

Notes to the Financial Statements

For the year ended 31st March, 2003

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 STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of a consolidated statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statement

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings—operating, investing and financing, rather than the previous five headings. Interest and dividends received, and interest and dividend paid which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The presentation in the prior year's cash flow statement has been reclassified in order to achieve a consistent presentation.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements of the Group for the current or prior accounting periods.

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.

The financial statements have been prepared 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 have been eliminated on consolidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 at 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in jointly controlled entities *(continued)*

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.

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.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's properties under development held for long term purposes which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of properties under development held for long term purposes is carried out. In previous years, the revaluation increase arising on the revaluation of an asset included in properties under development held for long term purposes was credited to the assets revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the assets revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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 accumulated impairment losses.

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

Depreciation is provided to write off the cost of property, plant and equipment 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 in Hong Kong held under long lease	2%
Buildings on freehold land held outside Hong Kong	2%
Buildings on land outside Hong Kong held under medium-term lease (lease with 10 to 50 years to run)	Shorter of lease terms or 50 years
Plant and machinery	10 – 20%
Motor vehicles	20%
Furniture, fixtures and equipment	10 – 20%
Motor vessels	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 sales 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 sales 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.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments in securities

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

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.

Deferred compensation cost

Deferred compensation cost represents those cost paid to the consultants in respect of management service agreement provided by the consultants to the Group. These costs are recognised over the periods of the service and any unearned portion is shown as an asset in the balance sheet.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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 exchange differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

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 sales of properties and investments, loan interest income and commitment fees received, income from hotel operations, and sales of boiler products, less returns and discounts, during the year as follows:

	2003	2002
	HK\$'000	HK\$'000
Sale of properties	612,659	469,604
Rental income and management fee income	74,365	97,895
Hotel operations	42,076	41,908
Sale of shares	40,257	50,217
Manufacture of boiler products	26,700	26,745
Loan interest income and commitment fees	–	5,221
	796,057	691,590

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Property development and investment	–	properties development, investment in properties and property rental
Hotel operations	–	hotel operation and management
Securities investment	–	securities investment
Industries	–	boiler manufacturing
Treasury	–	loan financing

Notes to the Financial Statements

For the year ended 31st March, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below.

2003

	Property development and investment	Hotel operations	Securities investment	Industries	Treasury	Other operations	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	18,976	1,771	(168)	(3,881)	(20,091)	(6,264)	-	(9,657)
Other operating income	2,732	1,438	486	2,166	(1,661)	5,068	-	10,229
Unrealised holding losses on investments in securities	-	-	(2,000)	-	-	-	-	(2,000)
Impairment losses recognised in respect of properties and investments	(13,602)	-	-	-	-	-	-	(13,602)
Loss on disposal of investment properties	(22,590)	-	-	-	-	-	-	(22,590)
Loss on disposal of an associate	-	-	-	-	-	(1,708)	-	(1,708)
Profit on disposal of a subsidiary	890	-	-	-	-	-	-	890
Share of results of a jointly controlled entity	-	-	-	-	-	12,487	-	12,487
Share of results of associates	(2,217)	-	(32,243)	-	249	(10,839)	-	(45,050)
Finance costs								(41,743)
Unallocated corporate expenses								<u>(3,803)</u>
Loss before taxation								(116,547)
Taxation	(25,283)	-	941	-	(980)	(2)	-	<u>(25,324)</u>
Loss after taxation								<u><u>(141,871)</u></u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2003 (continued)

	Property development and investment	Hotel operations	Securities investment	Industries	Treasury	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	36,505	–	46,781	–	452	82,242	165,980
Interest in a jointly controlled entity	–	–	–	–	–	65,128	65,128
Taxation recoverable	8,933	–	–	–	2,242	–	11,175
Unallocated corporate assets							8,555
Consolidated total assets							<u>4,745,337</u>
LIABILITIES							
Segment liabilities	538,653	19,392	5,345	26,786	14,560	1,182	605,918
Borrowings							1,594,725
Taxation payable liabilities	40,471	–	–	–	72	5,144	45,687
Unallocated corporate liabilities							41,285
Consolidated total liabilities							<u>2,287,615</u>
OTHER INFORMATION							
Capital additions	115,262	257,170	–	155	–	234	372,821
Depreciation and amortisation	8,519	1,879	–	953	–	36	11,387
Loss on revaluation of hotel properties	–	(5,540)	–	–	–	–	(5,540)

