Chairman of Far East Consortium Limited, the predecessor of the Company, since 1972. He is now the Chairman of the Company, Far East Technology International Limited and Far East Hotels and Entertainment Limited. He has more than 50 years of business experience in financial and property investment and development, operation of entertainment; broadcast and tourism related business and hotel and industrial ownership and management. Mr. Chiu was a member of the Chinese People's Political and Consultative Conference. He is the founder of Yan Chai Hospital which was opened in 1973 and the founder and the Chairman of Ju Ching Chu Secondary School since 1966. In addition, he is the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce and the Vice-Patron of the Community Chest. Mr. Chiu is the husband of Madam Ching Lan Ju Chiu, the father of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

Y. Bhg Dato' David CHIU, B.Sc.

(Deputy Chairman & Chief Executive Officer)

Dato' Chiu, aged 50, joined the Group in 1973. He had been the Managing Director of Far East Consortium Limited, the predecessor of the Company, since 1978 and was appointed Deputy Chairman and Chief Executive Officer of the Company on 8th December, 1994 and 8th October, 1997 respectively. He is also a Director of Far East Technology International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited and Chinasoft International Limited. He holds a double degree of Bachelor of Science in Business Administration and Economics at Sophia University, Japan.

Dato' Chiu is the Vice-Chairman and a substantial shareholder of Malaysia Land Holdings Berhad, Malaysia. He is also the Chairman of Tokai Kanko Ltd., which is listed on the Tokyo Stock Exchange. Presently, Dato' Chiu is a member of the Guangxi Chinese People's Political and Consultative Conference in China and the Honorary Chairman of the Food, Biscuit and Beverage Association in Hong Kong. He has also been conferred an honorary award in Malaysia which carries the title "Dato" by His Majesty, the King of Malaysia, in July 1997. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Craig Grenfell WILLIAMS, B.ENG. (CIVIL)

Mr. Williams, aged 52, was appointed as a Director of the Company in 2000. He is responsible for all property development in Australia. He resides in Melbourne, Australia. He holds a degree of Bachelor of Civil Engineering from Melbourne University and before joining the Australian operations, was a Director of all development companies within Australia's largest property developer, the Lend Lease Group. Mr. Williams has extensive experience in all facets of property development and is the President of the St. Kilda Road Campaign Inc.

Mr. Dennis CHIU, B.A.

Mr. Chiu, aged 45, joined Far East Consortium Limited, the predecessor of the Company, in 1978. He is now an Executive Director of the Company and also a Director of Far East Technology International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc and is actively involved in the business development in China, Singapore and Malaysia. Mr. Chiu is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Daniel Tat Jung Chiu.

NON-EXECUTIVE DIRECTORS

Madam Ching Lan JU CHIU, J.P.

Madam Chiu, aged 65, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. She is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. Since 1975, she is the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was Lady Chairman of Yan Chai Hospital for 1977/78. Madam Chiu is the founder and Honorary Chairman of New Territories Women's and Juveniles Welfare Association. She is a committee member and Supervisor of Ju Ching Chu Secondary School and the Chairman of Kowloon Women's Welfare Club. She is the member of Shanghai Standing Committee Chinese People's Political Consultative Conference since 1982. Since 1997, she is also the Honorary Vice-President of Hong Kong Federation of Women. She is the wife of Mr. Deacon Te Ken Chiu, the mother of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Dick Tat Sang CHIU, M.A.

Mr. Chiu, aged 53, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. He is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

Mr. Daniel Tat Jung CHIU

Mr. Chiu, aged 43, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1984. He is now a Non-executive Director of the Company and Far East Technology International Limited. He was appointed as Vice-Chairman (Non-executive) of Far East Hotels and Entertainment Limited in 1999. He is the major shareholder and Vice-Chairman of London-listing Fortune Oil Plc and has extensive experience in China trade, petroleum trading and infrastructures investment and also takes an active part in several kinds of projects in Hong Kong and China. Mr. Chiu is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Dennis Chiu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Datuk Kee Leong CHEE

Datuk Chee, aged 62, was appointed as an Independent Non-executive Director of the Company in 1997. He has been appointed as Chairman, Managing Director and Director of various companies in Malaysia, Singapore and Hong Kong. He is currently the Director of CCL Management Services Limited, Patmi Investments Limited, China Cashmere Trading Limited, Paciasia Sdn Bhd, Chewen Holding Sdn Bhd and Pakar Hydro Sdn Bhd.

Mr. David Kwok Kwei LO

Mr. Lo, aged 45, holds the degrees of bachelor of laws and bachelor of jurisprudence from University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practising as a solicitor in Hong Kong for over 13 years and is a partner in David Lo & Partners. He joined the Board of Directors of the Company in 2000.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jian Yin Jiang

Mr. Jiang, age 75, was appointed as an independent non-executive director of the Company in July 2004. Mr. Jiang graduated from the Law Faculty of Shanghai Zhengdan University (上海震旦大學法學院). He is a professor and was experienced in supervisory management. He was the secretary and principal of various colleges and universities. He is currently a committee member and vice president of Shanghai Fuktao Natural Disaster Prevention Foundation (上海福島自然災害減災基金會).

SENIOR MANAGEMENT

Mr. Denny Chi Hing CHAN

Mr. Chan, aged 41, was promoted as the Group Chief Operating Officer, Hong Kong in March, 2004. He is responsible for the Hong Kong based activities with emphasis on the commercial management, hotel and property development and investment and project development. He is also responsible for the industrial and infrastructure business in the PRC. He joined the Company in 1990 as the Group Chief Accountant and promoted as the Group Financial Controller in 2002. From 1990 to 2003, he was responsible for the Group's financial, treasury and accounting functions. He has extensive experience in accounting and auditing of Hong Kong listed companies. He is Director of various subsidiaries of the Group. He was also appointed as an alternative Director of Far East Hotels and Entertainment Limited to Mr. Deacon Te Ken Chiu, the founder of the Far East Group, on 17th May, 2003.

Before joining the Group, he was an audit manager of a big four international accounting firm with over ten years of audit experience.

Mr. Bill Kwai Pui MOK, M.B.A., A.I.C.P.A., H.K.S.A.

Mr. Mok, aged 43, joined the Group on 1st April, 2004 as the Chief Financial Officer. He is responsible for the overall finance and accounting functions of the Group. Mr. Mok holds a BA degree in Accounting from the University of Washington and an MBA degree from the Seattle University in the United States. He began his career in public accounting in the United States. After returning to Hong Kong in 1988, he continued his professional career with a big four international accounting firm, where he worked for five years before moving to commercial field.

Prior to joining the Group, Mr. Mok spent over six years in the investment industry where he held senior positions at major investment banks from the United States and Europe. Mr. Mok has extensive experience in investment and finance activities in Hong Kong and China.

FIVE-YEAR FINANCIAL SUMMARY



	For the year ended 31st March,				2004
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)	
RESULTS					
Turnover	621,675	510,353	691,590	796,057	819,859
Profit (loss) before taxation	58,627	57,117	(207,915)	(116,547)	205,212
Taxation	(24,758)	(12,403)	(4,343)	(17,809)	(53,219)
Profit (loss) before minority interests	33,869	44,714	(212,258)	(134,356)	151,993
Minority interests	(125)	3,198	8,128	10,154	(2,983)
Net profit (loss) for the year	33,744	47,912	(204,130)	(124,202)	149,010
Earnings (loss) per share	4 cents	5 cents	(21 cents)	(13 cents)	14 cents

	For the year ended 31st March,				2004
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)	
ASSETS AND LIABILITIES					
Total assets	3,898,844	4,192,066	4,318,107	4,753,071	4,938,287
Total liabilities	(1,372,171)	(1,713,388)	(1,856,739)	(2,394,821)	(2,206,434)
Minority interests	(71,445)	(65,821)	(64,984)	(60,298)	(8,839)
Shareholders' funds	2,455,228	2,412,857	2,396,384	2,297,952	2,723,014

Note: The above financial summary prior to 2003 has not been adjusted to take into account the effect on the adoption of SSAP 12 (Revised) "Income taxes" issued by HKSA as the directors considered that it is not practicable to do so.

FINANCIAL AND OPERATING REVIEW



CORPORATE RESULTS

Turnover for the financial year ended 31st March, 2004 was HK\$819 million against of HK\$796 million for the financial year 2003. Profit before taxation was HK\$205 million as compared to loss before taxation of HK\$117 million for the financial year 2003. Profit attributable to shareholders was HK\$149 million as compared to loss of HK\$124 million for the financial year 2003. The results were encouraging and were mainly attributable to the success of our key property development project, California Garden, in Shanghai and our efforts in streamlining our operations through the disposals of non-core businesses and group reorganization over the previous years.

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\$1,667 million as at 31st March, 2004 (2003: HK\$1,594 million), in which HK\$462 million was payable within one year and HK\$1,205 million was payable after one year. HK\$1,435 million of the borrowings was secured while the remaining HK\$232 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.

Zero Coupon Bonds

As announced in the announcement dated 11th March, 2004, the Company entered into the Subscription Agreement with Deutsche Bank on 10th March, 2004 whereby Deutsche Bank agreed to subscribe for the Firm Bonds to be issued at par by the Company in an initial aggregate principal amount of US\$60,000,000 (approximately HK\$467,538,000). In addition, the Company has granted to Deutsche Bank an option to require the Company to issue the Optional Bonds up to a further aggregate principal amount of US\$6,989,000 (approximately HK\$54,460,000) at par.

FINANCIAL AND OPERATING REVIEW

Due to the strong market demand, the Firm Bonds were fully subscribed and on 13th April 2004, Deutsche Bank exercised the option to require the Company to issue the Optional Bonds in the aggregate principal amount of US\$6,989,000 (approximately HK\$54,460,000) at par.

Contingencies and commitments

Contingencies

For the year ended 31st March, 2004, the Group has given guarantee in respect of mortgage loans provided to the home buyers of a property in the PRC. At 31st March, 2004, the total amount of mortgages outstanding which are subject to these guarantees was HK\$36 million (2003: HK\$28 million).

Commitments

At the balance sheet date, the Group had capital commitments contracted but not provided for property development projects of approximately HK\$561 million (2003: HK\$507 million) and the capital commitments authorised but not contracted for property development projects, hotel refurbishment and upgrade and jointly controlled property development project of approximately HK\$346 million (2003: HK\$160 million).

Gearing ratio

The gearing ratio (total bank and other borrowings to shareholders' equity) for 31st March, 2004 was 61% (2003: 69%).

Current ratio

The current ratio as at 31st March, 2004 was 1.40 (2003: 1.30). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rate fluctuations during the year.

FINANCIAL AND OPERATING REVIEW

Pledge of assets

As at 31st March 2004, the Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,603 million (2003: HK\$2,204 million) HK\$5 million (2003: HK\$19 million) and HK\$2 million (2003: HK\$1 million) respectively, together with 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\$2,021 million and HK\$5 million (2003: HK\$1,987 million and HK\$5 million) respectively.

The group's listed investment of approximately HK\$38 million (2003: HK\$20 million) 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\$8 million (2003: HK\$8 million), of which HK\$2 million (2003: HK\$5 million) were utilised.

Material acquisitions and disposals of subsidiaries and associated companies

On 24 December 2003, the Directors jointly announced with the board of directors of Far East Technology International Limited ("FET") that the Sale and Purchase Agreement was entered into between, inter alia, Smartland Assets Limited ("Smartland"), the Company and FET and Mr. Dennis Chiu on 22 December, 2003 whereby FET and Mr. Dennis Chiu have conditionally agreed to sell to Smartland and Smartland has conditionally agreed to purchase the Tang City Properties Limited ("TCPL") Shares, which represents 100% of the issued share capital of TCPL for a total consideration of SGD1 (equivalent to approximately HK\$4.50) in cash and in kind by procuring the Refinancing of SGD24 million (equivalent to approximately HK\$112.5 million) by way of term loan.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the year.

REVIEW OF OPERATION, OUTLOOK AND STRATEGY

1. Property Development 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.

FINANCIAL AND OPERATING REVIEW

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 was completed in late 2003 and the occupancy permit has been obtained. The sale was launched at the first quarter of 2004.

Art Del Sol, Sai Kung – a proposed development of 24 houses with a total gross floor area of approximately 53,000 sq.ft. Building work on phase 1 has completed and the group has recently been issued the certificate of compliance. The pre-sales were launched in the last quarter of 2003. Development for other phases will depend on government approval therefor.

Terra Nova, 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 104 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. The construction work is scheduled to commence by the beginning of 2005.

Fung Lok Wai, Yuen Long – This is a joint venture project with Cheung Kong (Holdings) Ltd. 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 year, 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

Regarding our property developments in China, we will continually assess property investment opportunities in major cities of the mainland. The middle class market is our principal focus and townhouses and low-rise condominiums are our primary products.

