

## **CORPORATE INFORMATION**

### **PLACE OF INCORPORATION**

Cayman Islands

### **BOARD OF DIRECTORS**

#### *Executive Directors*

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

David CHIU, Dato', B.Sc.

*(Deputy Chairman and*

*Chief Executive Officer)*

Steven Ying Wai KWAN, A.C.A. (Aust.)

*(Managing Director)*

Craig Grenfell WILLIAMS,

B. ENG. (CIVIL)

Dennis CHIU, B.A.

#### *Non-executive Directors*

Ching Lan JU CHIU, J.P.

Dick Tat Sang CHIU, M.A.

Daniel Tat Jung CHIU

#### *Independent Non-executive Directors*

Kee Leong CHEE, Datuk

David Kwok Kwei LO

### **COMPANY SECRETARY**

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

### **AUTHORIZED REPRESENTATIVE**

David CHIU

Steven Ying Wai KWAN

### **SOLICITORS**

#### **Hong Kong**

Woo, Kwan, Lee & Lo

David Lo & Partners

#### **Malaysia**

Shearn Delamore & Co.

Wong Lu Peen & Tunka Alina

#### **Australia**

Freehill, Hollingdale & Page

Herbert Geer & Rundle

### **AUDITORS**

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

## **PRINCIPAL BANKERS**

### **Hong Kong**

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

### **Malaysia**

Alliance Bank Malaysia Berhad  
Arab-Malaysian Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Southern Bank Berhad  
Standard Chartered Bank Malaysia Berhad

### **Singapore**

The Development Bank of Singapore Limited

### **Australia**

Commonwealth Bank of Australia  
National Australia Bank Limited

### **China**

Agricultural Bank of China  
Bank of Communications  
Bank of Shanghai  
China Merchants Bank  
Construction Bank of China  
Industrial and Commercial Bank of China

## **REGISTERED OFFICE**

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

## **PRINCIPAL OFFICE**

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

## **SHARE REGISTRARS**

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

## **LISTING INFORMATION**

Ordinary Shares (Code: 035)  
The Stock Exchange of Hong Kong Limited

## **WEBSITE**

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

# **DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT**

## **INTERIM RESULTS**

The Board of Directors of Far East Consortium International Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003. The unaudited interim financial results has been reviewed by the Company's audit committee.

## **INTERIM DIVIDEND**

The directors recommend an interim dividend for the six months ended 30th September, 2003 of HK2 cents (six months ended 30th September, 2002: Nil) per share to shareholders whose names appear on the Company's Register of Members on 21st January, 2004 amounting to HK\$23 million. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

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

## **BOOK CLOSE PERIOD**

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

## REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

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

### Business Review

#### *Property Division*

##### Hong Kong

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

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

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

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

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

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

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

## China

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

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

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

## Australia

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

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

### ***Hotel Division***

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

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

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

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

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

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

### ***Industrial Infrastructure Division***

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

### ***Recurrent Income***

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

### ***Corporate Overview***

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

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

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

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

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

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

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

## **FINANCIAL RESOURCES AND LIQUIDITY**

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

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

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

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

### **Contingencies and commitments**

#### Contingencies

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

- (a) Guarantee issued to secured banking and other facilities made available to – an investee company HK\$19,475,000 as at 30th September 2003 compares to HK\$44,793,000 as at 31st March 2003.