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2002

	Property development and investment	Hotel operations	Securities investment	Industries	Treasury	Other operations	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	567,499	41,908	50,217	26,745	5,221	-	-	691,590
Inter-segment sales	30,112	-	-	-	-	-	(30,112)	-
Total turnover	<u>597,611</u>	<u>41,908</u>	<u>50,217</u>	<u>26,745</u>	<u>5,221</u>	<u>-</u>	<u>(30,112)</u>	<u>691,590</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	38,220	5,351	(4,290)	(17,825)	(7,288)	(2,327)	-	11,841
Other operating income	2,730	1,381	338	1,193	27,421	2,327	-	35,390
Profit on disposal of investment properties	392	-	-	-	-	-	-	392
Unrealised holding losses on investments in securities	-	-	(2,464)	-	-	-	-	(2,464)
Impairment losses recognised in respect of overseas properties and investments	(167,518)	-	(9,560)	-	-	-	-	(177,078)
Loss on profit guarantee	(18,145)	-	-	-	-	-	-	(18,145)
Share of results of a jointly controlled entity	-	-	-	-	-	3,124	-	3,124
Share of results of associates	3,186	-	(9,721)	-	256	(1,648)	-	(7,927)
Finance costs								(47,210)
Unallocated corporate expenses								<u>(5,838)</u>
Loss before taxation								(207,915)
Taxation	(3,371)	-	(180)	-	(308)	(484)	-	<u>(4,343)</u>
Loss after taxation								<u>(212,258)</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2002 (continued)

	Property development and investment	Hotel operations	Securities investment	Industries	Treasury	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET							
ASSETS							
Segment assets	2,975,576	536,560	33,281	37,545	255,040	190,606	4,028,608
Interests in associates	48,201	-	73,910	-	217	94,908	217,236
Interest in a jointly controlled entity	-	-	-	-	-	56,073	56,073
Taxation recoverable	6,216	-	-	-	-	-	6,216
Unallocated corporate assets							9,974
Consolidated total assets							<u>4,318,107</u>
LIABILITIES							
Segment liabilities	520,140	17,997	8,341	27,571	1,127	857	576,033
Borrowings							1,209,340
Taxation payable	31,970	-	-	-	777	5,145	37,892
Unallocated corporate liabilities							33,474
Consolidated total liabilities							<u>1,856,739</u>
OTHER INFORMATION							
Capital additions	87,829	316	-	1,858	-	12	90,015
Depreciation and amortisation	3,948	3,676	-	4,436	-	2,905	14,965

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

	Sales revenue by geographical market	
	2003 HK\$'000	2002 HK\$'000
By geographical		
Australia	355,198	188,137
Other regions in the People's Republic of China ("PRC")	156,305	104,525
Hong Kong	154,876	84,350
Malaysia	123,954	307,815
Singapore	5,722	5,379
United States of America	-	1,384
Others	2	-
	<u>796,057</u>	<u>691,590</u>

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	2,179,152	1,915,811	328,578	47,250
Malaysia	1,281,967	1,129,473	3,299	2,491
Other regions in PRC	492,329	595,279	836	3,536
Australia	353,923	291,276	39,744	36,095
United States of America	235,768	221,212	–	–
Singapore	128,309	123,456	88	–
Others	73,889	41,600	276	643
	<u>4,745,337</u>	<u>4,318,107</u>	<u>372,821</u>	<u>90,015</u>

6. OTHER OPERATING EXPENSES

Included in other operating expenses is:

	2003 HK\$'000	2002 HK\$'000
Revaluation deficit of hotel properties	5,540	–
Loss on termination of a development project	–	8,698
Allowance for recoverability of advances to associates	–	2,981
	<u>5,540</u>	<u>11,679</u>

7. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF OVERSEAS PROPERTIES AND INVESTMENTS

	2003 HK\$'000	2002 HK\$'000
Impairment loss recognised on property, plant and equipment	13,002	–
Impairment loss recognised on interests in associates	–	53,925
Impairment loss recognised on properties under development	600	33,932
Impairment loss recognised on properties under development for sale	–	79,660
Impairment loss recognised on deposit for acquisition of an investment	–	9,561
	<u>13,602</u>	<u>177,078</u>

7. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF OVERSEAS PROPERTIES AND INVESTMENTS (*continued*)

During the year, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to the estimated recoverable amounts of the property, plant and equipment, represent the estimated value in use after discounting the estimated future cash flow at 6.5% per annum, is less than its carrying amounts. Accordingly, impairment loss of HK\$13,002,000 has been recognised in respect of land and buildings.

8. LOSS ON PROFIT GUARANTEE

The Group had entered into an agreement with the underwriters for the purpose of the listing of its subsidiary, New China Homes, Ltd. ("NCH"), on NASDAQ stock market in the United States of America. Pursuant to the agreement, the Group agreed that 25% of NCH shares held by the Group would be cancelled if the net income of NCH was less than US\$10 million in the first year and another 25% of NCH shares held by the Group would be cancelled if the net income of NCH was less than US\$20 million in the second year after listing on NASDAQ. Since the profit guarantee was not met during the two years, totalling 50% of the NCH shares held by the Group would be cancelled and accordingly, a loss of HK\$18,145,000 was made in last year.

9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	34,066	31,325
– not wholly repayable within five years	5,999	5,988
Other loans		
– wholly repayable within five years	12,978	20,378
Finance leases	24	48
Other finance costs	1,545	2,141
Total borrowing costs	54,612	59,880
Less: amounts capitalised	(7,394)	(3,937)
Less: amounts included in cost of sale	(5,475)	(8,733)
	<u>41,743</u>	<u>47,210</u>

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4% (2002: 7%) to expenditure on qualifying assets.