FINANCIAL AND OPERATING REVIEW

California Garden, 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 8,000 units of a mixture of residential and commercial properties with more than 97% are residential units. Prior to this year, a total of 2,400 units of residential and commercial development have been built with over 99% sold since its first phase of development in the late 90's. For the financial year ended 31st March, 2004, the company has completed 400 units and sold. The balances of approximately 5,200 units are scheduled for completion over the next 4 to 5 years.

New Time Plaza, Guangzhou – during the year, the Group increase its stake of this development from 45% to 50%. It comprises of an auxiliary building 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 expected to commence in late 2004.

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 at the planning stage, the construction is expected to start in late 2004 and is expected to complete by the end of 2006.

Australia

Flinders Wharf, Melbourne – the Group owns 50% of this high-class residential development with 301 units apartments with gross floor area of approximately 54,000 sq.m. It is located opposite to the Melbourne Exhibition and Convention Centre and The Crown Casino. The construction commenced in February 2002 and completed in November 2003. Approximately 90% of the project has been sold as of todote.

Royal Domain Tower, Melbourne – this is a 42 level high rise complex comprised of 137 units luxury residential apartments with gross floor area of approximately 65,000 sq.m. Each of the luxurious standard apartments is costing more than A\$1 million. The project is located along St. Kilda Road in the City overseeing the Melbourne Botanical Gardens. Upon the completion, this will be one of the tallest prestige residential buildings in Melbourne. The construction commenced in early 2003 and with completion expected in late 2005.

2. Hotel Division

In the first quarter of the financial year 2004, our hotel operations were severely affected by the spread of SARS in Hong Kong. In the midst of SARS, our average occupancy had fallen

FINANCIAL AND OPERATING REVIEW

to single digit level. But, as the SARS being controlled and the relaxation of tourist visa approvals for the mainland's travelers under CEPA, we quickly resumed the profitability of our hotel operations. This reflected our ability to capture the opportunity on mainland's visitors and our competitiveness in the 3-star hotel market.

Dorsett Garden Hotel and Dorsett Seaview Hotel, Yau Ma Tei – the Group operates two 3-star hotels in Hong Kong with a total of 368 rooms. The outbreak of SARS 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 2003 and the two hotels continue to provide steady income to the Group.

Dorsett Regency Hotel, Kuala Lumpur – this 320-room 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 hotels in Kuala Lumpur.

Cosmopolitan Hotel, Causeway Bay, – this hotel is scheduled to complete its refurbishment work and commence operation before the end of 2004. The hotel is converted from the "old" New China News Agency Building in Causeway Bay. It is designed to be a 4-star hotel with a total of 455 rooms.

Dorsett Olympia Hotel, Tai Kok Tsui – a 21-storey hotel development with approximately 142 rooms with a gross floor area of 46,000 sq.ft. The construction is expected to complete in late 2004 and is scheduled to open for business in the first quarter of 2005.

Kau U Fong, Central – a hotel development site for approximately 162 rooms in a 34-storey building with a total gross floor area of approximately 63,000 sq.ft. Building plans had been approved by government and the expected completion date for this hotel is scheduled for the financial year 2006.

Dallas Grand Hotel, Dallas, USA – the Group has decided to review the feasibility studies of different development proposals. The group is expected to make a final decision on the hotel in the next twelve months.

3. 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 had completed its renovation by March 2004, maintains at an average of approximately 90% during the year.

DIRECTORS' REPORT



The directors had pleasure in presenting their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are engaged in property development and investment, hotel operations, investment holding, securities trading and manufacture of boiler products.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries, associates and a jointly controlled entity at 31st March, 2004 are set out in notes 49, 50 and 19 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 28.

The directors recommend a final dividend for the year of HK3 cents per share to shareholders whose names appear on the Company's Register of Members on 25th August, 2004 amounting to HK\$35,053,000. The final 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 (i) the approval of the proposed final dividend at the annual general meeting to be held on 25th August, 2004; and (ii) 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 25th August, 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 2nd September, 2004. Dividends warrants or new shares certificates will be posted on or about 28th September, 2004.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 11.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at an aggregate consideration of HK\$139,039,000 partly through acquisition of subsidiary.

Details of these and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$49,172,000 on hotel properties.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

During the year, the Group spent HK\$205,732,000 on properties under development.

Details of these and other movements during the year in the properties under development of the Group are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2004 are set out on pages 90 to 99 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 33 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

BORROWINGS AND INTEREST CAPITALISED

Obligations under finance leases and bank and other borrowings are set out in notes 31 and 32 to the financial statements, respectively.

Interest capitalised by the Group during the year amounted to HK\$14,031,000.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's obligations under finance leases and total bank and other borrowings as at 31st March, 2004 were approximately HK\$218,000 and HK\$1,666,668,000, respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*

Dato' David Chiu, *Deputy Chairman*
and Chief Executive Officer

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

Mr. Steven Ying Wai Kwan,

Managing Director

(retired on 1st March, 2004)

Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Mr. Kohei Ogawa

(resigned on 21st May, 2003)

Independent Non-executive Directors

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

Mr. Jian Yin Jiang

(appointed on 27th July, 2004)

DIRECTORS' REPORT

DIRECTORS (continued)

In accordance with the provisions of the Company's Articles of Association, Dato' David Chiu, Mr. Dennis Chiu, Mr. David Kwok Kwei Lo and Mr. Jian Yin Jiang shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office for each of the non-executive directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2004, the interests of the directors and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance (Chapter 371 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Ordinary shares of HK\$0.1 each of the Company

Name of directors	Number of ordinary shares held			Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Total	
Deacon Te Ken Chiu	9,982,405	109,997,490 (Note i)	119,979,895	10.27%
David Chiu	607,248	298,460,209 (Note ii)	299,067,457	25.60%
Dennis Chiu	8,099	4,969,263 (Note iii)	4,977,362	0.43%
Ching Lan Ju Chiu	1,141,571	–	1,141,571	0.10%
Dick Tat Sang Chiu	794,037	–	794,037	0.07%
Daniel Tat Jung Chiu	37,347	3,877,218 (Note iv)	3,914,565	0.34%

DIRECTORS' INTERESTS IN SHARES (continued)

(a) Ordinary shares of HK\$0.1 each of the Company (continued)

- Note i: These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- Note ii: These shares are held by Sumptuous Assets Limited, a company controlled by Dato' David Chiu and the lending of 70,000,000 shares.
- Note iii: These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- Note iv: These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu, and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Options

The Company's option scheme

The Company adopted a new share option scheme on 28th August, 2002 (the "New Share Option Scheme") and terminated the old share option scheme adopted on 28th September, 2000 (the "Old Scheme") in line with the amended Chapter 17 (Share Option Scheme) of 1st September, 2001 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No options were granted, exercised or lapsed under the Old Scheme during the year.

Pursuant to the New Share Option Scheme, the Company may grant options to any employees, executive or officers, directors (including executive and non-executive directors) of the Company or any of its subsidiaries and any business consultants, agents, financial or legal advisers of the Company or any of its subsidiaries subject to a maximum of 10% of the issued share capital of the Company from time to time. The Company has not granted any options under the New Share Option Scheme.

Details of the Company's option schemes are set out in note 35 to the financial statements.

DIRECTORS' INTERESTS IN SHARES (continued)

(c) Shares in associated corporations

At 31st March, 2004, the interests of the directors in the share capital of the Company's associated corporations were as follows:

Name of directors	Name of associated corporation	Number of ordinary shares held
Deacon Te Ken Chiu	Far East Technology International Limited	24,886,600 (Note i)
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Far East Technology International Limited	28,040,000 (Note ii)
David Chiu	Oi Tak Enterprises Limited	250,000
Dennis Chiu	Far East Technology International Limited	55,510,200 (Note iii)
Daniel Tat Jung Chiu	Far East Technology International Limited	83,400,200 (Note iii & iv)

Note i: Includes 6,110,000 shares held by Madam Ching Lan Ju Chiu, the spouse of Mr. Deacon Te Ken Chiu.

Note ii: Shares held by Rocket High Investments Limited, a company controlled by Dato David Chiu.

Note iii: Includes 30,400,000 shares held by Cape York Investments Limited, a company beneficially owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

Note iv: Includes 42,000,200 shares held by Gorich Holdings Limited, a company controlled by Mr. Daniel Tat Jung Chiu.

Other than disclosed above, none of the directors nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st March, 2004.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected Transactions" below, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT AND SERVICE CONTRACTS OF DIRECTORS

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

CONNECTED TRANSACTION

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, a wholly-owned subsidiary of the Company agreed to acquire the entire interests in Tang City Properties Pte. Ltd. ("TCP") from Far East Technology International Limited at a cash consideration of S\$1, and the Company agreed to procure the refinancing of the banking facilities of S\$25 million (equivalent to approximately HK\$112.5 million) and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million (equivalent to approximately HK\$4.9 million). Subsequent to the balance sheet date, the transaction was completed.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in "Directors' interests in shares" above, in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Number of ordinary share held	Percentage of issued share capital of the Company
J.P. Morgan Chase & Co. ("JPMC")	93,838,908 (<i>Note i</i>)	8.03%
J.P. Morgan Chase Bank ("JPMCB")	42,314,908 (<i>Note i</i>)	3.62%
Deutsche Bank Aktiengesellschaft ("DBA")	93,677,735 (<i>Note ii</i>)	8.01%

Notes:

- (i) According to the notice to the Company from JPMC, as at 31st March, 2004, JPMC had interests of 93,838,908 shares in the Company as an investment manager and 35,676,561 shares held as a lending pool in other capacity. 42,314,908 Shares were held by JPMC's wholly owned subsidiary, JPMCB 51,524,000 shares were held by various subsidiaries of JPMC.

SUBSTANTIAL SHAREHOLDERS (continued)

- (ii) According to the notice to the Company from DBA, as at 31st March 2004, DBA had interest of 93,677,735 Shares in the Company and 56,066,220 shares were held in short position.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short provisions in the issued share capital of the Company at 31st March, 2004.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$676,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

The aggregate turnover attributable to the Group's five largest customers was less than 30% of total turnover.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31st March, 2004 was approximately 1,500.

Employees are remunerated according to nature of jobs and market conditions. The Group has not adopted any training scheme for employees during the year.

Details of retirement benefits schemes are set out in note 48 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

DIRECTORS' REPORT

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

On behalf of the Board

David Chiu

Deputy Chairman and Chief Executive Officer

15th July, 2004

AUDITORS' REPORT



Deloitte.
德勤

TO THE MEMBERS OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 15th July, 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2004



	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	4	819,859	796,057
Cost of sales		(521,842)	(655,948)
Gross profit		298,017	140,109
Other operating income		23,846	10,229
Selling and distribution expenses		(9,900)	(2,554)
Administrative expenses		(129,092)	(137,424)
Other operating expenses		–	(5,147)
Loss on disposal of investment properties		–	(22,590)
Impairment losses reversed (recognised) on properties	6	13,002	(13,602)
Revaluation increase (decrease) on hotel properties		5,369	(5,540)
Loss on disposal of other assets		(1,815)	–
Unrealised holding gain (loss) on investments in securities		3,443	(2,000)
Amortisation of goodwill arising on acquisition of associates		(582)	–
Amortisation of negative goodwill		7,693	–
Profit on disposal of subsidiaries		5,690	890
Profit on deemed disposal of a subsidiary		11,514	–
Gain (loss) on disposal of an associate		36,422	(1,708)
Share of results of associates		(23,687)	(45,050)
Share of results of a jointly controlled entity		(332)	9,583
Finance costs	7	(34,376)	(41,743)
Profit (loss) before taxation	8	205,212	(116,547)
Taxation	10	(53,219)	(17,809)
Profit (loss) before minority interests		151,993	(134,356)
Minority interests		(2,983)	10,154
Profit (loss) for the year		149,010	(124,202)
Dividends	11	58,265	19,703
Earnings (loss) per share – basic	12	14.3 cents	(12.7 cents)

BALANCE SHEETS

At 31st March, 2004



	NOTES	THE GROUP		THE COMPANY	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
Non-current assets					
Investment properties	13	1,064,481	908,651	–	–
Property, plant and equipment	14	1,207,384	1,141,997	–	–
Properties under development	15	539,936	299,311	–	–
Negative goodwill	16	(30,774)	–	–	–
Interests in subsidiaries	17	–	–	2,336,873	2,198,551
Interests in associates	18	154,502	165,980	–	–
Interest in a jointly controlled entity	19	72,530	72,862	–	–
Investments in securities	20	108,321	82,969	–	–
Other assets		–	14,815	–	–
Amounts due from associates	21	126,779	52,776	–	–
Amounts due from investee companies	22	119,995	177,759	–	–
Amount due from a minority shareholder	24	563	563	–	–
Loans receivable	23	304,969	256,403	–	–
Pledged bank deposits		2,945	–	–	–
		<u>3,671,631</u>	<u>3,174,086</u>	<u>2,336,873</u>	<u>2,198,551</u>
Current assets					
Inventories	26	2,024	3,802	–	–
Completed properties for sale – at cost		188,414	160,834	–	–
Properties under development for sale		485,277	1,092,709	–	–
Investments in securities	20	7,511	13,375	–	–
Amounts due from associates	21	20,827	22,632	–	–
Loans receivable	23	651	651	–	–
Debtors, deposits and prepayments	25	409,123	174,578	–	–
Taxation recoverable		8,292	11,175	–	–
Pledged bank deposits		5,539	19,822	–	–
Bank balances and cash		138,998	79,407	433	368
		<u>1,266,656</u>	<u>1,578,985</u>	<u>433</u>	<u>368</u>