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

#### Commitments

At the balance sheet date:

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

#### **Gearing ratio**

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

#### **Current ratio**

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

## **Exchange rate**

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

## **Pledge of assets**

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

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

## **Material acquisitions and disposals of subsidiaries and associated companies**

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

## **EMPLOYEE AND REMUNERATION POLICIES**

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

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

On behalf of the Board

**DAVID CHIU**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 17th December, 2003

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

### DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2003, the interests of Directors of the Company in shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (including interests which they were taken to have under Section 344 of the SFO) or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as following:

#### (a) Shares in the Company

Name of Director	Number of ordinary shares		
	Personal interests	Corporate interests	Total
Deacon Te Ken Chiu	9,869,737	108,755,989 ( <i>Note 1</i> )	118,625,726
David Chiu	600,395	290,183,229 ( <i>Note 2</i> )	290,783,624
Dennis Chiu	8,008	4,956,938 ( <i>Note 3</i> )	4,964,946
Ching Lan Ju Chiu	1,128,688	–	1,128,688
Dick Tat Sang Chiu	785,075	–	785,075
Daniel Tat Jung Chiu	36,926	3,877,218 ( <i>Note 4</i> )	3,914,144

#### Notes:

1. These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
2. These shares are held by Sumptuous Assets Limited, a company controlled by Dato' David Chiu.
3. These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
4. These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

**(b) Options**

**(i) *The Company's option scheme***

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

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

**(ii) *The option scheme of the Company's subsidiary***

New China Homes, Ltd. ("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 Option Plan. The Option Plan is administered by the compensation committee of the board of NCH. The compensation committee has complete discretion to determine which eligible individuals are to receive option grants, the number of shares subject to each such grant, the status of any granted option as either an incentive stock option or a non-statutory option, the vesting schedule to be in effect for the option grant and the maximum term of which any granted option is to remain outstanding. Each option granted under the Option Plan will have a maximum term of ten years, subject to earlier termination following the optionee's cessation of service with NCH. No options were granted under the Option Plan since their adoption.

At a special meeting of the shareholders of NCH held on 18th March 2003, the shareholders of NCH approved the proposal to redomicile NCH from the Cayman Islands to the British Virgin Islands to be followed by a merger of NCH into a new British Virgin Island Company which is a wholly owned subsidiary of the Company. The option plan was lapsed after the merger.

**(c) Shares in associated corporations**

As at 30th September, 2003, the interests of Directors in the share capital of the Company's associated corporations were as follows:

Name of Director	Name of associated corporation	Number of ordinary shares held
Deacon Te Ken Chiu	Far East Technology International Limited	110,926,800 (Note 1)
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Oi Tak Enterprises Limited	250,000
Dennis Chiu	Far East Technology International Limited	47,010,200 (Note 2)
Daniel Tat Jung Chiu	Far East Technology International Limited	41,400,000 (Note 2)

*Notes:*

1. Includes 6,110,000 shares held by Madam Ching Lan Ju Chiu, the spouse of Mr. Deacon Te Ken Chiu.
2. Includes 30,400,000 shares held by Cape York Investments Limited, a company beneficially owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

Save as disclosed above, none of the Directors of the Company and their associated had any interests or short positions in the shares or debentures or underlying shares of the Company or of any of its associated corporations as at 30th September, 2003 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (including interests or short positions which they were taken to have under Section 344 of the SFO) or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, the following shareholders, other than the interest disclosed above in respect of certain Directors, were interested directly or indirectly in 5% or more of the total issued share capital of the Company and those interests were required to be recorded in the register kept under Section 336 of the SFO.

Name of Shareholder	Number of ordinary share held	%
J.P. Morgan Chase & Co. ("JPMC")	115,280,000	9.93
JP Morgan Chase Bank	34,264,000	2.95
J.P. Morgan Fleming Asset Management Holdings Inc.	81,016,000	6.98
J.P. Morgan Fleming Asset Management (Asia) Inc.	76,133,000	6.56
JF Asset Management Limited	72,633,000	6.25

*Notes:* According to the notice to the Company from JPMC, as at 30th September, 2003, JPMC had interests of 115,280,000 shares in the Company as an investment manager and 34,264,000 shares held as a lending pool in other capacity. Among the said interests, 34,264,000 shares were held by JPMC's wholly-owned subsidiary, JP Morgan Chase Bank. Of the 81,016,000 shares in J.P. Morgan Fleming Asset Management Holdings Inc., 76,133,000 shares were held by J.P. Morgan Fleming Asset Management (Asia) Inc., out of which 72,633,000 shares were held by JF Asset Management Limited, which was 99.99% owned by J.P. Morgan Fleming Asset Management (Asia) Inc., which was in turn wholly-owned directly by J.P. Morgan Fleming Asset Management Holdings Inc. and indirectly by JPMC. The remaining interest of 4,883,000 shares was held by an indirect subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc.