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10. LOSS BEFORE TAXATION

	2003 HK\$'000	2002 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Staff costs including directors' remuneration	37,312	31,790
Allowance for bad and doubtful debts	24,707	11,456
Depreciation of		
– owned assets	11,082	9,705
– assets held under finance leases	305	177
	11,387	9,882
Auditors' remuneration	3,150	2,602
Amortisation of interest in a jointly controlled entity	2,904	2,905
Minimum lease payment in respect of operating lease charges of motor vehicles	217	217
Amortisation of deferred compensation cost	–	2,178
Cost of completed properties for sale recognised as an expense	391,955	398,043
Net rental income less outgoings of HK\$23,817,000 (2002: HK\$25,912,000)	(44,658)	(66,564)
Net foreign exchange (gains) losses	(3,029)	7,724
Interest income	(8,370)	(13,466)
Profit on disposal of property, plant and equipment	(356)	(4,252)

11. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees	275	275
Other emoluments		
Salaries and other benefits	6,251	5,731
Retirement benefits scheme contributions	36	39
Total emoluments	6,562	6,045

The amounts disclosed above include directors' fees of HK\$50,000 (2002: HK\$50,000) and other emoluments of Nil (2002: Nil) payable to independent non-executive directors.

11. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	2003	2002
	No. of directors	No. of directors
Nil to HK\$1,000,000	8	10
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>1</u>	<u>1</u>

Of the five individuals with the highest emoluments in the Group, four (2002: two) were directors of the Company whose emoluments are included in the disclosures above. The emolument of the five individuals in aggregate was as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	7,072	7,159
Retirement benefits scheme contributions	48	75
	<u>7,120</u>	<u>7,234</u>

Their emoluments were within the following bands:

	2003	2002
	No. of employees	No. of employees
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>1</u>	<u>1</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

12. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charges (credit) comprise:		
For the year:		
Hong Kong	411	1,697
Other regions in the PRC	2,426	579
Other jurisdictions	2,482	6,208
	<u>5,319</u>	<u>8,484</u>
Prior years		
Hong Kong	15,680	(492)
Other regions in the PRC	4,183	15
Other jurisdictions	594	–
	<u>20,457</u>	<u>(477)</u>
Deferred taxation		
Other regions in the PRC (Note 38)	–	(5,173)
Taxation attributable to the Company and its subsidiaries	25,776	2,834
Share of taxation attributable to associates	(452)	1,509
	<u>25,324</u>	<u>4,343</u>

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit of each individual company, after making adjustments for taxation purposes and after deducting any available tax relief for losses brought forward. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Including in Hong Kong Profits Tax underprovided is an additional tax of HK\$11,820,000 in respect of years of assessment of 1995/96 to 2000/2001 agreed with the Inland Revenue Department during the year.

Details of the deferred taxation are set out in note 38.

13. DIVIDEND

Scrip dividend alternatives were offered in respect of the 2002 and 2001 final dividends. These scrip dividend alternatives were accepted by the shareholders, as follows:

	2003 HK\$'000	2002 HK\$'000
Final dividend in respect of 2002 of HK2 cents (2001: HK2 cents) paid:		
Cash	12,558	11,995
Share alternative	6,797	7,054
	<u>19,355</u>	<u>19,049</u>

The final dividend in respect of 2003 of HK2 cents (2002: HK2 cents) per share, amounting to HK\$19,703,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the year of HK\$131,717,000 (2002: HK\$204,130,000) and on the weighted average number of 976,466,000 (2002 : 958,823,000) ordinary shares in issue during the year.

15. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
VALUATION	
At 1st April, 2002	1,022,177
Exchange adjustments	4,505
Additions	9,950
Disposals	(29,000)
Revaluation decrease	(98,981)
At 31st March, 2003	<u>908,651</u>

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

The carrying amount of investment properties comprises:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land in Hong Kong:		
Long lease	385,750	422,100
Medium-term lease	374,263	457,037
Land outside Hong Kong:		
Freehold	40,593	38,347
Long lease	108,045	104,693
	<u>908,651</u>	<u>1,022,177</u>

Investment properties in Hong Kong and Australia were revalued respectively by independent professional valuers, namely DTZ Debenham Tie Leung and Mr. D. Morton, on an open market basis at 31st March, 2003. Investment properties in Malaysia were revalued by the directors on 31st March, 2003 based on a professional valuation by Michael & Co., an independent professional valuer, on an open market value basis at 1st December, 2002. Investment properties in Singapore were revalued by the directors on 31st March, 2003 based on professional valuations by Premas International Limited, on an open market basis, on 16th December, 2002 and 19th May, 2003. The directors are of the opinion that the aggregate carrying amount of the investment properties in Malaysia and Singapore were not materially different from their aggregate estimated open market value as at 31st March, 2003. The valuation gave rise to revaluation decrease of HK\$98,981,000 which has been debited to the investment properties revaluation reserve.