BALANCE SHEETS *At 31st March, 2004*



	NOTES	THE GROUP		THE COMPANY	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
Current liabilities					
Creditors and accruals	27	265,732	224,953	10,346	5,525
Customers' deposits received		16,169	345,523	–	–
Amount due to a director	28	11,600	18,372	–	–
Amounts due to related companies	29	29,947	13,467	–	–
Amounts due to associates	30	24,793	25,077	–	–
Taxation payable		74,831	45,687	–	–
Obligations under finance leases	31	200	428	–	–
Bank and other borrowings	32	461,977	520,578	51,560	20,380
		<u>885,249</u>	<u>1,194,085</u>	<u>61,906</u>	<u>25,905</u>
Net current assets (liabilities)		<u>381,407</u>	<u>384,900</u>	<u>(61,473)</u>	<u>(25,537)</u>
		<u>4,053,038</u>	<u>3,558,986</u>	<u>2,275,400</u>	<u>2,173,014</u>
Capital and reserves					
Share capital	33	116,846	98,513	116,846	98,513
Reserves	34	2,606,168	2,199,439	1,981,854	1,835,971
		<u>2,723,014</u>	<u>2,297,952</u>	<u>2,098,700</u>	<u>1,934,484</u>
Minority interests		<u>8,839</u>	<u>60,298</u>	<u>–</u>	<u>–</u>
Non-current liabilities					
Obligations under finance leases	31	18	218	–	–
Bank and other borrowings	32	1,204,691	1,073,501	176,700	238,530
Amount due to a minority shareholder	36	41,020	19,811	–	–
Amount due to a jointly controlled entity	19	7,734	7,734	–	–
Deferred taxation	37	67,722	99,472	–	–
		<u>1,321,185</u>	<u>1,200,736</u>	<u>176,700</u>	<u>238,530</u>
		<u>4,053,038</u>	<u>3,558,986</u>	<u>2,275,400</u>	<u>2,173,014</u>

The financial statements on pages 28 to 89 were approved and authorised for issue by the Board of Directors on 15th July, 2004 and are signed on its behalf by:

Deacon Te Ken Chiu
DIRECTOR

David Chiu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2004

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2002											
- as originally stated	96,775	658,652	253	169,352	275,750	67,816	869,357	(155,821)	(60,605)	474,855	2,396,384
- prior period adjustment (note 2)	-	-	-	-	(74,416)	-	-	-	-	3,288	(71,128)
- as restated	96,775	658,652	253	169,352	201,334	67,816	869,357	(155,821)	(60,605)	478,143	2,325,256
Revaluation increase (decrease)	-	-	-	-	131,664	(98,981)	-	-	(3,930)	-	28,753
Deferred tax liabilities arising on revaluation of properties	-	-	-	-	(35,859)	-	-	-	-	-	(35,859)
Share of movement in associate's reserves	-	-	-	-	-	(9,540)	-	10,029	-	-	489
Exchange difference on translation of overseas operations	-	-	-	-	-	-	-	16,756	-	-	16,756
Net gains (losses) not recognised in the income statement	-	-	-	-	95,805	(108,521)	-	26,785	(3,930)	-	10,139
Shares issued pursuant to scrip dividend scheme	1,738	-	-	-	-	-	-	-	-	-	1,738
Credit arising on scrip dividend	-	5,059	-	-	-	-	-	-	-	-	5,059
Realised on disposal of assets	-	-	-	-	-	96,680	-	-	-	-	96,680
Realised on disposal of a subsidiary	-	-	-	-	-	-	-	2,637	-	-	2,637
Loss for the year	-	-	-	-	-	-	-	-	-	(124,202)	(124,202)
Dividends paid	-	-	-	-	-	-	-	-	-	(19,355)	(19,355)
At 1st April, 2003	98,513	663,711	253	169,352	297,139	55,975	869,357	(126,399)	(64,535)	334,586	2,297,952
Revaluation increase (decrease)	-	-	-	-	13,445	(2,229)	-	-	24,572	-	35,788
Deferred tax liabilities arising on revaluation of properties	-	-	-	-	30,138	-	-	-	-	-	30,138
Share of movement in associate's reserves during the year	-	-	-	-	-	10,750	-	(9,767)	-	-	983
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	33,653	-	-	33,653
Net gains (losses) not recognised in the income statement	-	-	-	-	43,583	8,521	-	23,886	24,572	-	100,562
Shares issued pursuant to scrip dividend scheme	1,833	-	-	-	-	-	-	-	-	-	1,833
Credit arising on scrip dividend	-	23,153	-	-	-	-	-	-	-	-	23,153
Share issued at premium	16,500	181,500	-	-	-	-	-	-	-	-	198,000
Share issued expense	-	(4,581)	-	-	-	-	-	-	-	-	(4,581)
Profit for the year	-	-	-	-	-	-	-	-	-	149,010	149,010
Dividends paid	-	-	-	-	-	-	-	-	-	(42,915)	(42,915)
At 31st March, 2004	116,846	863,783	253	169,352	340,722	64,496	869,357	(102,513)	(39,963)	440,681	2,723,014

The special reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the group reorganisation in 1991.

The other reserve of the Group represented share premium attributable to subsidiaries pursuant to the group reorganisation in 1991.

The retained profits of the Group include HK\$7,256,000 (2003: HK\$30,370,000) retained by associates of the Group and HK\$23,158,000 (2003: HK\$20,586,000) retained by a jointly controlled entities.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004



	NOTES	2004 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		205,212	(116,547)
Adjustments for:			
Share of results of a jointly controlled entity		332	(9,583)
Share of results of associates		23,687	45,050
Depreciation		8,266	11,387
Interest income		(35,288)	(8,370)
Interest expenses		37,918	47,218
Allowance for bad and doubtful debts		1,139	24,707
Revaluation (increase) decrease on hotel properties		(5,369)	5,540
Profit on disposal of subsidiaries		(5,690)	(890)
Profit on deemed disposal of a subsidiary		(11,514)	–
(Gain) loss on disposal of an associate		(36,422)	1,708
Impairment losses (reversed) recognised on properties		(13,002)	13,602
Unrealised holding (gain) loss on investments in securities		(3,443)	2,000
Amortisation of deferred compensation cost		–	58
Amortisation of negative goodwill		(7,693)	–
Loss on disposal of other assets		1,815	–
Amortisation of goodwill arising on acquisition of associates		582	–
Loss (profit) on disposal of property, plant and equipment		3,467	(356)
Loss on disposal of investment properties		–	22,590
Operating cash flows before movements in working capital		163,997	38,114
Increase in completed properties for sale		(27,580)	(117,854)
Decrease in properties under development for sale		574,325	97,251
Increase in debtors, deposits and prepayments		(250,934)	(64,930)
Decrease in investments in securities		9,280	19,509
Decrease in inventories		1,778	3,340
Decrease in amounts due from associates		1,805	(8,943)
Increase in creditors and accruals		56,107	8,093
(Decrease) increase in customers' deposits received		(329,354)	69,566
Increase in amounts due to related companies		16,480	1,201
(Decrease) increase in amounts due to associates		(284)	980
Increase in amount due to a jointly controlled entity		–	528
Effect on foreign exchange		(18,373)	1,147
Cash generated from operations		197,247	48,002
Hong Kong Profits Tax paid		(18,960)	(12,068)
Tax paid for other jurisdictions		(6,930)	(9,561)
Tax refund		2,380	68
NET CASH FROM OPERATING ACTIVITIES		173,737	26,441
INVESTING ACTIVITIES			
Interest received		185	8,370
Dividends received from associates		3,750	5,314
Proceeds from disposal of subsidiaries, net of cash and cash equivalent disposed of	40	22,444	34,787
Proceeds from disposal of an associate		20,692	125
Proceeds from disposal of investment in securities		27	–
Proceeds from disposal of investment properties		–	23,146

CONSOLIDATED CASH FLOW STATEMENT *For the year ended 31st March, 2004*



	NOTES	2004 HK\$'000	2003 HK\$'000
Proceeds from disposal of other assets		13,000	–
Proceeds from disposal of property, plant and equipment		1,106	604
Purchase of properties, plant and equipment		(50,984)	(265,980)
Purchase of properties under development		(191,701)	(96,253)
Purchase of investment properties		(16,244)	(9,950)
Purchase of subsidiaries, net of cash and cash equivalents acquired	39	(152)	–
Proceeds from disposal of investment in securities		–	5
Additions in investment in securities		(780)	–
(Advance of) repayment from loans receivable		(13,463)	2,700
Advance to investee companies		–	(49)
(Advance to) repayment from associates		(16,239)	9,824
Decrease (increase) in pledged bank deposits		3,807	(6,407)
NET CASH USED IN INVESTING ACTIVITIES		(224,552)	(293,764)
FINANCING ACTIVITIES			
Interest paid		(47,170)	(49,741)
Dividends paid		(17,929)	(12,558)
Dividends paid to minority shareholders		–	(3,895)
New bank and other loans raised		501,476	730,099
Repayments of bank and other loans		(541,788)	(345,756)
Repayments of obligations under finance leases		(428)	(501)
Repayment to a director		(6,772)	(12,486)
Proceeds from issue of shares, net of issue expenses		193,419	–
Acquisition of additional interest in subsidiaries from minority shareholders		(4,869)	–
Costs paid in connection with the acquisition of additional interest in subsidiaries		(388)	–
Contribution from minority shareholders		15,991	–
Advance from minority shareholders		21,209	–
NET CASH FROM FINANCING		112,751	305,162
INCREASE IN CASH AND EQUIVALENTS		61,936	37,839
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		55,166	15,665
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,324	1,662
CASH AND CASH EQUIVALENTS CARRIED FORWARD		119,426	55,166
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		138,998	79,407
Bank overdrafts		(19,572)	(24,241)
		119,426	55,166

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004



1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are property investment and development, investment holding, securities trading, hotel operations, manufacture of boiler products and loan financing.

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice No. 12 "Income taxes" ("SSAP (Revised)") issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 amounts 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 accounting policy, the Group's retained profits has been increased by HK\$3,288,000 and the Group's asset revaluation reserve has been decreased by HK\$74,416,000, respectively, at 1st April, 2002. The change has resulted in an increase in the Group's profit for year of HK\$1,612,000 (2003: HK\$7,515,000) and an increase in the Group's asset revaluation reserve of HK\$30,138,000 (2003: a decrease of HK\$35,859,000) for the year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisition on or after 1st April, 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciated assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates in so far as it has not already been amortised, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments in jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties under development held for long term purposes

Properties under development held for long term purposes are classified as non-current assets and are stated at cost less any impairment loss recognised. Cost comprises land costs and development costs including attributable interest and professional charges capitalised during the development period.

No depreciation is provided in respect of properties under development held for long term purposes.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and any identified impairment loss.

No depreciation is provided in respect of land held on freehold.

Depreciation is provided to write off the cost of the asset over their estimated useful lives from the date on which they become fully operational using the straight-line method, at the following rates per annum:

Land in Hong Kong	Over unexpired lease term
Buildings on land held under:	
Long lease	2%
Freehold	2%
Medium-term lease	Shorter of lease terms or 50 years
Motor vessels	20%
Motor vehicles	20%
Plant and machinery	10 – 20%
Furniture, fixtures and equipment	10 – 20%



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Hotel property comprises interests in land and buildings and its integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values on the basis of ongoing periodic professional valuations. Any increase arising on revaluation of hotel property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case, this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of hotel property is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus is transferred to retained profits. Depreciation is provided to write off the valuation of hotel properties over the lease term.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sale proceeds less estimated selling expenses.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

When the property under development is sold in advance of completion, profit is recognised and calculated on a percentage of completion basis when the construction has progressed beyond the preliminary stage of development. The percentage used is based on the proportion of construction cost incurred up to the balance sheet date to estimated total construction costs.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments in securities (*continued*)

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Other assets

Other assets represent club memberships and are stated at cost less any identified impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Revenue recognition

When property under development is sold in advance of completion, profit is recognised and calculated on a percentage of completion basis and when construction has progressed beyond the preliminary stages of development. The percentage used is based on the proportion of construction costs incurred at the balance sheet date to estimated total construction costs. Profit recognised on this basis is limited to the amount of sales deposits received unless the economic benefits associated with the transaction will flow to the Group.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue arising from hotel operations is recognised when the relevant services are provided.

Rental income arising from properties is recognised on a straight-line basis over the periods of the respective tenancies.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Management fee income is recognised when the relevant services are provided.



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Mandatory Provident Fund Scheme and other retirement benefit scheme.

