
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004



1. GENERAL

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

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

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice No. 12 "Income taxes" ("SSAP (Revised)") issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in accounting policy, the Group's retained profits has been increased by HK\$3,288,000 and the Group's asset revaluation reserve has been decreased by HK\$74,416,000, respectively, at 1st April, 2002. The change has resulted in an increase in the Group's profit for year of HK\$1,612,000 (2003: HK\$7,515,000) and an increase in the Group's asset revaluation reserve of HK\$30,138,000 (2003: a decrease of HK\$35,859,000) for the year.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

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

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

Negative goodwill

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

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

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

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

Investments in subsidiaries

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates

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

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

Investments in jointly controlled entities

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

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

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

Investments in jointly controlled assets

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

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

Investment properties

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

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

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

Properties under development held for long term purposes

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

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

Property, plant and equipment

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

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

Completed properties for sale

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

Properties under development for sale

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

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

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

Investments in securities

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities *(continued)*

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

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

Other assets

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

Impairment

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

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

Inventories

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

Foreign currencies

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Taxation

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

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

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

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

Borrowing costs

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

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

Revenue recognition

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

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

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

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

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

4. TURNOVER

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Segment information about these businesses is presented below:

2004

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2004 (continued)

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2003

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

Inter-segment sales are charged at prevailing market rates.

RESULT

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2003 (continued)

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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

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

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

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

6. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON PROPERTIES

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

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

7. FINANCE COSTS

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

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

8. PROFIT (LOSS) BEFORE TAXATION

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

9. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS

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

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

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

The emoluments of the directors were within the following bands:

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

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

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

Their emoluments were within the following bands:

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

❖ **10. TAXATION**

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

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

10. TAXATION (continued)

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

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

10. TAXATION (continued)

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

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

11. DIVIDENDS

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

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

12. EARNINGS (LOSS) PER SHARE

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

13. INVESTMENT PROPERTIES

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



13. INVESTMENT PROPERTIES *(continued)*

The carrying amount of investment properties comprises:

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The net book value of properties shown above comprises:

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

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

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

15. PROPERTIES UNDER DEVELOPMENT

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

15. PROPERTIES UNDER DEVELOPMENT *(continued)*

The net book value of properties shown above comprises:

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

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

16. NEGATIVE GOODWILL

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

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

17. INTERESTS IN SUBSIDIARIES

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

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

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

18. INTERESTS IN ASSOCIATES

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

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

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

18. INTERESTS IN ASSOCIATES (continued)

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

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

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

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

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

20. INVESTMENTS IN SECURITIES

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

21. AMOUNTS DUE FROM ASSOCIATES

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

22. AMOUNTS DUE FROM INVESTEE COMPANIES

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



23. LOANS RECEIVABLE

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

24. AMOUNT DUE FROM A MINORITY SHAREHOLDER

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

25. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

26. INVENTORIES

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

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

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

27. CREDITORS AND ACCRUALS

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

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

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

28. AMOUNT DUE TO A DIRECTOR

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

29. AMOUNTS DUE TO RELATED COMPANIES

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

30. AMOUNTS DUE TO ASSOCIATES

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

31. OBLIGATIONS UNDER FINANCE LEASES

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

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

32. BANK AND OTHER BORROWINGS

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

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

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

33. SHARE CAPITAL

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

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

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

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

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

34. RESERVES

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

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

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

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



35. SHARE OPTION SCHEMES

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

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

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

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

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

Summary of the Scheme

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



35. SHARE OPTION SCHEMES *(continued)*

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

No option was granted under the Scheme since its adoption.

36. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

37. DEFERRED TAXATION

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

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

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

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

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



38. JOINTLY CONTROLLED ASSETS

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

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

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

39. PURCHASE OF SUBSIDIARIES

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

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

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

40. DISPOSAL OF SUBSIDIARIES

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

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

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



41. NON-CASH TRANSACTIONS

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

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

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

42. PLEDGE OF ASSETS

(a) The Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,603,798,000 (2003: HK\$2,203,780,000), HK\$5,539,000 (2003: HK\$19,822,000) and HK\$2,334,000 (2003: HK\$1,557,000) respectively, together with properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$2,021,216,000 and HK\$5,000,000 (2003: HK\$1,987,342,000 and HK\$5,000,000) respectively.

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

(b) The Group's listed investments of approximately HK\$37,517,000 (2003: HK\$20,335,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$7,800,000 (2003: HK\$8,800,000), of which HK\$2,411,000 (2003: HK\$5,332,000) were utilised.

(c) The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of properties project in the PRC. In accordance with those agreements, the Company deposits either 10% of the consideration of the properties sold and financed under the mortgage loans or between 10% and 20% of the amount of financing provided as a guarantee for settlement of the mortgage installments. Should mortgagors fail to pay mortgage installments, the bank can draw down the deposits up to the amount of mortgage installments not paid during the period from the mortgage drawdown date to the date of releasing such guarantees. The guarantees will be released when property title deeds are passed to the banks as security for the respective mortgage loans. At the balance sheet date, deposit of approximately HK\$Nil (2003: HK\$7,671,000) was placed with banks to guarantee the above agreements.

(d) Interests in certain subsidiaries have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.



42. PLEDGE OF ASSETS *(continued)*

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

43. CAPITAL COMMITMENTS

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

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



44. LEASE COMMITMENTS

The Group as lessor:

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

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

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

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

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

44. LEASE COMMITMENTS (continued)

The Group as lessee:

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

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

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

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

45. CONTINGENT LIABILITIES

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

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

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



46. POST BALANCE SHEET EVENTS

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

47. RELATED PARTY TRANSACTIONS

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

- (a) Directors and their associates

	2004 HK\$'000	2003 HK\$'000
Interest expenses	<u>–</u>	<u>915</u>

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

- (b) Associates

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

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

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



47. RELATED PARTY TRANSACTIONS (continued)

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

48. RETIREMENT BENEFITS SCHEMES

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

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of direct subsidiary	Issued share capital			Proportion of nominal value of issued capital/ registered capital held by the Group	Place of Principal activities	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

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		
404577 Alberta Ltd.	2	Nil	Class A	100	Property investment
413643 Alberta Ltd.	100	Nil	Class A	100	Property investment
Accessway Profits Limited	1	US\$1	Ordinary	100	Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	100	Property investment
Amphion Investment Limited	2	HK\$1	Ordinary	100	Investment holdings
Aniwell Investment Limited	10,000	HK\$1	Ordinary	100	Hotel operation
Annick Investment Limited	2	HK\$1	Ordinary	100	Property investment
Arvel Company Limited	10,000	HK\$1	Ordinary	100	Property investment
Asia Land Pty Ltd. (formerly known as FEC Property Services Pty Ltd.)	1	A\$1	Ordinary	100	Loan financing
Bournemouth Estates Limited	2	HK\$10	Ordinary	100	Property development
Bradney Proprietary Ltd.	2	A\$1	Ordinary	100	Investment holdings
Capital Fortune Investment Limited	2	HK\$1	Ordinary	100	Property investment
Cathay General Inc.	1	Nil	Common	100	Investment holdings and share investment
Charter Joy Limited	2	HK\$1	Ordinary	100	Property development
Charter National International Limited	2	HK\$1	Ordinary	100	Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100	Property development
China Web Incorporated	1	US\$1	Ordinary	100	Investment holdings

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

(i) Foreign investment enterprise registered in the PRC

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

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

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

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

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

50. PARTICULARS OF PRINCIPAL ASSOCIATES

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

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

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

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