Save for the above interests, the Directors of the Company are not aware of any person (other than the directors of the Company) who was, directly or indirectly, interested in at least 5% of the total issued share capital of the Company or had, directly or indirectly, any notifiable short position in the total issued share capital of the Company and those interests of short positions were required to be recorded in the register kept under Section 336 of the SFO as at 30th September, 2003.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial results for the six months ended 30th September, 2003 with Directors.

## PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

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

## CODE OF BEST PRACTICE

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

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

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

# CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2003

		30/9/2003 (unaudited) HK\$'000	31/3/2003 (audited) HK\$'000
	NOTES		
<b>Non-current assets</b>			
Investment properties	10	937,050	908,651
Property, plant and equipment		1,148,002	1,141,997
Properties under development	10	371,835	299,311
Interests in associates		175,139	165,980
Interest in a jointly controlled entity		65,509	65,128
Investments in securities		96,464	82,969
Amounts due from investee companies		119,995	177,759
Other assets		14,815	14,815
Loans receivable		270,680	256,403
Amount due from a minority shareholder		563	563
Amounts due from associates		115,847	52,776
Pledged bank deposits		2,615	–
Negative goodwill	11	(34,620)	–
		<u>3,283,894</u>	<u>3,166,352</u>
<b>Current assets</b>			
Completed properties for sale – at cost		113,491	160,834
Properties under development for sale	10	883,145	1,092,709
Debtors deposits and prepayments	12	222,301	174,578
Loans receivable		651	651
Investments in securities		12,043	13,375
Inventories		3,793	3,802
Amounts due from associates		22,152	22,632
Taxation recoverable		7,777	11,175
Pledged bank deposits		12,092	19,822
Bank balances and cash		137,593	79,407
		<u>1,415,038</u>	<u>1,578,985</u>
<b>Current liabilities</b>			
Creditors and accruals	13	215,286	224,953
Customers' deposits received		15,710	345,523
Obligations under finance leases		209	428
Bank and other borrowings	14	533,713	520,578
Amount due to a director		10,501	18,372
Amounts due to related companies		13,490	13,467
Amounts due to associates		24,565	25,077
Taxation payable		48,449	45,687
		<u>861,923</u>	<u>1,194,085</u>
<b>Net current assets</b>		<u>553,115</u>	<u>384,900</u>
		<u><u>3,837,009</u></u>	<u><u>3,551,252</u></u>



## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

AT 30TH SEPTEMBER, 2003

		30/9/2003 (unaudited) <i>HK\$'000</i>	31/3/2003 (audited) <i>HK\$'000</i>
	NOTES		
<b>Capital and reserves</b>			
Share capital	15	116,061	98,513
Share premium		850,814	663,711
Reserves		1,598,567	1,545,220
		<u>2,565,442</u>	<u>2,307,444</u>
<b>Minority interests</b>		<u>2,271</u>	<u>60,298</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		218	218
Bank and other borrowings	14	1,159,287	1,073,501
Amount due to a minority shareholder		19,811	19,811
Deferred taxation		89,980	89,980
		<u>1,269,296</u>	<u>1,183,510</u>
		<u><b>3,837,009</b></u>	<u><b>3,551,252</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