Notes to the Financial Statements

For the year ended 31st March, 2003

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Hotel properties	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
COST OR VALUATION				
At 1st April, 2002	57,169	700,596	60,212	817,977
Exchange adjustments	(11)	2,241	60	2,290
Additions	38	256,992	9,588	266,618
Transfer from properties under development	34,254	–	–	34,254
Disposals	(963)	–	(2,537)	(3,500)
Revaluation increase	–	83,887	–	83,887
At 31st March, 2003	<u>90,487</u>	<u>1,043,716</u>	<u>67,323</u>	<u>1,201,526</u>
Comprising:				
At cost	90,487	–	67,323	157,810
At 2003 professional valuation	–	1,043,716	–	1,043,716
	<u>90,487</u>	<u>1,043,716</u>	<u>67,323</u>	<u>1,201,526</u>
DEPRECIATION AND IMPAIRMENT LOSSES				
At 1st April, 2002	3,635	39,356	37,673	80,664
Exchange adjustments	–	–	(35)	(35)
Impairment loss	13,002	–	–	13,002
Provided for the year	3,548	2,881	4,958	11,387
Eliminated on disposals	(884)	–	(2,368)	(3,252)
Eliminated on revaluation	–	(42,237)	–	(42,237)
At 31st March, 2003	<u>19,301</u>	<u>–</u>	<u>40,228</u>	<u>59,529</u>
NET BOOK VALUES				
At 31st March, 2003	<u>71,186</u>	<u>1,043,716</u>	<u>27,095</u>	<u>1,141,997</u>
At 31st March, 2002	<u>53,534</u>	<u>661,240</u>	<u>22,539</u>	<u>737,313</u>

Hotel properties in Hong Kong and the United States were revalued by independent professional valuers, namely DTZ Debenham Tie Leung and Lawson David & Sung Surveyors Limited, on an open market basis at 31st March, 2003. The hotel property in Malaysia was revalued by an independent professional valuer, Michael & Co., on an open market value basis at 1st December, 2002. The directors are of the opinion that the carrying amount of the hotel property in Malaysia was not materially different from its estimated open market value as at 31st March, 2003. The valuation gave rise to revaluation increase of HK\$131,664,000 which has been credited to the assets revaluation reserve and revaluation decrease of HK\$5,540,000 which has been charged to the income statement for the year ended 31st March, 2003.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties shown above comprises:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land in Hong Kong:		
Long lease	13,879	13,906
Medium-term lease	375,000	110,000
Land outside Hong Kong:		
Freehold	670,762	553,295
Medium-term lease	55,261	37,573
	1,114,902	714,774

Other assets with an aggregate net book value of HK\$816,000 (2002: HK\$483,000) were 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\$641,633,000 (2002: HK\$385,802,000).

17. PROPERTIES UNDER DEVELOPMENT

	THE GROUP
	HK\$'000
COST	
At 1st April, 2002	652,941
Exchange adjustments	4,630
Additions	96,253
Transferred to land and buildings	(34,254)
Transferred to properties under development for sales	(377,660)
Disposal of a subsidiary	(41,999)
Impairment loss recognised	(600)
At 31st March, 2003	<u>299,311</u>

During the year, the directors have assessed the recoverable amount of the properties under development and estimated that it is probable that one of the property is not able to generate positive cashflows to cover the cost of the property. Accordingly, an impairment loss of HK\$600,000 has been recognised.

Notes to the Financial Statements

For the year ended 31st March, 2003

17. PROPERTIES UNDER DEVELOPMENT (*continued*)

The net book value of properties shown above comprises:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Land in Hong Kong:		
Long lease	64,647	56,094
Medium-term lease	118,821	208,396
Land outside Hong Kong:		
Freehold	78,843	314,995
Medium-term lease	37,000	73,456
	<u>299,311</u>	<u>652,941</u>

Included in development properties is interest capitalised of approximately HK\$53,590,000 (2002: HK\$46,196,000).

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	1,210,284	1,210,284
Advances thereto	988,267	876,864
	<u>2,198,551</u>	<u>2,087,148</u>

The advances are unsecured, interest free and the directors confirmed that the amounts are not repayable within one year and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 50.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets other than goodwill	179,465	284,255
Discount arising on acquisition of associates	(13,485)	(13,094)
Impairment loss recognised	–	(53,925)
	<u>165,980</u>	<u>217,236</u>
Market value		
Hong Kong listed investments	<u>10,289</u>	<u>31,804</u>

Details of the Group's principal associates at 31st March, 2003 are set out in note 51.

In current year, the premium arising on acquisition of associates to HK\$390,000 have been charged to income due to disposal of an associate during the year.

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

As Far East Technology International Limited ("Far East Technology") is listed on the Stock Exchange, only published financial information for the year ended 31st December, 2002 is disclosed in the following table.