4. TURNOVER

Turnover represents the aggregate amount of gross rental and management fee income, proceeds from sale of properties and securities, loan interest income and commitment fees, income from hotel operations, and sales of boiler products, less returns and discounts, during the year as follows:

	2004 HK\$'000	2003 HK\$'000
Sale of properties	653,388	612,659
Rental income and management fee income	59,782	74,365
Hotel operations	36,095	42,076
Sale of securities	10,805	40,257
Sale of boiler products	24,686	26,700
Loan interest income and commitment fees	35,103	–
	<u>819,859</u>	<u>796,057</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Property development and investment	–	properties development, letting and sale
Hotel operations	–	hotel operation and management
Securities investment	–	investment and trading in securities
Industrial	–	manufacturing and sale of boiler products
Treasury	–	loan financing

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Segment information about these businesses is presented below:

2004

	Property development and investment HK\$'000	Hotel operations HK\$'000	Securities investment HK\$'000	Industrial HK\$'000	Treasury HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	713,170	36,095	10,805	24,686	35,103	-	-	819,859
Inter-segment sales	30,887	-	-	-	-	-	(30,887)	-
Total turnover	<u>744,057</u>	<u>36,095</u>	<u>10,805</u>	<u>24,686</u>	<u>35,103</u>	<u>-</u>	<u>(30,887)</u>	<u>819,859</u>
Inter-segment sales are charged at prevailing market rates.								
RESULT								
Segment results	<u>166,491</u>	<u>(4,910)</u>	<u>(18,195)</u>	<u>(3,333)</u>	<u>30,786</u>	<u>(3,002)</u>	<u>-</u>	<u>167,837</u>
Other operating income	20,791	719	376	553	(2,771)	4,178	-	23,846
Impairment losses reversed on properties	13,002	-	-	-	-	-	-	13,002
Loss on disposal of other assets								(1,815)
Amortisation of goodwill arising on acquisition of associates								(582)
Amortisation of negative goodwill								7,693
Profit on disposal of subsidiaries	5,690	-	-	-	-	-	-	5,690
Profit on deemed disposal of a subsidiary	11,514	-	-	-	-	-	-	11,514
Gain on disposal of an associate								36,422
Share of results of associates								(23,687)
Share of results of a jointly controlled entity								(332)
Finance costs								(34,376)
Profit before taxation								205,212
Taxation								(53,219)
Profit before minority interest								<u>151,993</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

2004 *(continued)*

	Property development and investment HK\$'000	Hotel operations HK\$'000	Securities investment HK\$'000	Industrial HK\$'000	Treasury HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
BALANCE SHEET							
ASSETS							
Segment assets	3,217,920	886,121	43,312	22,262	321,008	205,661	4,696,284
Interests in associates							154,502
Interest in a jointly controlled entity							72,530
Taxation recoverable							8,292
Unallocated corporate assets							6,679
Consolidated total assets							<u>4,938,287</u>
LIABILITIES							
Segment liabilities	263,058	28,956	2,423	26,405	21,539	857	343,238
Borrowings							1,666,886
Taxation payable							74,831
Deferred taxation							67,722
Unallocated corporate liabilities							53,757
Consolidated total liabilities							<u>2,206,434</u>
OTHER INFORMATION							
Capital additions	296,415	98,778	-	500	-	74	395,767
Depreciation and amortisation	4,315	3,340	-	558	-	53	8,266
Revaluation increase on hotel properties	-	18,814	-	-	-	-	<u>18,814</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2003

	Property development and investment HK\$'000	Hotel operations HK\$'000	Securities investment HK\$'000	Industrial HK\$'000	Treasury HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	687,024	42,076	40,257	26,700	-	-	-	796,057
Inter-segment sales	27,560	-	-	-	-	-	(27,560)	-
Total turnover	<u>714,584</u>	<u>42,076</u>	<u>40,257</u>	<u>26,700</u>	<u>-</u>	<u>-</u>	<u>(27,560)</u>	<u>796,057</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	<u>21,880</u>	<u>1,771</u>	<u>(2,168)</u>	<u>(3,881)</u>	<u>(20,091)</u>	<u>(6,264)</u>	<u>-</u>	<u>(8,753)</u>
Other operating income	2,732	1,438	486	2,166	(1,661)	5,068	-	10,229
Unallocated corporate expenses								(3,803)
Loss on disposal of investment properties	(22,590)	-	-	-	-	-	-	(22,590)
Impairment losses recognised on properties	(13,602)	-	-	-	-	-	-	(13,602)
Profit on disposal of a subsidiary	890	-	-	-	-	-	-	890
Loss on disposal of an associate								(1,708)
Share of results of associates								(45,050)
Share of results of a jointly controlled entity								9,583
Finance costs								<u>(41,743)</u>
Loss before taxation								(116,547)
Taxation								<u>(17,809)</u>
Loss before minority interest								<u>(134,356)</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

2003 *(continued)*

	Property development and investment HK\$'000	Hotel operations HK\$'000	Securities investment HK\$'000	Industrial HK\$'000	Treasury HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
BALANCE SHEET							
ASSETS							
Segment assets	3,580,606	399,809	46,168	26,194	247,555	194,167	4,494,499
Interests in associates							165,980
Interest in a jointly controlled entity							72,862
Taxation recoverable							11,175
Unallocated corporate assets							8,555
Consolidated total assets							<u>4,753,071</u>
LIABILITIES							
Segment liabilities	538,653	19,392	5,345	26,786	14,560	1,182	605,918
Borrowings							1,594,725
Taxation payable							45,687
Deferred taxation							99,472
Unallocated corporate liabilities							49,019
Consolidated total liabilities							<u>2,394,821</u>
OTHER INFORMATION							
Capital additions	115,262	257,170	–	155	–	234	372,821
Depreciation and amortisation	8,519	1,879	–	953	–	36	11,387
Revaluation decrease on hotel properties	–	(5,540)	–	–	–	–	<u>(5,540)</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

A geographical analysis of the Group's turnover by location of market is as follows:

	2004 HK\$'000	2003 HK\$'000
Other regions in the People's Republic of China ("PRC")	370,743	156,305
Australia	244,835	355,198
Hong Kong	158,101	154,876
Malaysia	39,249	123,954
Singapore	6,929	5,722
Others	2	2
	<u>819,859</u>	<u>796,057</u>

The following is an analysis of the carrying amount of segment assets and capital additions by geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,548,238	2,179,152	122,822	328,578
Malaysia	693,404	1,281,967	393	3,299
PRC	706,074	500,063	25,024	836
Australia	421,478	353,923	124,711	39,744
United States of America ("USA")	236,900	235,768	–	–
Singapore	248,232	128,309	122,817	88
Others	83,961	73,889	–	276
	<u>4,938,287</u>	<u>4,753,071</u>	<u>395,767</u>	<u>372,821</u>

6. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON PROPERTIES

	2004 HK\$'000	2003 HK\$'000
Impairment loss reversed (recognised) on:		
Property, plant and equipment	13,002	(13,002)
Properties under development	—	(600)
	<u>13,002</u>	<u>(13,602)</u>

During the year, the directors conducted a review of the Group's property, plant and equipment and determined that the estimated recoverable amount of a leasehold property in the PRC calculated based on discounting the estimated future cash flows at 6.5% per annum, exceeds its carrying amount. Accordingly, impairment loss of HK\$13,002,000 made in prior year in respect of that leasehold property, has been reversed to income statement.

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	32,374	34,066
– not wholly repayable within five years	10,485	5,999
Other loans wholly repayable within five years	8,114	12,978
Finance leases	23	24
Others	953	1,545
	<u>51,949</u>	<u>54,612</u>
Total borrowing costs	51,949	54,612
Less: Amounts capitalised in properties under development	(14,031)	(7,394)
	<u>37,918</u>	<u>47,218</u>
Analysed into:		
Amount included in cost of sales	3,542	5,475
Amount included in finance costs	34,376	41,743
	<u>37,918</u>	<u>47,128</u>

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 2% (2003: 4%) to expenditure on qualifying assets.

8. PROFIT (LOSS) BEFORE TAXATION

	2004 HK\$'000	2003 HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	1,139	24,707
Auditors' remuneration	2,911	3,150
Cost of completed properties for sale recognised as an expense	448,864	391,955
Depreciation:		
Owned assets	7,961	11,082
Assets held under finance leases	305	305
Directors' remuneration and other staff costs	40,318	37,312
Loss on disposal of property, plant and equipment	3,467	–
Operating lease rentals in respect of motor vehicles	217	217
and after crediting:		
Dividend income from listed investment	376	161
Gain on disposal of property, plant and equipment	–	356
Interest income	35,288	8,370
Net foreign exchange gains	9,472	3,029
Rental income, net of outgoings of HK\$21,327,000 (2003: HK\$23,817,000)	29,705	44,658

9. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' emoluments:		
Fees	273	275
Other emoluments:		
Salaries and other benefits	9,884	6,251
Retirement benefits scheme contributions	35	36
	10,192	6,562

The amounts disclosed above include directors' fees of HK\$50,000 (2003: HK\$50,000) payable to independent non-executive directors.



9. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS (*continued*)

The emoluments of the directors were within the following bands:

	2004 No. of directors	2003 No. of directors
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	–

Of the five individuals with the highest emoluments in the Group, five (2003: four) were directors whose emoluments are included in the disclosures above. The emoluments of the five individuals in aggregate were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	10,007	7,072
Retirement benefits scheme contributions	35	48
	<u>10,042</u>	<u>7,120</u>

Their emoluments were within the following bands:

	2004 No. of employees	2003 No. of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	–



10. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
The charges (credit) comprise:		
Current year:		
Hong Kong	3,594	411
Other regions in the PRC	48,438	2,426
Other jurisdictions	413	2,482
	<u>52,445</u>	<u>5,319</u>
Prior years:		
Hong Kong	2,155	15,680
Other regions in the PRC	–	4,183
Other jurisdictions	59	594
	<u>2,214</u>	<u>20,457</u>
Deferred taxation	<u>(1,612)</u>	<u>(7,515)</u>
Taxation attributable to the Company and its subsidiaries	53,047	18,261
Share of taxation attributable to associates	<u>172</u>	<u>(452)</u>
	<u>53,219</u>	<u>17,809</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. Taxation arising in other regions in the PRC or other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. TAXATION (continued)

The taxation charge for the year can be reconciled to before taxation per the income statement as follows:

	Hong Kong HK\$'000	PRC HK\$'000	Malaysia HK\$'000	Australia HK\$'000	Others HK\$'000	Total HK\$'000
2004						
Profit (loss) before taxation	<u>42,981</u>	<u>175,307</u>	<u>(27,066)</u>	<u>26,083</u>	<u>(12,093)</u>	<u>205,212</u>
Application tax rate	17.5%	33%	28%	30%	29%	
Tax effect at the domestic income tax rate	7,522	57,851	(7,578)	7,825	(4,599)	61,021
Tax effect of expenses not deductible for tax purpose	1,506	1,884	4,862	840	362	9,454
Tax effect of income not taxable for tax purpose	(11,389)	(8,630)	(5,690)	(4,170)	(671)	(30,550)
Tax effect of tax losses not recognised	6,575	692	3	439	1	7,710
Utilisation of tax loss not previously recognised	(2,537)	-	(548)	(4,937)	-	(8,022)
Tax effect of share of result of an associate	(2,215)	-	-	-	-	(2,215)
Under(over) provision in respect of prior year	2,155	-	-	-	59	2,214
Effect of difference tax rates of subsidiaries operating in other jurisdictions	-	511	5,790	-	(40)	6,261
Effect of change in tax rate	(166)	-	-	-	-	(166)
Others	<u>2,473</u>	<u>(3,870)</u>	<u>3,546</u>	<u>294</u>	<u>5,069</u>	<u>7,512</u>
Taxation charge for the year	<u>3,924</u>	<u>48,438</u>	<u>385</u>	<u>291</u>	<u>181</u>	<u>53,219</u>

10. TAXATION (continued)

	Hong Kong HK\$'000	PRC HK\$'000	Malaysia HK\$'000	Australia HK\$'000	Others HK\$'000	Total HK\$'000
2003						
Profit (loss) before taxation	<u>(137,482)</u>	<u>11,018</u>	<u>(414)</u>	<u>12,210</u>	<u>(1,879)</u>	<u>(116,547)</u>
Application tax rate	16%	33%	28%	30%	29%	
Tax effect at the domestic income tax rate	(21,997)	3,636	(116)	3,663	(478)	(15,292)
Tax effect of expenses not deductible for tax purpose	6,147	9,722	2,813	29,438	1,286	49,406
Tax effect of income not taxable for tax purpose	(3,165)	(16,463)	(703)	(34,569)	(661)	(55,561)
Tax effect of tax losses not recognised	8,002	11	34	–	1	8,048
Utilisation of tax loss not previously recognised	(2,136)	–	(735)	–	(5,096)	(7,967)
Tax effect of share of result of an associate	6,596	–	–	–	–	6,596
Under(over) provision in respect of prior year	15,680	4,183	–	–	594	20,457
Income tax on concessionary rate	–	–	–	–	(66)	(66)
Others	<u>4,746</u>	<u>5,520</u>	<u>182</u>	<u>1,740</u>	<u>–</u>	<u>12,188</u>
Taxation charge for the year	<u>13,873</u>	<u>6,609</u>	<u>1,475</u>	<u>272</u>	<u>(4,420)</u>	<u>17,809</u>

Details of the deferred taxation are set out in note 37.