	Share Capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2002											
- as originally stated	96,775	658,652	253	169,352	275,750	67,816	869,357	(155,821)	(60,605)	474,855	2,396,384
- adjustment on adoption of SSAP 12 (Revised)	-	-	-	-	(74,416)	-	-	-	-	14,173	(60,243)
	<u>96,775</u>	<u>658,652</u>	<u>253</u>	<u>169,352</u>	<u>201,334</u>	<u>67,816</u>	<u>869,357</u>	<u>(155,821)</u>	<u>(60,605)</u>	<u>489,028</u>	<u>2,336,141</u>
Revaluation increase during the period	-	-	-	-	-	-	-	-	1,304	-	1,304
Share of associate's reserves during the period	-	-	-	-	-	-	-	2,083	-	-	2,083
Exchange difference arising on translation of overseas operation	-	-	-	-	-	-	-	5,630	-	-	5,630
Net gains not recognised in the income statement	-	-	-	-	-	-	-	7,713	1,304	-	9,017
Issued pursuant to scrip dividend scheme	1,738	-	-	-	-	-	-	-	-	-	1,738
Credit arising on scrip dividend	-	5,059	-	-	-	-	-	-	-	-	5,059
Realised on disposal of assets	-	-	-	-	-	79,598	-	-	-	-	79,598
Net Profit for the period	-	-	-	-	-	-	-	-	-	7,552	7,552
Dividends paid	-	-	-	-	-	-	-	-	-	(19,355)	(19,355)
At 30th September, 2002	<u>98,513</u>	<u>663,711</u>	<u>253</u>	<u>169,352</u>	<u>201,334</u>	<u>147,414</u>	<u>869,357</u>	<u>(148,108)</u>	<u>(59,301)</u>	<u>477,225</u>	<u>2,419,750</u>
Revaluation increase (decrease) during the period	-	-	-	-	131,664	(98,981)	-	-	(5,234)	-	27,449
Deferred tax liabilities arising on revaluation of properties	-	-	-	-	(37,733)	-	-	-	-	-	(37,733)
Share of associates' reserves movement during the period	-	-	-	-	-	(9,540)	-	7,946	-	-	(1,594)
Exchange difference arising on translation of overseas operation	-	-	-	-	-	-	-	11,126	-	-	11,126
Net gains (losses) not recognised in the income statement	-	-	-	-	93,931	(108,521)	-	19,072	(5,234)	-	(752)
Realised on disposal of assets	-	-	-	-	-	17,082	-	-	-	-	17,082
Realised on disposal of a subsidiary	-	-	-	-	-	-	-	2,637	-	-	2,637
Net loss for the period	-	-	-	-	-	-	-	-	-	(131,273)	(131,273)
At 31st March, 2003	<u>98,513</u>	<u>663,711</u>	<u>253</u>	<u>169,352</u>	<u>295,265</u>	<u>55,975</u>	<u>869,357</u>	<u>(126,399)</u>	<u>(64,535)</u>	<u>345,952</u>	<u>2,307,444</u>
Revaluation increase during the period	-	-	-	-	-	-	-	-	13,479	-	13,479
Share of associates' reserve movement during the period	-	-	-	-	-	-	-	(89)	-	-	(89)
Exchange difference arising on translation of overseas operation	-	-	-	-	-	-	-	17,097	-	-	17,097
Net gains not recognised in the income statement	-	-	-	-	-	-	-	17,008	13,479	-	30,487
Newly issued shares	16,500	181,500	-	-	-	-	-	-	-	-	198,000
Shares issued expenses	-	(4,581)	-	-	-	-	-	-	-	-	(4,581)
Issued pursuant to scrip dividend scheme	1,048	-	-	-	-	-	-	-	-	-	1,048
Credit arising on scrip dividend	-	10,184	-	-	-	-	-	-	-	-	10,184
Net profit for the period	-	-	-	-	-	-	-	-	-	42,563	42,563
Dividends paid	-	-	-	-	-	-	-	-	-	(19,703)	(19,703)
At 30th September, 2003	<u>116,061</u>	<u>850,814</u>	<u>253</u>	<u>169,352</u>	<u>295,265</u>	<u>55,975</u>	<u>869,357</u>	<u>(109,391)</u>	<u>(51,056)</u>	<u>368,812</u>	<u>2,565,442</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

	Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
Net cash (used in) from operating activities	(107,641)	43,007
Net cash used in investing activities	(97,582)	(11,674)
Net cash from financing activities	<u>275,500</u>	<u>62,231</u>
Net increase in cash and cash equivalents	70,277	93,564
Cash and cash equivalents at beginning of the period	55,166	15,665
Effect of foreign exchange rate changes	<u>992</u>	<u>356</u>
Cash and cash equivalents at end of the period	<u><u>126,435</u></u>	<u><u>109,585</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	137,593	139,672
Bank overdraft	<u>(11,158)</u>	<u>(30,087)</u>
	<u><u>126,435</u></u>	<u><u>109,585</u></u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of presentation

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

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

## 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes” which becomes effective in the current period. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liability in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the retained profits at 1st April, 2003 has been increased by HK\$22,169,000 (1st April, 2002: HK\$14,173,000). The assets revaluation reserve at 1st April, 2003 has been decreased by HK\$112,149,000 (1st April, 2002: HK\$74,416,000).

### 3. Turnover and segment information

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

#### *Business segments*

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

### 4. Impairment loss recognised in respect of properties held for development

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

### 5. Profit from operations

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

## 6. Profit on disposal of subsidiaries

On 16th June, 2003, the Group entered into agreements for the disposal of two subsidiaries in Malaysia at an aggregate consideration of approximately HK\$29,164,000.

The subsidiaries disposed of did not make any significant contribution to the results or cash flows of the Group during the interim period.

The net assets of the subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of	23,488
Profit on disposal	5,676
	<hr/>
Total consideration	29,164
	<hr/> <hr/>
Satisfied by:	
Cash	19,827
Debtors	9,337
	<hr/>
	29,164
	<hr/> <hr/>

## 7. Taxation

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

## 8. Dividend

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

	Six months ended	
	30/9/2003 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000
Final dividend in respect of 2003 of HK2 cents (2002: HK2 cents) paid:		
Cash	8,471	12,558
Share alternative	11,232	6,797
	<u>19,703</u>	<u>19,355</u>

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

## 9. Earnings per share

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

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

## 10. Investment properties and properties under development

During the period, the Group spent approximately HK\$18 million (30th September, 2002: approximately HK\$10 million) on renovation of the investment properties. The Group also transferred approximately HK\$7 million (30th September, 2002: nil) from property, plant and equipment to investment properties.

In addition, the Group spent approximately HK\$258 million (30th September, 2002: approximately HK\$14 million) on the stages of construction works of the development properties. Moreover, the Group also disposed of two properties under development for sale with a carrying value of HK\$33 million in respect of the disposal of subsidiaries in Malaysia.

The directors have considered the carrying amount of the Group's investment properties at 30th September, 2003 and are of the opinion that the carrying amounts do not differ significantly from the open market value of these properties at the balance sheet date. Accordingly, no surplus or deficit on valuation of these properties has been recognised in the current period.

## 11. Negative goodwill

HK\$ '000

### *Gross amount*

Arising from acquisition of additional interest  
in a subsidiary and at 30th September, 2003 38,467

### *Released to income*

Released in the period and at 30th September, 2003 3,847

### *Carrying amount*

At 30th September, 2003 34,620

The negative goodwill was arising from the Group's acquisition of additional interest in a subsidiary, Zhongshan Developments Limited ("ZDL") formerly known as New China Homes Limited, and is amortised over 5 years using the straight-line method.

## 12. Debtors, deposits and prepayments

The Group allows an average credit period of 60 days to its trade customers.

The debtors, deposits and prepayment include trade debtors of HK\$90,135,000 (31/3/2003: HK\$59,554,000). The following is an aged analysis of trade receivable at the reporting date:

	30/9/2003 (unaudited) HK\$'000	31/3/2003 (audited) HK\$'000
0-60 days	80,812	42,044
61-90 days	763	2,301
Over 90 days	8,560	15,209
	<u>90,135</u>	<u>59,554</u>

## 13. Creditors and accruals

The creditors and accruals included trade creditors of HK\$48,933,000 (31/3/2003: HK\$76,130,000).