	Far East Technology		Bermuda Investment Limited	
	31.12.2002 Audited HK\$'000	31.12.2001 Audited HK\$'000	31.3.2003 Audited HK\$'000	31.3.2002 Audited HK\$'000
Results for the year				
Turnover	<u>90,124</u>	<u>147,197</u>	<u>18,266</u>	<u>21,397</u>
(Loss) profit from ordinary activities before taxation	<u>(184,695)</u>	<u>(58,188)</u>	<u>16,534</u>	<u>19,380</u>
(Loss) profit from ordinary activities before taxation attributable to the Group	<u>(52,084)</u>	<u>(16,409)</u>	<u>4,134</u>	<u>4,845</u>
Financial position				
Non-current assets	357,137	651,375	275,001	300,001
Current assets	59,713	76,144	959	2,381
Current liabilities	(236,473)	(332,414)	(4,241)	(5,597)
Non-current liabilities	(7,529)	(33,256)	–	–
Minority interests	(16,922)	(50,578)	–	–
Net assets	<u>155,926</u>	<u>311,271</u>	<u>271,719</u>	<u>296,785</u>
Net assets attributable to the Group	<u>43,971</u>	<u>87,778</u>	<u>67,930</u>	<u>74,196</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

		THE GROUP	
		2003	2002
		HK\$'000	HK\$'000
Share of net assets		72,862	63,279
Amount due to a jointly controlled entity		(7,734)	(7,206)
		65,128	56,073

Name of entity	Form of business structure	Country of registration	Principal place of operations	Proportion of nominal value of registered capital held by the Group	Nature of business
Shangqiu Yongyuan Development Company Limited 商丘永遠公路有限公司	Incorporated	PRC	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 a HK\$2,904,000 investment cost of interest in a jointly controlled entity was amortised and the Group's share result of the joint venture project during the year is HK\$12,487,000 (2002: HK\$3,124,000).

The amount due to a jointly controlled entity is unsecured and interest free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current.

21. INVESTMENTS IN SECURITIES**THE GROUP**

	Trading securities		Other securities		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities						
Listed	13,348	34,859	13,451	17,384	26,799	52,243
Unlisted	–	–	69,545	69,545	69,545	69,545
	13,348	34,859	82,996	86,929	96,344	121,788
Listed						
Hong Kong	13,348	34,859	13,347	17,237	26,695	52,096
Overseas	–	–	104	147	104	147
Unlisted	–	–	69,545	69,545	69,545	69,545
	13,348	34,859	82,996	86,929	96,344	121,788
Market value of listed securities	13,348	34,859	13,451	17,384	26,799	52,243
Carrying amount analysed for reporting purposes as:						
Current	13,348	34,859	27	75	13,375	34,934
Non-current	–	–	82,969	86,854	82,969	86,854
	13,348	34,859	82,996	86,929	96,344	121,788

22. AMOUNTS DUE FROM INVESTEE COMPANIES

The amounts are unsecured and non-interest bearing. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

Notes to the Financial Statements

For the year ended 31st March, 2003

23. LOANS RECEIVABLE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Long-term loans receivable bear interest at commercial rate		
– secured	256,761	259,461
– unsecured	293	293
	<u>257,054</u>	<u>259,754</u>
Less: Amount due within one year shown as current assets	(651)	(411)
	<u><u>256,403</u></u>	<u><u>259,343</u></u>

24. AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interest free advances to associates (net of allowance)	75,408	66,465
Interest bearing advances to associates (net of allowance)	–	9,824
	<u>75,408</u>	<u>76,289</u>
Less: Amount due within one year shown as current assets	(22,632)	(19,700)
	<u><u>52,776</u></u>	<u><u>56,589</u></u>

The advances are unsecured. The interest bearing advances as at 31st March, 2002 were bearing interest at prevailing market rates.

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
At cost	1,092,709	804,905
Impairment loss recognised	–	(79,600)
	<u>1,092,709</u>	<u>725,245</u>

Included in the properties under development for sale are amounts of HK\$377,660,000 (2002: HK\$153,754,000) and nil (2002: HK\$142,481,000) transferred from properties under development and investment properties, respectively.

26. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of HK\$59,554,000 (2002: HK\$70,693,000). 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	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	42,044	29,236
61 – 90 days	2,301	2,144
Over 90 days	15,209	39,313
	59,554	70,693

27. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	1,767	2,997
Work in progress	1,109	3,019
Finished goods	926	1,126
	3,802	7,142

The cost of inventories recognised as an expense during the year was HK\$18,129,000 (2002: HK\$20,663,000).

Included above are work-in progress of HK\$1,109,000 (2002: HK\$3,019,000) which are carried at net realisable value.

Notes to the Financial Statements

For the year ended 31st March, 2003

28. CREDITORS AND ACCRUALS

The creditors and accruals include trade creditors of HK\$76,130,000 (2002: HK\$96,259,000).

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	60,176	63,422
61 – 90 days	1,466	2,708
Over 90 days	14,488	30,129
	76,130	96,259

29. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases				
Within one year	481	245	428	201
Within second year	240	357	218	308
	721	602		
Less: Future finance charges	(75)	(93)		
Present value of lease obligations	646	509	646	509
Less: Amount due within one year shown under current liabilities			(428)	(201)
			218	308

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 2 years. For the year ended 31st March, 2003, the average effective borrowing rate was 5.15% to 8% per annum. 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.