11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Dividend paid:		
Final dividend in respect of 2003 – HK2 cents (2002: HK2 cents):		
Cash	8,471	12,558
Share alternative under scrip dividend scheme	11,232	6,797
	<u>19,703</u>	<u>19,355</u>
Interim dividend in respect of 2004 – HK2 cents (2003: Nil):		
Cash	9,458	–
Share alternative under scrip dividend scheme	13,754	–
	<u>23,212</u>	<u>–</u>
	<u>42,915</u>	<u>19,355</u>

The final dividend in respect of 2004 of HK3 cents (2003: HK2 cents) per share, amounting to HK\$35,053,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year of HK\$149,010,000 (2003: loss of HK\$124,202,000) and on the weighted average number of 1,043,767,000 (2003: 976,466,000) ordinary shares in issue during the year.

13. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st April, 2003	908,651
Exchange adjustments	11,553
Acquisition of subsidiaries	122,795
Additions	16,244
Transfer from property, plant and machinery	7,467
Revaluation decrease	(2,229)
At 31st March, 2004	<u>1,064,481</u>



13. INVESTMENT PROPERTIES *(continued)*

The carrying amount of investment properties comprises:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Land in Hong Kong:		
Long lease	410,360	385,750
Medium-term lease	394,903	374,263
Land outside Hong Kong:		
Freehold	33,228	40,593
Long lease	225,990	108,045
	<u>1,064,481</u>	<u>908,651</u>

All of the Group's investment properties are rented out under operating leases.

The investment properties in Hong Kong were revalued at 31st March, 2004 by DTZ Debenham Tie Leung Limited, independent professional valuers, on an open market basis. The investment properties in Malaysia were revalued at 31st March, 2004 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional valuer, on an open market value basis. The investment properties in Singapore were revalued by the directors on 31st March, 2004 based on professional valuations by Jone LaSalle Property Consultants Pte Ltd., on an open market basis, on 19th December, 2003, 26th February, 2004 and 31st March, 2004. The resulting revaluation decrease of HK\$2,229,000 has been debited to the investment properties revaluation reserve.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Hotel properties HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP				
COST OR VALUATION				
At 1st April, 2003	90,487	1,043,716	67,323	1,201,526
Exchange adjustments	704	2,140	819	3,663
On acquisition of subsidiaries	–	–	12	12
Additions	164	49,172	1,648	50,984
Transfer to investment properties	–	–	(7,467)	(7,467)
Disposal of subsidiaries	–	–	(20)	(20)
Disposals	(3,217)	–	(5,245)	(8,462)
Revaluation increase	–	16,193	–	16,193
At 31st March, 2004	88,138	1,111,221	57,070	1,256,429
Comprising:				
At cost	88,138	–	57,070	145,208
At valuation – 2004	–	1,111,221	–	1,111,221
	88,138	1,111,221	57,070	1,256,429
DEPRECIATION AND IMPAIRMENT LOSS				
At 1st April, 2003	19,301	–	40,228	59,529
Exchange adjustments	187	–	575	762
Provided for the year	2,261	2,621	3,384	8,266
Eliminated on disposals	(217)	–	(3,672)	(3,889)
Eliminated on revaluation	–	(2,621)	–	(2,621)
Reversal of impairment loss	(13,002)	–	–	(13,002)
At 31st March, 2004	8,530	–	40,515	49,045
NET BOOK VALUES				
At 31st March, 2004	79,608	1,111,221	16,555	1,207,384
At 31st March, 2003	71,186	1,043,716	27,095	1,141,997

The hotel properties in Hong Kong and USA were revalued at 31st March, 2004 by DTZ Debenham Tie Leung Limited and Lawson David & Sung Surveyors Limited, independent professional valuers, on an open market basis. The hotel property in Malaysia was revalued at 31st March, 2004 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional valuer, on an open market value basis. The resulting revaluation increase amounted to HK\$18,814,000, of which HK\$13,445,000 has been credited to the assets revaluation reserve and the remaining amount of HK\$5,369,000 has been credited to the income statement.



14. PROPERTY, PLANT AND EQUIPMENT (*continued*)

The net book value of properties shown above comprises:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Land in Hong Kong:		
Long lease	13,834	13,879
Medium-term lease	585,000	375,000
Land outside Hong Kong:		
Freehold	528,268	670,762
Medium-term lease	63,727	55,261
	<u>1,190,829</u>	<u>1,114,902</u>

Included in the net book value of other assets is an amount of HK\$511,000 (2003: HK\$816,000) in respect of assets held under finance leases.

If the hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$688,184,000 (2003: HK\$641,633,000).

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP HK\$'000
COST	
At 1st April, 2003	299,311
Exchange adjustments	34,893
Additions	<u>205,732</u>
At 31st March, 2004	<u>539,936</u>



15. PROPERTIES UNDER DEVELOPMENT (*continued*)

The net book value of properties shown above comprises:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Land in Hong Kong:		
Long lease	96,227	64,647
Medium-term lease	144,345	118,821
Land outside Hong Kong:		
Freehold	238,439	78,843
Medium-term lease	60,925	37,000
	<u>539,936</u>	<u>299,311</u>

Included in above is interest capitalised of HK\$67,621,000 (2003: HK\$53,590,000).

16. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
On acquisition of additional interest in a subsidiary and at 31st March, 2004	38,467
RELEASED TO INCOME	
Released for the year and at 31st March, 2004	<u>7,693</u>
CARRYING AMOUNT	
At 31st March, 2004	<u>30,774</u>

During the year, the Group acquired the minority interests in New China Homes, Limited ("NCH"), a subsidiary of the Company after the privatisation of NCH, at a consideration of approximately HK\$4,869,000. This resulted in a negative goodwill of HK\$38,467,000 when compared to the attributable net assets acquired. NCH has then become a wholly owned subsidiary of the Company. The negative goodwill is amortised over 5 years using the straight-line method.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	1,210,284	1,210,284
Advances to subsidiaries	1,126,589	988,267
	<u>2,336,873</u>	<u>2,198,551</u>

The advances are unsecured and interest free. The Company will not demand repayment of the amounts within next twelve months from the balance sheet date, accordingly, the amounts are shown as non-current.

Details of the Company's principal subsidiaries at 31st March, 2004 are set out in note 49.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets other than goodwill	143,319	179,465
Goodwill (negative goodwill) arising on acquisition of associates:		
Balance brought forward	(13,485)	(13,094)
Negative goodwill (goodwill) eliminated on disposal	25,250	(391)
	<u>11,765</u>	<u>(13,485)</u>
Amortisation during the year	(582)	–
	<u>11,183</u>	<u>(13,485)</u>
	<u>154,502</u>	<u>165,980</u>
Market value – investments listed in Hong Kong	–	10,289

Details of the Group's principal associates at 31st March, 2004 are set out in note 50.

During the year, the Group has disposed of its entire interest in Far East Technology International Limited ("FET"), and the attributable negative goodwill arising on acquisition of FET of HK\$25,250,000 has been released to income statement.

18. INTERESTS IN ASSOCIATES *(continued)*

The following details have been extracted from the annual audited financial statements of the Group's significant associates:

	FET		Bermuda Investment Limited	
	31.12.2003 Audited HK\$'000	31.12.2002 Audited HK\$'000	31.3.2004 Audited HK\$'000	31.3.2003 Audited HK\$'000 (Restated)
Results for the year				
Turnover	84,678	90,124	15,683	18,266
(Loss) profit before taxation	(85,089)	(184,695)	13,695	16,534
(Loss) profit before taxation attributable to the Group	(23,995)	(52,084)	3,424	4,134
Financial position				
Non-current assets	–	357,137	318,000	275,001
Current assets	–	59,713	1,272	959
Current liabilities	–	(236,473)	(4,511)	(4,241)
Non-current liabilities	–	(7,529)	(379)	(323)
Minority interests	–	(16,922)	–	–
Net assets	–	155,926	314,382	271,396
Net assets attributable to the Group	–	43,971	78,596	67,849

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	72,530	72,862
Amount due to a jointly controlled entity	(7,734)	(7,734)
	<u>64,796</u>	<u>65,128</u>

Name of entity	Form of business structure	Country of registration operations	Proportion of nominal value of registered capital held by the Group	Principal activities
商丘永遠公路有限公司 Shangqiu Yongyuan Development Company Limited	Incorporated	PRC	68%	Construction and operation of highway

Under a joint venture agreement, the Group has an interest of 68% in Shangqiu Yongyuan Development Company Limited which is based on capital contribution from the Group, an equity joint venture company in the PRC with a term of 21 years commencing from 31st July, 1997. Upon the completion of the construction work, the Group is entitled to 85% of the profits earned until it has recovered dividends to an amount equivalent to all its contribution. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until it has effectively recovered dividends equivalent to all its contribution for the agreed valuation of the relevant highway. Thereafter, the Group's entitlement to share of profits is then in proportion to its contribution. At the end of the 21 years, the joint venture will be dissolved and the Group's interest in the joint venture will be surrendered to the PRC party for no consideration. Therefore, the investment cost of interest in the jointly controlled entity of HK\$2,904,000 was amortised and the Group's share of profit of the joint venture project during the year is HK\$2,572,000 (2003: HK\$12,487,000).

The amount due to a jointly controlled entity is unsecured and interest free. No repayment will be demanded within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

20. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP						
Equity securities:						
Listed – Hong Kong	7,511	13,348	38,694	13,347	46,205	26,695
Listed – Overseas	-	-	78	104	78	104
Unlisted	-	-	69,549	69,545	69,549	69,545
	<u>7,511</u>	<u>13,348</u>	<u>108,321</u>	<u>82,996</u>	<u>115,832</u>	<u>96,344</u>
Market value of listed securities	<u>7,511</u>	<u>13,348</u>	<u>38,772</u>	<u>13,451</u>	<u>46,283</u>	<u>26,799</u>
Carrying amount analysed for reporting purposes as:						
Current	7,511	13,348	-	27	7,511	13,375
Non-current	-	-	108,321	82,969	108,321	82,969
	<u>7,511</u>	<u>13,348</u>	<u>108,321</u>	<u>82,996</u>	<u>115,832</u>	<u>96,344</u>

21. AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unsecured and interest free advances to associates, net of allowance	147,606	75,408
Less: Amount due within one year shown as current assets	<u>(20,827)</u>	<u>(22,632)</u>
Amount due after one year	<u>126,779</u>	<u>52,776</u>

22. AMOUNTS DUE FROM INVESTEE COMPANIES

The amounts are unsecured and interest free. No repayment will be demanded within next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.



23. LOANS RECEIVABLE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans receivable bear interest at commercial rate, secured	305,620	257,054
Less: Amount due within one year shown as current assets	(651)	(651)
Amount due after one year	<u>304,969</u>	<u>256,403</u>

24. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount is unsecured and interest free. In the opinion of the directors, no repayment will be demanded within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of HK\$270,534,000 (2003: HK\$59,554,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet date.

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 60 days	262,189	42,044
61 – 90 days	2,694	2,301
Over 90 days	5,651	15,209
	<u>270,534</u>	<u>59,554</u>



26. INVENTORIES

		THE GROUP	
		2004 HK\$'000	2003 HK\$'000
Raw materials		270	1,767
Work in progress		871	1,109
Finished goods		883	926
		<u>2,024</u>	<u>3,802</u>

The cost of inventories recognised as an expense during the year was HK\$19,655,000 (2003: HK\$18,129,000).

Included above are work-in progress of HK\$871,000 (2003: HK\$1,109,000) which are carried at net realisable value.

27. CREDITORS AND ACCRUALS

The creditors and accruals include trade creditors of HK\$76,157,000 (2003: HK\$76,130,000).

The following is an aged analysis of trade creditors at the balance sheet date:

		THE GROUP	
		2004 HK\$'000	2003 HK\$'000
0 – 60 days		43,222	60,176
61 – 90 days		10,034	1,466
Over 90 days		22,901	14,488
		<u>76,157</u>	<u>76,130</u>

28. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest bearing and has no fixed repayment term.

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest free and have no fixed repayment term. Certain directors have beneficial interest in these companies.

30. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest-free and has no fixed repayment term.