	30/9/2003 (unaudited) HK\$'000	31/3/2003 (audited) HK\$'000
0-60 days	29,168	60,176
61-90 days	6	1,466
Over 90 days	19,759	14,488
	<u>48,933</u>	<u>76,130</u>

## 14. Borrowings

During the period, the Group obtained new bank loans in the amount of HK\$284 million and repaid bank loan of HK\$185 million. The loans bear interest at market rates.



## 15. Share capital

During the interim period, the company newly issued and allotted a total of 165,000,000 shares at HK\$1.2 each (par value of HK\$0.1 each). In addition, the Company issued and allotted a total of 10,474,669 shares at HK\$1.072 each (par value of HK\$0.1 each) pursuant to the share dividend scheme for 2003 final dividend.

## 16. Pledge of assets

- (a) The Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,173,153,000 (31/3/2003: HK\$2,203,780,000), HK\$14,707,000 (31/3/2003: HK\$19,822,000) and HK\$1,557,000 (31/3/2003: HK\$1,557,000) respectively, together with properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$2,040,754,000 and HK\$5,000,000 (31/3/2003: HK\$1,987,342,000 and HK\$5,000,000) respectively.
- (b) The Group's listed investments of approximately HK\$41,121,000 (31/3/2003: HK\$20,335,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$7,000,000 (31/3/2003: HK\$8,800,000), of which HK\$3,036,000 (31/3/2003: HK\$5,332,000) were utilised.
- (c) The Group has entered into agreements with certain banks in respect of mortgage loans provided to home 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 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\$1,558,000 (31/3/2003: HK\$7,671,000) was placed with banks to guarantee the above agreements.
- (d) Interests in certain subsidiaries have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.
- (e) The Group's interest in jointly controlled assets with share of total assets of approximately HK\$344,755,000 (31/3/2003: HK\$205,485,000) have been pledged as the security to secure certain borrowings.
- (f) The credit facilities granted to the associate and investee company were secured by the pledge of shares in and subordination of advances to that investee company with an aggregate carrying value of HK\$177,670,000 (31/3/2003: HK\$177,670,000).

## 17. Contingent liabilities

- (a) At the reporting date, contingent liabilities of the Group were as follows:

	<b>30/9/2003</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2003 (audited) HK\$'000
Guarantees issued to secure banking and other facilities made available to an investee company	<u><b>19,475</b></u>	<u>44,793</u>

- (b) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in PRC. The total amount of mortgages outstanding which are subject to these guarantees was HK\$7,251,000 (31/3/2003: HK\$28,126,000).
- (c) During the year ended 31st March 2003, ZDL was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of ZDL. The two consultants entered into a consulting contract with ZDL in 1999 in lieu of cash for service rendered. The two consultants alleges that ZDL 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 allege that ZDL owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of ZDL amounting to approximately HK\$5,865,000. Motion of dismissal 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 ended 31st March, 2003, 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 was accrued by the Group in the financial statements as at 30th September, 2003. The directors are of the opinion that the contractor failed to comply with certain specifications of the construction contract and complete the project on schedule. As a result a counter claim was filed 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.

## 18. Capital commitments

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

	<b>30/9/2003</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2003 (audited) HK\$'000
Contracted but not provided for:		
Property development projects	<u>372,000</u>	<u>507,000</u>
Authorised but not contracted for:		
Property development projects	220,000	6,700
Hotel refurbishment and upgrade	147,000	152,000
Jointly controlled property development project	<u>1,260</u>	<u>1,260</u>
	<u>368,260</u>	<u>159,960</u>
	<u><b>740,260</b></u>	<u><b>666,960</b></u>