30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	24,241	23,336	–	–
Bank loans	1,214,372	752,497	148,010	–
Mortgage loans	259,466	324,998	14,900	31,400
Other loans	96,000	108,000	96,000	108,000
	1,594,079	1,208,831	258,910	139,400
Secured	1,484,883	1,085,755	162,910	31,400
Unsecured	109,196	123,076	96,000	108,000
	1,594,079	1,208,831	258,910	139,400

Other loans are unsecured, bear interest at 5% per annum and are repayable in May 2005.

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	520,578	413,469	20,380	4,800
More than one year, but not exceeding two years	249,863	105,607	56,380	4,800
More than two years, but not exceeding five years	541,803	495,420	182,150	129,800
More than five years	281,835	194,335	–	–
	1,594,079	1,208,831	258,910	139,400
Less: Amount due within one year shown under current liabilities	(520,578)	(413,469)	(20,380)	(4,800)
	1,073,501	795,362	238,530	134,600

Details of the assets of the Group pledged to secure bank and other borrowings are set out in note 43.

Notes to the Financial Statements

For the year ended 31st March, 2003

31. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest bearing and has no fixed repayment term.

32. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, non-interest bearing and have no fixed repayment term. Certain directors have beneficial interest in these companies.

33. AMOUNTS DUE TO ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Amounts due to associates, interest free	25,077	–
Amounts due to associates, interest bearing	–	24,097
	25,077	24,097

The advances are unsecured. The interest bearing advances as at 31st March, 2002 were bearing interest at prevailing market rates.

34. SHARE CAPITAL

	Number of shares		Share capital	
	2003	2002	2003	2002
	HK\$'000		HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of year	967,749,875	952,451,881	96,775	95,245
Issued pursuant to scrip dividend scheme for 2002 and 2001 final dividend	17,384,437	15,297,994	1,738	1,530
At end of year	985,134,312	967,749,875	98,513	96,775

On 30th September, 2002, the Company issued and allotted a total of 17,384,437 shares of HK\$0.1 each in the Company at par to the shareholders who elected to receive shares in the Company for the 2002 final dividends pursuant to the scrip dividend scheme announced by the Company on 24th July, 2002. 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.

35. SHARE PREMIUM AND RESERVES

	Capital Redemption reserve HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 2001	253	653,129	1,165,620	23,888	1,842,890
Credit arising on scrip dividend	-	5,523	-	-	5,523
Net profit for the year	-	-	-	19,894	19,894
2001 final dividends paid	-	-	-	(19,049)	(19,049)
At 31st March, 2002	253	658,652	1,165,620	24,733	1,849,258
Credit arising on scrip dividend	-	5,059	-	-	5,059
Net 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

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:

	2003	2002
	HK\$'000	HK\$'000
Distributable reserve	1,165,620	1,165,620
Retained profits	6,387	24,733
	1,172,007	1,190,353

36. SHARE OPTION SCHEMES

The Company's 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.

36. SHARE OPTION SCHEMES (*continued*)

Summary of the Scheme (*continued*)

- (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.
- (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.

The option scheme of NCH

NCH has adopted a 1999 Stock Option and Restricted Stock Purchase Plan (the "Option Plan"). It is intended that options to purchase an aggregate of 600,000 common shares in NCH ("NCH Shares") will be granted under the Option Plan. The Option Plan is administered by the compensation committee of the board of NCH. Summary of the Option Plan are as follows:

- (a) The purpose of the Option Plan is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options to subscribe for shares at a price calculated in accordance with paragraph (f) below. The amount payable on acceptance of an option is to be determined from time to time.
- (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 Option Plan will not exceed 10% of the issued share capital of NCH (excluding any shares issued pursuant to the Option Plan) from time to time.

Notes to the Financial Statements

For the year ended 31st March, 2003

36. SHARE OPTION SCHEMES (continued)

The option scheme of NCH (continued)

- (d) 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 Option Plan, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Option Plan.
- (e) An option may be exercised in accordance with the terms of the Option Plan 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 Option Plan and shall expire on the last day of such period.
- (f) The exercise price of the incentive stock options and non-statutory stock options must be at least 100% and 85% of the fair market value of the NCH Shares on the date of grant of option.
- (g) The Option Plan will remain in force for a period of 10 years commencing on 10th August, 1999 being the date on which it was adopted by resolution of the Company in general meeting.

No options have been granted and exercised under the Option Plan since its adoption. No charge is recognised in the income statement in respect of the value of options granted in the year.

37. AMOUNT DUE FROM (TO) A MINORITY SHAREHOLDER

The amount due from (to) a minority shareholder is unsecured, non-interest bearing and will not be demanded for repayment within the next twelve months. Accordingly, the amount is classified as non-current assets (liabilities).

38. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	19,687	5,063
Exchange difference	—	110
Credit for the year (note 12)	—	(5,173)
Transferred (to) from taxation payable	(19,687)	19,687
Balance at end of year	—	19,687

38. DEFERRED TAXATION (continued)

In the previous years, a subsidiary pre-sold a real estate development project and accrued the full amount of provisional foreign enterprises income tax on deemed profits arising from the pre-sales pursuant to the relevant tax regulations as deferred taxation. During the year, the subsidiary has completed the sales of properties, and accordingly, the taxation payable arising from the deemed profit tax in the previous years was transferred from deferred taxation to taxation payable.

At the balance sheet date, the major components of deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	–	–	5,537	3,527
Tax effect of taxation losses	–	–	(65,040)	(66,786)
Others	–	19,687	–	–
	<u>–</u>	<u>19,687</u>	<u>(59,503)</u>	<u>(63,259)</u>

A deferred tax asset in respect of tax losses available to set off future profits has not been recognised in the financial statements as it is not certain that the tax losses will be utilised in the foreseeable future.

The amount of unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances and depreciation	2,010	2,798
Tax losses utilised (arising)	1,746	(20,675)
	<u>3,756</u>	<u>(17,877)</u>

The Company did not have any material unprovided deferred taxation at the balance sheet date.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Notes to the Financial Statements

For the year ended 31st March, 2003

39. 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	
	2003	2002
	HK\$'000	HK\$'000
Properties under development for sales	202,568	–
Debtors, deposits and prepayments	2,917	–
Creditors and accruals	(522)	–
Bank and other borrowings	(123,423)	–
	81,540	–

40. PURCHASE OF SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
Net asset acquired		
Properties under development	–	288,976
Debtors, deposits and prepayments	–	135,925
Bank balance and cash	–	1,776
Creditors and accruals	–	(22,295)
Amounts due to former shareholders	–	(208,313)
	–	196,069
Assignment of amounts due to former shareholders	–	208,313
	–	404,382
Satisfied by:		
Cash consideration	–	225,343
Carrying value of associates	–	179,039
	–	404,382
Net cash outflow arising on acquisition:		
Cash consideration	–	225,343
Bank balance and cash acquired	–	(1,776)
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries	–	223,567

The subsidiaries acquired in prior year did not have any material impact on the Group's cash flow or results for that year.

41. DISPOSAL OF A SUBSIDIARY

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of		
Properties under development	41,999	–
Taxation recoverable	14	–
Debtors, deposits and prepayments	13,036	–
Bank balances and cash	6,836	–
Creditors and accruals	(23,789)	(5)
Interest in associate	–	1,012
Amount due to a holding company	(15,178)	(1,114)
	22,918	(107)
Exchange reserve realised	2,637	–
	25,555	(107)
Profit on disposal	890	–
Assignment of amount due to a holding company	15,178	1,114
Total consideration	41,623	1,007
Satisfied by:		
Cash consideration	41,623	1,007
Net cash inflow arising on disposal		
Cash consideration	41,623	–
Bank balances and cash disposed of	(6,836)	–
	34,787	–

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

42. NON-CASH TRANSACTIONS

During the 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 (2002: Nil).

During the year, the provision for loss on profit guarantee of HK\$10,740,000 (2002: HK\$7,405,000) included in creditors and accruals is transferred to minority interests upon the cancellation of the Group's 25% (2002: 25%) interest in NCH.

Notes to the Financial Statements

For the year ended 31st March, 2003

43. PLEDGE OF ASSETS

- (a) The Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,203,780,000 (2002: HK\$1,688,611,000), HK\$19,853,000 (2002: HK\$13,415,000) and HK\$1,557,000 (2002: Nil) 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\$1,987,342,000 and HK\$5,000,000 (2002: HK\$1,390,471,000 and HK\$5,000,000) respectively.
- (b) The Group's listed investments of approximately HK\$20,335,000 (2002: HK\$38,337,000) 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\$8,800,000 (2002: HK\$15,000,000), of which HK\$5,332,000 (2002: HK\$8,322,000) 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\$7,671,000 (2002: HK\$698,000) 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.
- (e) The Group's interest in jointly controlled assets with share of total assets of approximately HK\$205,485,000 (2002: Nil) 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\$177,670,000 (2002: Nil) to a financial institution to secure general credit facility granted to the investee companies.

44. CAPITAL COMMITMENTS

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

	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for:		
Property development projects	507,000	260,000
Authorised but not contracted for:		
Property development projects	6,700	217,000
Hotel refurbishment and upgrade	152,000	–
Jointly controlled property development project	1,260	–
	159,960	217,000
	666,960	477,000

45. LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, investment properties and completed properties for sale with a carrying value of HK\$908,651,000 (2002: HK\$1,022,177,000) and HK\$11,000,000 (2002: HK\$11,000,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK\$65,083,000 (2002: HK\$88,698,000) of which HK\$62,083,000 (2002: HK\$85,511,000) 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	
	2003	2002
	HK\$'000	HK\$'000
within one year	39,073	45,730
In the second to fifth years inclusive	21,574	36,710
After five years	–	668
	60,647	83,108

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

Notes to the Financial Statements

For the year ended 31st March, 2003

45. 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	
	2003 HK\$'000	2002 HK\$'000
Land and buildings:		
– within one year	4,969	354
– in the second to fifth years inclusive	1,440	–
	<u>6,409</u>	<u>354</u>
Motor vehicles:		
– within one year	217	217
– in the second to fifth years inclusive	18	235
	<u>235</u>	<u>452</u>

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

At 31st March, 2003, the Company had no commitments under non-cancellable operating leases.

46. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees issued to secure banking and other facilities made available to				
– subsidiaries	–	–	1,399,899	1,168,226
– third parties	–	11,000	–	11,000
– an investee company	44,793	44,793	44,793	44,793
	<u>44,793</u>	<u>44,793</u>	<u>44,793</u>	<u>44,793</u>

46. CONTINGENT LIABILITIES (continued)

- (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, 2003, the total amount of mortgages outstanding which are subject to these guarantees was HK\$28,126,000 (2002: HK\$26,639,000).
- (c) During the year, 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) During the year, 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, 2003. The directors are of the opinion that the contractor failed to comply with certain specifications of the construction contract and complete the project on schedule. As a result a counter claim was filed 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.

Notes to the Financial Statements

For the year ended 31st March, 2003

47. POST BALANCE SHEET EVENTS

- (1) On 17th January, 2003, the Company and NCH entered into a non-binding Letter of Intent in connection with a proposal for the privatisation of NCH. Subsequent to the balance sheet date, the Company expended approximately HK\$4.83 million for purchases of minority interest in NCH and the privatisation proposal was successfully implemented. Consequently, NCH becomes a wholly-owned subsidiary of the Company and its shares and warrants were delisted from NASDAQ.
- (2) Subsequent to the balance sheet date, the Group entered into agreements for the disposals of two subsidiaries in Malaysia at an aggregate consideration of approximately HK\$29,164,000.

48. RELATED PARTY TRANSACTIONS

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

- (a) Directors and their associates

	2003 HK\$'000	2002 HK\$'000
Interest expenses	915	1,088

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

- (b) Associates

	2003 HK\$'000	2002 HK\$'000
Dividend income	(5,314)	(13,646)
Interest income	(6,485)	(12,058)
Interest expenses	–	4,910
Building management fee expenses	2,571	2,101

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 24, 31, 32 and 33.

49. 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\$1,037,000 (2002: HK\$574,000).

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.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Notes to the Financial Statements

For the year ended 31st March, 2003

50. 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		
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	Investment holdings
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	10,000	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
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 (formerly known as Aik Land 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

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital			Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
	Number of Shares	Par value per share/ registered capital	Class of shares held		
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
Dynahome Development Sdn. Bhd	1,255,000	M\$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	12 235	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
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
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

Notes to the Financial Statements

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50. 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		
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 Services 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	Investment holdings
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
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
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

50. 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	
Henrik Investment Limited	2	HK\$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	Property investment
Karunmas Ehsan Sdn. Bhd.	250,000	M\$1	Ordinary	51	Property development
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	Investment holdings
Mayland Victory Sdn. Bhd.	2,340,000	M\$1	Ordinary	100	Land development
New China Homes, Ltd.	12,700,000	US\$1	Common	63.88	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
Ruby Way Limited	2	HK\$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK\$1	Ordinary	100	Property investment
Sea Wave Properties Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings

Notes to the Financial Statements

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50. 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		
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
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
Stoneline Sdn. Bhd.	100	M\$1	Ordinary	100	Investment holdings
Teampearl Company Ltd	5,001 4,999	HK\$1	Class A Class B	100 100	Property development
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
Upperace 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

(i) Foreign investment enterprise registered in the PRC

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

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.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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
Dynahome Development 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
Focus Venue Sdn. Bhd.	Malaysia	Malaysia
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.

Notes to the Financial Statements

For the year ended 31st March, 2003

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Place of incorporation	Place of operation
Guangzhou Pegasus Boiler Manufacture Company Limited	The PRC	The PRC
Hamsher International Ltd.	British Virgin Islands	The U.S.A.
Karunmas Ehsan Sdn. Bhd.	Malaysia	Malaysia
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
Mayland Victory Sdn. Bhd.	Malaysia	Malaysia
New China Homes, Ltd.	Cayman Islands	The PRC
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
Stoneline Sdn. Bhd.	Malaysia	Malaysia
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

51. 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		
Alicegate Pty. Ltd.	Ordinary	49		Investment holdings
Bermuda Investments Limited	Ordinary	25		Property investment
Far East Technology International Limited	Ordinary	28.2		Investment holdings, share and property investments
Flinders Wharf Management Pty. Ltd.	Ordinary	50		Property management
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
Northleisure Proprietary Limited	Ordinary	50		Investment holdings
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
Alicegate Pty. Ltd.	Australia	Australia
Flinders Wharf Management Pty. Ltd.	Australia	Australia
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
Northleisure Proprietary Limited	Australia	Australia
Philippine Dream Company, Inc.	The Philippines	The Philippines
Young Heung International (BVI) Ltd	British Virgin Islands	The PRC