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP				
Amounts payable under finance leases				
Within one year	217	481	200	428
In the second to fifth year inclusive	22	240	18	218
	<u>239</u>	<u>721</u>	<u>218</u>	<u>646</u>
Less: Future finance charges	(21)	(75)		
Present value of lease obligations	<u>218</u>	<u>646</u>		
Less: Amount due within one year shown under current liabilities			(200)	(428)
Amount due after one year			<u>18</u>	<u>218</u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 2 years. The average effective borrowing rate was 5.15% to 8% per annum during the year. Interest rates are fixed at the contract date and the assets were pledged to lessors. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

32. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The borrowings comprise:				
Bank loans	1,344,781	1,214,372	132,260	148,010
Mortgage loans	206,315	259,466	–	14,900
Other loans	96,000	96,000	96,000	96,000
Bank overdrafts	19,572	24,241	–	–
	<u>1,666,668</u>	<u>1,594,079</u>	<u>228,260</u>	<u>258,910</u>
Analysed as:				
Secured	1,435,410	1,484,883	132,260	162,910
Unsecured	231,258	109,196	96,000	96,000
	<u>1,666,668</u>	<u>1,594,079</u>	<u>228,260</u>	<u>258,910</u>

Other loans are unsecured and bear interest at 5% (2003: 5%) per annum.

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The above borrowings are repayable as follows:				
On demand or within one year	461,977	520,578	15,560	20,380
More than one year, but not exceeding two years	239,909	249,863	51,560	56,380
More than two years, but not exceeding five years	633,573	541,803	161,140	182,150
More than five years	331,209	281,835	–	–
	<u>1,666,668</u>	<u>1,594,079</u>	<u>228,260</u>	<u>258,910</u>
Less: Amount due within one year shown under current liabilities	<u>(461,977)</u>	<u>(520,578)</u>	<u>(51,560)</u>	<u>(20,380)</u>
Amount due after one year	<u>1,204,691</u>	<u>1,073,501</u>	<u>176,700</u>	<u>238,530</u>

33. SHARE CAPITAL

	Number of shares		Share capital	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At beginning of year	985,134,312	967,749,875	98,513	96,775
Issued through placement	165,000,000	–	16,500	–
Issued pursuant to scrip dividend scheme	<u>18,323,289</u>	<u>17,384,437</u>	<u>1,833</u>	<u>1,738</u>
At end of year	<u>1,168,457,601</u>	<u>985,134,312</u>	<u>116,846</u>	<u>98,513</u>

On 3rd September, 2003, Far East Intercontinental Limited ("FEIL") and Sumptuous Assets Limited ("SAL") and Deutsche Bank AG, Hong Kong Branch (the "Placing Agent") signed an agreement whereby FEIL and SAL agreed to place through the Placing Agent 55,000,000 and 110,000,000 existing issued shares of HK\$0.1 each of the Company currently held by FEIL and SAL, respectively, then at a price of HK\$1.2 per share to independent investors on an underwritten basis (the "Placing"). FEIL and SAL subscribed for the same amount of new shares as are sold through the Placing (the "Subscriptions"). FEIL is a company controlled by members of the Chiu Family of which Mr. Deacon Chiu is a director. SAL is a company controlled by Mr. David Chiu.

The aggregate net proceeds from the Subscription of approximately HK\$198,000,000 will be used for repayment of existing loans of the Company and the balance as general working capital.

On 30th September, 2003 and 18th February, 2004, the Company issued and allotted a total of 10,474,669 and 7,848,620 shares of HK\$0.10 each in the Company at HK\$1.072 and HK\$1.752 per share to the shareholders who elected to receive shares in the Company for the 2003 final dividends and 2004 interim dividends pursuant to the scrip dividend scheme announced by the Company on 25th July, 2003 and 17th December, 2003, respectively. These shares rank *pari passu* in all respects with other shares in issue.

During the year, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

34. RESERVES

	Capital redemption reserve HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Retained profits (accumulated loss) HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 2002	253	658,652	1,165,620	24,733	1,849,258
Credit arising on scrip dividend	–	5,059	–	–	5,059
Profit for the year	–	–	–	1,009	1,009
2002 final dividends paid	–	–	–	(19,355)	(19,355)
At 31st March, 2003	253	663,711	1,165,620	6,387	1,835,971
Credit arising on scrip dividend	–	23,153	–	–	23,153
Share issued at premium	–	181,500	–	–	181,500
Share issued expense	–	(4,581)	–	–	(4,581)
Loss for the year	–	–	–	(11,274)	(11,274)
2003 final dividends paid	–	–	(19,703)	–	(19,703)
2004 interim dividend paid	–	–	(23,212)	–	(23,212)
At 31st March, 2004	253	863,783	1,122,705	(4,887)	1,981,854

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company pursuant to the group reorganisation in 1991. Under the Companies Law (Revised) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

In the opinion of the directors, the Company's reserves available for distribution were as follows:

	2004 HK\$'000	2003 HK\$'000
Distributable reserve	1,122,705	1,165,620
(Accumulated loss) retained profits	(4,887)	6,387
	<u>1,117,818</u>	<u>1,172,007</u>



35. SHARE OPTION SCHEMES

The share option scheme of the Company (the "Old Scheme") was adopted on 28th September, 2000 for the primary purpose of providing incentives to directors and eligible employees of the Company and its subsidiaries. Under the Old Scheme, the board of directors of the Company might grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Old Scheme will not exceed 10% of the issued share capital of the Company from time to time. No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The exercise price was not less than the higher of the nominal value of the Company's share and 80% of the average closing price of the Company's share on the Stock Exchange for the five trading days immediately preceding the date of grant and is subject to adjustment.

The Old Scheme was terminated due to the adoption of a new share option scheme (the "Scheme") on 28th August, 2002.

In accordance with the Company's Scheme which was adopted pursuant to an ordinary resolution passed on 28th August, 2002, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Summary of the Scheme

- (a) The purpose of the Scheme is to motivate employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries ("Eligible Participants") and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite Eligible Participants to take up options at HK\$1 per option to subscribe for shares at a price calculated in accordance with paragraph (e) below.
- (c) The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.
- (d) The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.



35. SHARE OPTION SCHEMES *(continued)*

- (e) The exercise price is determined by the directors of the Company at a price not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.
- (f) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (g) The Scheme will remain in force for a period of 10 years commencing on 28th August, 2002 being the date on which it was adopted by a resolution of the Company in general meeting.

No option was granted under the Scheme since its adoption.

36. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured and interest free. The minority shareholder has confirmed that the amount will not be demanded for repayment within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

37. DEFERRED TAXATION

The major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods are as follows:

	Accelerated tax depreciation HK\$'000	Revaluation of land and buildings HK\$'000	Tax losses HK\$'000	Total HK\$'000
THE GROUP				
At 1st April, 2003				
– as originally reported	–	–	–	–
– prior period adjustment on adoption of SSAP 12 (Revised)	–	74,416	(3,288)	71,128
– as restated	–	74,416	(3,288)	71,128
Charge to equity	–	35,859	–	35,859
Credit to income statement	–	–	(7,515)	(7,515)
At 31st March, 2003	–	110,275	(10,803)	99,472
Credit to equity	–	(30,304)	–	(30,304)
Credit to income statement	–	–	(1,446)	(1,446)
Effect of change in tax rate				
– charge to equity	–	166	–	166
– credit to income statement	–	–	(166)	(166)
At 31st March, 2004	–	80,137	(12,415)	67,722

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 31st March, 2004, the Group has unused tax losses of HK\$328,000,000 (2003: HK\$285,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

No provision for deferred taxation has been recognised for the Company in the financial statements as the amount involved is insignificant.



38. JOINTLY CONTROLLED ASSETS

The Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a multi-storey building. The Group has a 50% interest in the joint venture.

At the balance sheet date, the aggregate amounts of assets and liabilities recognised in the financial statements in relation to interests in jointly controlled assets are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Properties under development for sales	80,949	202,568
Debtors, deposits and prepayments	1,263	2,917
Bank Balances	21,365	–
Creditors and accruals	(1,443)	(522)
Bank and other borrowings	–	(123,423)
	<u>102,134</u>	<u>81,540</u>



39. PURCHASE OF SUBSIDIARIES

As referred to in note 39, the Group acquired 100% of the issued capital of Tang City Properties Pte. Limited for consideration of S\$1. This acquisition has been accounted for by the acquisition method of accounting.

	2004 HK\$'000	2003 HK\$'000
Net asset acquired:		
Investment properties	122,795	—
Property, plant and equipment	12	—
Debtors, deposits and prepayments	1,076	—
Bank balance and cash	15	—
Creditors and accruals	(7,670)	—
Taxation payable	(291)	—
Bank overdraft	(167)	—
Bank loan	(115,770)	—
	<u>—</u>	<u>—</u>
Satisfied by:		
Cash consideration	<u>—</u>	<u>—</u>
Net cash outflow arising on acquisition:		
Bank balance and cash acquired	15	—
Bank overdraft	(167)	—
	<u>(152)</u>	<u>—</u>

The subsidiaries acquired during the year did not have any material impact on the Group's results for the year.

40. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of three of its subsidiaries in Malaysia. The net assets of those subsidiaries at the date of disposal and at 31st March, 2003 were as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	20	–
Properties under development for sale	33,107	41,999
Taxation recoverable	1,506	14
Debtors, deposits and prepayments	16,326	13,036
Amount due from a holding company	4,421	–
Pledged bank deposits	7,531	–
Bank balances and cash	2,313	6,836
Creditors and accruals	(27,777)	(23,789)
Amount due to a holding company	–	(15,178)
Minority interests	(13,959)	–
	23,488	22,918
Exchange reserve realised	–	2,637
	23,488	25,555
Profit on disposal of subsidiaries	5,690	890
	29,178	26,445
Satisfied by:		
Cash consideration	29,178	26,445
Net cash inflow arising on disposal:		
Cash consideration	29,178	26,445
Bank balances and cash disposed of	(2,313)	(6,836)
Assignment of amount due (from) to a holding company	(4,421)	15,178
	22,444	34,787

The subsidiaries disposed of during the year did not have any material impact on the Group's cash flow or results for the year.



41. NON-CASH TRANSACTIONS

In prior year, the Group entered into finance lease arrangements in respect of asset with a total capital value at the inception of the leases of HK\$638,000.

In prior year, the provision for loss on profit guarantee of HK\$10,740,000 included in creditors and accruals was transferred to minority interests upon the cancellation of the Group's 25% interest in NCH.

As referred to in note 33, the Group issued shares in the Company in respect of 2003 final dividends and 2004 interim dividends, totalling HK\$24,986,000.

42. PLEDGE OF ASSETS

- (a) The Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,603,798,000 (2003: HK\$2,203,780,000), HK\$5,539,000 (2003: HK\$19,822,000) and HK\$2,334,000 (2003: HK\$1,557,000) respectively, together with properties of associates and third parties 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\$2,021,216,000 and HK\$5,000,000 (2003: HK\$1,987,342,000 and HK\$5,000,000) respectively.

The Group's bank deposits of approximately HK\$2,945,000 (2003: nil) were pledged to a Group's banker to secure a guarantee given by the banker for certain subsidiaries of the Group.

- (b) The Group's listed investments of approximately HK\$37,517,000 (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\$7,800,000 (2003: HK\$8,800,000), of which HK\$2,411,000 (2003: HK\$5,332,000) were utilised.
- (c) The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of properties project in the PRC. In accordance with those agreements, the Company 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 date 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 balance sheet date, deposit of approximately HK\$Nil (2003: HK\$7,671,000) was placed with banks to guarantee the above agreements.
- (d) Interests in certain subsidiaries have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.



42. PLEDGE OF ASSETS *(continued)*

- (e) The Group's interest in jointly controlled assets with share of total assets of approximately HK\$Nil (2003: HK\$205,485,000) have been pledged as the security to secure certain borrowings.
- (f) The Group has pledged its amount due from investee companies with carrying value of approximately HK\$119,995,000 (2003: HK\$177,670,000) to a financial institution to secure general credit facility granted to the investee companies.

43. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for:		
Property development projects	560,558	507,000
Authorised but not contracted for:		
Property development projects	212,936	6,700
Hotel refurbishment and upgrade	133,415	152,000
Jointly controlled property development project	–	1,260
	346,351	159,960
	906,909	666,960



44. LEASE COMMITMENTS

The Group as lessor:

At the balance sheet date, investment properties and completed properties for sale with a carrying value of HK\$1,064,482,000 (2003: HK\$908,651,000) and HK\$11,000,000 (2003: HK\$11,000,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK\$51,032,000 (2003: HK\$65,083,000) of which HK\$47,697,000 (2003: HK\$62,083,000) was derived from letting of investment properties. The property held has committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	37,224	39,073
In the second to fifth years inclusive	27,501	21,574
	<u>64,725</u>	<u>60,647</u>

Leases are negotiated and rentals are fixed for an average term of three years.



44. LEASE COMMITMENTS (continued)

The Group as lessee:

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Land and buildings:		
– within one year	769	4,969
– in the second to fifth years inclusive	1,050	1,440
	<u>1,819</u>	<u>6,409</u>
Motor vehicles:		
– within one year	18	217
– in the second to fifth years inclusive	–	18
	<u>18</u>	<u>235</u>
Machinery:		
– Within one year	330	–

Leases are negotiated for an average term of two years and rentals are fixed over the period.

At 31st March, 2004, the Company had no commitments under non-cancellable operating leases.

45. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities of the Group and of the Company were as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees issued to secure banking and other facilities made available to				
– subsidiaries	–	–	1,591,360	1,399,899
– an investee company	64,185	44,793	64,185	44,793

- (b) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2004, the total amount of mortgages outstanding which are subject to these guarantees was HK\$35,537,000 (2003: HK\$28,126,000).
- (c) In previous years, NCH was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of NCH. The two consultants entered into a consulting contract with NCH in 1999 in lieu of cash for service rendered. The two consultants alleges that NCH fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleges that NCH owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding to the employment contract as the board of directors of NCH amounting to approximately HK\$5,865,000. Motion of dismiss were filed to the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (d) In previous years, the Group was sued by a contractor working on the property development project to develop the site at Nos. 60-66 Baker Street and Nos. 2-6 Baker Court, Hung Hom, Hong Kong. The contractor alleges that the Group owes it approximately HK\$8,321,000 for work performed. Of this amount, approximately HK\$3,440,000 related to work encompassed by the construction contract has been accrued by the Group in the financial statements as of 31st March, 2004. 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 by the Group 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 adverse impact on the financial position of the group.



46. POST BALANCE SHEET EVENTS

On 10th March, 2004, the Company entered into a subscription agreement with Deutsche Bank for the issue of the convertible bonds ("Convertible Bonds") with an initial aggregate principal amount of US\$60 million, for the repayment of existing loans of the Company to independent third parties and general working capital purposes. The Convertible Bonds are convertible into approximately 231,999,282 shares of HK\$0.1 each in the share capital of the Company at a conversion price of HK\$2.25 per share. The Convertible Bonds have been approved for listing on The Stock Exchange of Hong Kong Limited. The transaction was completed on 13th April, 2004. Details of this transaction were disclosed in the Company's circular dated 6th April, 2004.

47. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with related parties:

(a) Directors and their associates

	2004 HK\$'000	2003 HK\$'000
Interest expenses	—	915

This transaction has been entered into on terms agreed by the parties concerned with reference to prevailing market rates.

(b) Associates

	2004 HK\$'000	2003 HK\$'000
Dividend income	(3,750)	(5,314)
Interest income	—	(6,485)
Building management fee expenses	1,596	2,571

These transactions have been entered into on terms agreed by parties concerned with reference to prevailing market rates for interest expenses and income and floor areas for building management.

Details of the balances with related parties as at the balance sheet date are set out in notes 21, 28, 29 and 30.



47. RELATED PARTY TRANSACTIONS (continued)

- (c) During the year, the Group disposed its entire shareholdings of Far East Technology International Limited ("FEI") to certain directors of the Group at a consideration of HK\$20,700,000. On 22nd December, 2003, the Group entered into conditional sale and purchase agreements, pursuant to which, inter alia, a wholly owned subsidiary of the Company agreed to acquire the entire interests in Tang City Properties Pte. Limited ("TCP") from Far East Technology International Limited and Mr. Dennis Chiu at a consideration of S\$1, and the Company agreed to procure the refinancing of the bank loan facility of S\$25 million obtained by TCP and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million. TCP and its subsidiaries were incorporated in Singapore and held certain investment properties in Singapore. The transaction has had no material effect on the result of the Group.

48. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee. The retirement benefits scheme contributions charged to income statement during the year amounted to HK\$1,073,000 (2003: HK\$1,037,000).

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of direct subsidiary	Issued share capital				Place of Principal activities	incorporation/operation
	Number of shares	Par value per share	Class of shares held	Proportion of nominal value of issued capital/registered capital held by the Group		
Far East Consortium (B.V.I.) Limited	50,000	US\$1	Ordinary	100	Investment holdings	British Virgin Islands

Name of indirect subsidiary	Issued share capital				Principal activities
	Number of Shares	Par value per share/registered capital	Class of shares held	Proportion of nominal value of issued capital/registered capital held by the Group	
404577 Alberta Ltd.	2	Nil	Class A	100	Property investment
413643 Alberta Ltd.	100	Nil	Class A	100	Property investment
Accessway Profits Limited	1	US\$1	Ordinary	100	Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	100	Property investment
Amphion Investment Limited	2	HK\$1	Ordinary	100	Investment holdings
Aniwell Investment Limited	10,000	HK\$1	Ordinary	100	Hotel operation
Annick Investment Limited	2	HK\$1	Ordinary	100	Property investment
Arvel Company Limited	10,000	HK\$1	Ordinary	100	Property investment
Asia Land Pty Ltd. (formerly known as FEC Property Services Pty Ltd.)	1	A\$1	Ordinary	100	Loan financing
Bournemouth Estates Limited	2	HK\$10	Ordinary	100	Property development
Bradney Proprietary Ltd.	2	A\$1	Ordinary	100	Investment holdings
Capital Fortune Investment Limited	2	HK\$1	Ordinary	100	Property investment
Cathay General Inc.	1	Nil	Common	100	Investment holdings and share investment
Charter Joy Limited	2	HK\$1	Ordinary	100	Property development
Charter National International Limited	2	HK\$1	Ordinary	100	Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100	Property development
China Web Incorporated	1	US\$1	Ordinary	100	Investment holdings

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital			Principal activities
		Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	
Ching Chu Property Management (Shanghai) Company Limited (i)	N/A	US\$9,000,000	N/A	100	Property management
Chun Wah Holdings Limited	200	HK\$1	Ordinary	100	Property development
Cosmopolitan Hotel Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Coventry Investments Inc.	10	Nil	Common	100	Investment holdings
Detheridge Estates Limited	2	HK\$1	Ordinary	100	Property development
Dorsett Hotel Management Services Limited	2	HK\$1	Ordinary	100	Hotel management
Dorsett Hotels & Resorts (H.K.) Ltd	1,000,000	HK\$1	Ordinary	100	Investment holdings
Dorsett Regency Hotel (M) Sdn. Bhd.	5,000,000	M\$1	Ordinary	100	Hotel investment and operation
Dunball Limited	2	HK\$1	Ordinary	100	Property investment
Dunjoy Limited	2	HK\$1	Ordinary	100	Investment holdings
E-Cash Ventures Limited	1	US\$1	Ordinary	100	Investment holdings
Elliott Investment Corporation	2	Nil	Ordinary	100	Investment holdings and share investment
Esmart Management Limited	2	HK\$1	Ordinary	100	Hotel management
Ever Liberty (M) Sdn. Bhd.	2	M\$1	Ordinary	100	Property investment
Everkent Development Limited	2	HK\$1	Ordinary	100	Property development
Far East Consortium China Infrastructure Company Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK\$100	Ordinary	100	Property development and trading
Far East Consortium China Land Corporation Limited	1,000	HK\$100	Ordinary	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12	A\$1	Ordinary	100	Investment holdings
	235	A\$0.01	Redeemable preference	100	
Far East Consortium Limited	830,650,000	HK\$1	Ordinary	100	Investment holdings and property investment
Far East Consortium Machinery Limited	2	HK\$1	Ordinary	100	Investment holdings

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital			Principal activities
		Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	
Far East Consortium (Malaysia) Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US\$1	Ordinary	100	Investment holdings
Far East Consortium Properties Pty Limited	12 225	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings and property investment
Far East Consortium Property & Marketing Service Pty Limited	1	A\$1	Ordinary	100	Property development
Far East Real Estate and Agency (H.K.) Limited	60,000	HK\$100	Ordinary	100	Investment holdings and loan financing
Far East Rockman Hotels (Australia) Pty Limited	12 375	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Rockman Investments Pty Limited	12 125	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Supermarket Limited	500,000	HK\$1	Ordinary	100	Property investment
FEC Development (Malaysia) Sdn. Bhd.	2	M\$1	Ordinary	100	Investment holdings
FEC Financing Solutions Pty. Ltd.	1	A\$1	Ordinary	100	Investment holdings
FEC Properties Limited	1	US\$1	Ordinary	100	Property investment
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	Investment holdings
FEH Strategic Investment Pte Ltd.	10	S\$1	Ordinary	100	Property Trading & Investment
Focus Venue Sdn. Bhd.	90	M\$1	Ordinary	90	Property investment
Fortune Plus (M) Sdn. Bhd.	935,000	M\$1	Ordinary	100	Property investment
FECFW 1 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
FECFW 2 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
Garden Resort Development Ltd.	100	HK\$1	Ordinary	100	Property development
Grandco Investment Limited	1	US\$1	Ordinary	100	Property investment

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital			Principal activities
		Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	N/A	HK\$ 50,000,000	N/A	51	Operation of boiler factory
Hamsher International Ltd.	29,805,065	US\$1	Ordinary	100	Hotel investment and operation
Henrik Investment Limited	2	HK\$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	Property investment
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	Investment holdings
New Time Plaza Development Limited	1,000	HK\$1	Ordinary	100	Investment holdings
New Union Investments (China) Limited	300	HK\$1	Ordinary	100	Investment holdings
N.T. Horizon Realty (Jordan) Limited	2	HK\$100	Ordinary	100	Property investment
Ocean Leader Development Limited	2	HK\$1	Ordinary	100	Property development
Oi Tak Enterprises Limited	1,000,000	HK\$1	Ordinary	75	Investment holdings
Pansy Development Limited	2	HK\$1	Ordinary	100	Property investment
Peacock Management Services Limited	2	HK\$1	Ordinary	100	Administration services
Polyland Development Limited	2	HK\$1	Ordinary	100	Property investment
Ready Town Limited	2	HK\$1	Ordinary	100	Property and share investment
Redleaf Properties Limited	20,000	US\$1	Ordinary	100	Investment holdings
Regency Hotels Proprietary Limited	100	A\$1	Ordinary	100	Investment holdings
Rich Diamond Holdings Limited	10	US\$1	Ordinary	70	Investment holdings
Ridon Investment Limited	2	HK\$1	Ordinary	100	Investment holdings and share investment
Roseville Enterprises Limited	6,000	HK\$100	Ordinary	100	Property investment
Royal Domain Plaza Pty. Ltd.	2	A\$1	Ordinary	100	Property investment
Royal Domain Towers Pty. Limited	2	A\$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK\$1	Ordinary	100	Property investment

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Sea Wave Properties Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Shanghai Chingchu Property Development Company Limited (ii)	N/A	US\$9,000,000	N/A	98.2	Developing, selling and leasing properties
Sheen Profit Industries Limited	2	HK\$1	Ordinary	100	Property development
Shelborn Enterprises, Inc.	10	US\$1	Ordinary	100	Investment holdings
Singford Holdings Limited	1	US\$1	Ordinary	100	Share investment
Smartland Assets Limited	1	US\$1	Ordinary	100	Investment holding
Sovereign Land Company Limited	2	HK\$100	Ordinary	100	Property investment
Southsino Development Limited	100	HK\$1	Ordinary	100	Property development
Star Bridge Development Limited	2	HK\$1	Ordinary	100	Property investment
Tang City Parkway Pte Limited	10	S\$10	Ordinary	100	Property investment
Tang City Properties Pte Limited	2,600,000	S\$1	Ordinary	100	Property Trading and Investment
Teampearl Company Ltd	5,001	HK\$1	Class A	100	Property development
	4,999		Class B	100	
Tomarta Sdn. Bhd.	1,000,000	M\$1	Ordinary	100	Property trading
Top Trend Developments Limited	2	US\$1	Ordinary	100	Property development
Turbulent Limited	2	HK\$10	Ordinary	100	Investment holdings
Upprace Development Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Victoria Land Pty. Ltd.	12	A\$1	Ordinary	100	Management services
Vicco Development Limited	2	HK\$1	Ordinary	100	Investment holdings
Vico Overseas Inc.	4	US\$1	Ordinary	75	Property investment
Virgobee Limited	2	HK\$1	Ordinary	100	Property investment
Waldorf Development Pte Limited	2	S\$1	Ordinary	100	Property investment
Waldorf Holdings Pte Limited	1,000,000	S\$1	Ordinary	100	Property investment
Win Chance Engineering Limited	2	HK\$1	Ordinary	100	Engineering
Wonder China Investments Limited	1	US\$1	Ordinary	100	Investment holdings
Zhongshan Development Limited	2	US\$1	Ordinary	100	Investment holdings

(i) Foreign investment enterprise registered in the PRC

(ii) Sino-foreign equity joint venture registered in the PRC

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the above indirect subsidiaries are incorporated and are operating in Hong Kong except the followings:

Name of indirect subsidiary	Place of incorporation	Place of operation
404577 Alberta Ltd.	Canada	Canada
413643 Alberta Ltd.	Canada	Canada
Accessway Profits Limited	British Virgin Islands	Hong Kong
Action Fulfilled Assets Limited	British Virgin Islands	Hong Kong
Asia Land Pty Ltd. (formerly known as FEC Property Services Pty Ltd.)	Australia	Australia
Bradney Proprietary Ltd.	Australia	Australia
Cathay General Inc.	Republic of Liberia	Hong Kong
China Web Incorporated	Cayman Islands	Hong Kong
Ching Chu Property Management (Shanghai) Company Limited	The PRC	The PRC
Coventry Investments Inc.	Republic of Liberia	Republic of Liberia
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	Malaysia
E-Cash Ventures Limited	British Virgin Islands	Hong Kong
Elliott Investment Corporation	Panama	Hong Kong
Ever Liberty (M) Sdn. Bhd.	Malaysia	Malaysia
Far East Consortium Holdings (Australia) Pty Limited	Australia	Australia
Far East Consortium (Netherlands Antilles) N.V.	Netherlands Antilles	Netherlands Antilles
Far East Consortium Properties Pty Limited	Australia	Australia
Far East Consortium Property & Marketing Service Pty Limited	Australia	Australia
Far East Rockman Hotels (Australia) Pty Limited	Australia	Australia
Far East Rockman Investments Pty Limited	Australia	Australia
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	Malaysia
FEC Financing Solutions Pty Ltd.	Australia	Australia
FEC Properties Limited	British Virgin Islands	Hong Kong
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	The Netherlands
FEH Strategic Investment Pte Limited	Singapore	Singapore
Focus Venue Sdn. Bhd.	Malaysia	Malaysia



49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Place of incorporation	Place of operation
Fortune Plus (M) Sdn. Bhd.	Malaysia	Malaysia
FECFW 1 Pty Ltd.	Australia	Australia
FECFW 2 Pty Ltd.	Australia	Australia
Grandco Investment Limited	British Virgin Islands	The U.S.A.
Guangzhou Pegasus Boiler Manufacture Company Limited	The PRC	The PRC
Hamsheer International Ltd.	British Virgin Islands	The U.S.A.
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
Redleaf Properties Limited	British Virgin Islands	Malaysia
Regency Hotels Proprietary Limited	Australia	Australia
Rich Diamond Holdings Limited	British Virgin Islands	The Philippines
Royal Domain Plaza Pty. Ltd.	Australia	Australia
Royal Domain Towers Pty. Limited	Australia	Australia
Shanghai Chingchu Property Development Company Limited	The PRC	The PRC
Shelborn Enterprises, Inc.	British Virgin Islands	The U.S.A.
Singford Holdings Limited	British Virgin Islands	Hong Kong
Smartland Assets Limited	British Virgin Islands	Singapore
Tang City Parkway Pte. Limited	Singapore	Singapore
Tang City Properties Pte. Limited	Singapore	Singapore
Tomarta Sdn. Bhd.	Malaysia	Malaysia
Top Trend Developments Limited	British Virgin Islands	China
Vico Overseas Inc.	British Virgin Islands	Malaysia
Victoria Land Pty. Ltd.	Australia	Australia
Waldorf Development Pte Limited	Singapore	Singapore
Waldorf Holdings Pte Limited	Singapore	Singapore
Wonder China Investments Limited	British Virgin Islands	The PRC
Zhongshan Development Limited	British Virgin Islands	The PRC

50. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of indirect associate	Class of shares held	Issued share capital	Principal activities
		Proportion of nominal value of issued capital/registered capital held by the Group	
Bermuda Investments Limited	Ordinary	25	Property investment
Gold Coin (Hong Kong) Limited	Ordinary	26	Investment holdings
Gold Coin Feedmill (China) Limited	Ordinary	26	Operation of feedmill factory
Guangdong Xin Shi Dai Real Estate Limited	N/A	45	Property development
Kanic Property Management Limited	Ordinary	50	Building management
Liuzhou Universe Compressor Company Limited	N/A	25.24	Operation of compressor factory
Naples Investments Limited	Ordinary	35	Investment holdings
Omicron International Limited	Ordinary	30	Investment holding
Peacock Estates Limited	Ordinary	25	Property investment
Philippine Dream Company, Inc.	Ordinary	25.2	Hotel operation
Young Heung International (BVI) Ltd	Ordinary	20	Manufacturing of steel products

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

All the above associates are incorporated and are operating in Hong Kong except the followings:

Name of indirect associate	Place of incorporation	Place of operation
Gold Coin Feedmill (China) Limited	The PRC	The PRC
Guangdong Xin Shi Dai Real Estate Limited	The PRC	The PRC
Liuzhou Universe Compressor Company Limited	The PRC	The PRC
Naples Investments Limited	British Virgin Islands	The Philippine
Philippine Dream Company, Inc.	The Philippines	The Philippines
Young Heung International (BVI) Ltd	British Virgin Islands	The PRC

LIST OF MAJOR PROPERTIES HELD BY THE GROUP



Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
1. 16th, 18th, 19th, 20th and 24th Floors, (including lavatories on 16th, 18th, 19th, 20th and 24th Floors and Flat Roof on 24th Floor), Far East Consortium Building, 121 Des Voeux Road Central	120/736 shares of and in IL 2198, 2200, 2201, Sec. A and RP of IL 2199 and Sec. A, B & C of ML 299	100%	–
2. Unit 1 on G/F and Unit 3 on Level 1 (known as Golden Palace Theatre) and Flats 1A, 1C Tung Wai Garden, 419G Queen 's Road West and 4 Sai On Lane, Sai Ying Pun	5598/25701 shares of and in RP of Sec.B of ML 205	100%	–
3. Unit B on 1/F, Cheong Kat Mansion, 98-100 Catchick Street and 21-23 Cadogan Street, Kennedy Town	8/180 shares of and in RP of Ss1 of Sec. A & RP of Sec. A of Ss1 of Sec. A of IL 1298	100%	–
4. Basement, Ground to 6th Floor (excluding Theatre Premises on Portions of Ground to 5th Floor and Flat A on 24/F and Roof, Far East Bank Mongkok Building, 240-244 Portland Street and 11 Nelson Street, Mongkok	95/400 shares of and in RP of KIL 1385-1386	100%	–
5. Far East Consortium Building, 204-206 Nathan Road, Tsim Sha Tsui, Kowloon	RP of KIL 10467 & RP of KIL 10468	100%	–
6. Far East Bank Tsuen Wan Building, 135-143 Castle Peak Road, Tsuen Wan	Lot 2158 in DD 449	100%	–

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
2,473	O	Completed	Existing
658	C & R	Completed	Existing
91	C	Completed	Existing
4,262	S & R	Completed	Existing
3,579	S & O	Completed	Existing
9,076	S, R & C	Completed	Existing

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
7. G/F, Garden Area and 1/F of Block 4, and carparking spaces nos.1, 4, 25, 61 & 62, Rise Park Villas, Razor Hill Road, Sai Kung	69/1408 shares of and in Lot 1124 in DD 253	100%	–
8. Various shops on LG/F and UG/F, Tsuen Wan Gardens Phase 1, 15-23 Castle Peak Road, Tsuen Wan	241/4400 shares of and in TWTL 241	100%	–
9. Various lots, Pak Kong, Sai Kung	Lots 1134 RP, 1137 RP, 1138 & 1139 RP in DD 222	100%	3,525
10. Shops 17, 18 and 20 on G/F, commercial portion of 1/F - 3/F, Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long	245/750 shares of and in YLTL 287 & 349	100%	–
11. Route TWISK, Chuen Lung	Various lots in DD 360, DD 433 and DD 435	100%	40,615
12. Shop 6 on G/F and whole of 1/F, Cheong Hung Mansion, 2-14 Mei Fong Street, Kwai Chung	119/1000 shares of and in KCTL 186 & 295	100%	–
13. Shop C on Ground Floor and 1/F to 3/F, Full Hang Court, Nos. 104-112 Ma Tau Wai Road, Hung Hom	213/527 shares of and in KIL 8480-8484, RP of KIL 6020	100%	–
14. Shop Nos. 10, 19-24, 44-46, 56-60 and Showcase Nos. 18, 18a, 18b on G/F, shops nos. 101-173 on 1/F, Come On Building, 387 Castle Peak Road, Castle Peak Bay, Tuen Mun	351/2485th shares of and in TMTL 151	100%	–

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
620	R & CP	Completed	Existing
3,908	SA	Completed	Existing
Not yet determined	A	Planning stage	Vacant site
1,318	S, R&C	Completed	Existing
Not yet determined	A	Planning stage	Vacant site
570	C	Completed	Existing
1,684	C&S	Completed	Existing
1,475	C&S	Completed	Existing

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
15. Shop Nos. 4, 5 and 6 on G/F, Toho Court, 18 Main Street Apleichau and No. 5 Ping Lan Street, Apleichau	29/1176th shares of and in Section A of Apleichau Inland Lot 47 and the extension thereto	100%	–
16. Yau Kam Tau, Tsuen Wan	Lot 232 RP in DD 354	100%	5,940
17. Sheung Yeung, Sai Kung	Lots 84, 85, 86, 89, 91, 92, 94, 95A, 99, 116RP, 137, 139, 141RP, 213, 221RP, 224RP, 229, 230, 231A, 231RP, 233, 234, 236, 258, 263RP and 746 in DD225	100%	7,136
18. Tai Hang Village, Tai Po	Lot 73 RP in DD7	100%	2,332
19. Bakerview, 66 Baker Street, Hung Hom, Kowloon	HHIL 235 SB, SC, SD, SE, Slss1, Slss2 and Slss3	100%	604
20. Pak Shek Wo, Sai Kung, N.T.	Lot 1265 in DD 253	100%	3,266
21. Tan Kwai Tsuen, Yuen Long, N. T.	Lot 3927 SB in DD 124	100%	4,849
22. 46-48 Anchor Street, Tai Kok Tsui, Kowloon	KIL 6374	100%	357
23. Dorsett Place, No.5B Chancery Lane, Mid-levels, Central	Lot No. 68 SASS5 R. P.	100%	–
24. Dorsett Garden Hotel, 30 Nanking Street, Jordan	KIL 7968, 8816	100%	289
25. Chuk Kok, Sai Kung	Lot 14 in DD231	100%	2,790

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
57	S	Completed	Existing
–	A	Planning stage	Vacant site
4,682	R	Under construction	2005
3,121	R	Planning stage	Vacant site
5,444	S & R	Completed	Existing
1,873	R	Completed	
4,849	R	Planning stage	2006
3,212	H	Under construction	2004
13,555	R	Completed	Existing
2,502	H	Completed	Existing
1,116	R	Under construction	2004

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
26. Hung Shui Kiu, Yuen Long	Lot 2959, 2960, 2972RP, 2973RP, 2969B3 in DD124	100%	2,817
27. 1 Kau U Fong, 3-9 Aberdeen Street and 1 Gough Street, Central	1L 1747, 8852	100%	377
28. No. 387 Queen's Road East	Inland Lot 1578RP	100%	1,093
29. Car Parking Spaces Nos. 14, 16, 17, 24, 26, 27, 29, 30, 34, 35, 40, 41, 44-46, 51, 53-56, 58, 62-67, 75, 77, 85, 86, 90, 91, 94, 96 and 97 on the Basement-1 Floor and Car Parking Spaces Nos. 98, 99, 114, 124, 125, 129, 139-141, 144-147, 149-152, 154-157, 159-162, 164 and 167 on the Basement-2 Floor of Covent Garden, No. 88 Ma Tin Road, Yuen Long New Territories	1675/35313rd shares of and in YLTL 419	100%	–
Overseas			
30. Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	Lots 471 and 472	100%	1,860
31. Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	Lot 908	100%	985

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
3,549	R	Planning stage	Vacant
5,853	H	Under construction	2004
17,001	H	Under renovation	End 2003
871	CP	Completed	Existing
23,532	H	Completed	Existing
–	R	Completed	Existing

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Name of property and location	Lot number	Group's interest	Site area (m ²)
Overseas			
32. 100A Eu Tong Sen Street, Waldorf Office Complex, Singapore	Lot 178-49-A/J of TS 22	100%	–
33. Kelly Ramsey Building, 100A Street, #101A Avenue, Edmonton, Alberta, Canada	Lots 39 and 40, except thereout the most westernly 6 feet throughout of the said Lot 40	100%	1,310
34. Dallas Grand Hotel, 1914 Commerce Street, Dallas, Texas, U.S.A.	N/A	100%	6,849
35. 1954 Commerce Street, Dallas, Texas, USA	N/A	100%	2,322
36. Room 2603, Block 3, Dong-Jun Plaza, 836 Dong Feng Road East, Guangzhou, PRC	N/A	100%	–
37. Room 2604, Block 3, Dong-Jun Plaza, 836 Dong Feng Road East, Guangzhou, PRC	N/A	100%	–
38. Parkway Centre 1 Marine Parade Central Singapore	Lot 5586T of Mukim 26	100%	–

LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
3,464	O&S	Completed	Existing
4,307	O	Completed	Existing
–	H	Completed	Existing
11,918	CP & SA	Completed	Existing
91	O	Completed	Existing
91	C	Completed	Existing
50,736	C	Completed	Existing

All the above properties except items number 29 to 32 were held under long-term lease by the Group

O – Office

SA – Shopping Arcade

C – Commercial

S – Shops

R – Residential

A – Agricultural

H – Hotel

CP – Car Park