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

# CORPORATE INFORMATION

## PLACE OF INCORPORATION

Cayman Islands

## EXECUTIVE DIRECTORS

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

David CHIU, Dato', B.Sc. (*Deputy Chairman and Chief Executive Officer*)

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

Kohei OGAWA, M.B.A., B.A.

## 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

Ng & Tse

### 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

Banque Nationale de Paris

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

### 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  
5th Floor, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong.

## LISTING INFORMATION

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

## WEBSITE

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



Hong Kong, as an international financial center has its fair share of negative impact on its economy for the past 5 years, from the massive Asian financial crisis in several populous countries like Japan, Korea, Philippines, Thailand, Indonesia and Malaysia concurrently from 1997 to date to the maximum impact events of “911” in New York, U.S.A. in 2002 and its aftermath, the recent failures and the inevitable bankruptcy protection actions of the two giant Corporate America. The movements in The Hang Seng Index and trading volumes in the Index Stocks in our Hong Kong Stock Exchange reflect the above said events in America in

correlation to the decline of both the Dow Jones and Nasdaq indexes to their lowest ever for the past five years. Hong Kong, however has its true colour to sustain all the negative impacts from outside and to uphold its strength and reputation as a truly international city with a well-managed and healthy foreign exchange reserve.

Locally, for the past twelve months, Hong Kong has suffered similar situations with the other major Asian cities experiencing the impacts of economic recession, slow-down of construction and infrastructure projects, increase in unemployment, and decline in consumer spending etc.. All these factors culminate to the gradual slowdown of the Hong Kong economy relative to the past 10 years. Nevertheless, Hong Kong can survive with its natural advantages, with the strengthening of a potentially resourceful and diversified market, China, coupled with its well-trained, hardworking and flexible Hong Kong workforce and the support from the Central Government in China. Hong Kong will ride with the emerging nation China under the watchful eyes of international economic, finance and political observers.

The Hong Kong Special Administration Region has proved that the policy of One Country Two Systems works successfully in the past 5 years. The public opinion polls also support a 24-hours continuous opening of the immigration control points between Shenzhen and Hong Kong for the cross-border traffic between the two cities. Both the Chinese government and state-owned enterprises have been very supportive in achieving this objective. The easing-off of exit permits to allow more inland Chinese to make traveling to or through Hong Kong helps to promote tourism and its many related services to our visitors. This increases in consumer spending in many sectors by the tourists. Many state-owned enterprises taking advantage of Hong Kong as the gateway to the international financial market to raise equity and other funding requirements. Hong Kong becomes their first port of call for equity or venture capital exercises with its high standard of international investment and commercial banking relationship. Hong Kong has served them well and been rewarded with the goodwill and international reputes both in tourism and financial services not only to China but also to our international trading, finance and commerce counter-parts.

We are committed to China and Hong Kong and our balance sheets echoed our confidence in our investments therein. Our prudent management shall continue to maintain our steady growth in assets and earnings in the years to come.

Finally, I will take this opportunity to express my appreciation to all directors and colleagues for their effort and contribution during the years and our shareholders' continuing support to our Company.

**Deacon Te Ken Chiu**  
*Chairman*

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

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

Mr. Chiu, aged 77, is the founder of the Far East Group. He has been the Chairman of Far East Consortium Limited, the predecessor of the Company, since 1972. He is now the Chairman of the Company, Far East Technology International Limited and Far East Hotels and Entertainment Limited. He has more than 50 years of business experience in financial and property investment and development, operation of entertainment; broadcast and tourism related business and hotel and industrial ownership and management. Mr. Chiu is a member of the Chinese People's Political and Consultative Conference. He is the founder of Yan Chai Hospital which was opened in 1973 and the founder and the Chairman of Ju Ching Chu Secondary School since 1966. In addition, he is the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce and the Vice-Patron of the Community Chest. Mr. Chiu is the husband of Madam Ching Lan Ju Chiu, the father of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

### **Y. Bhg Dato' David CHIU, B.Sc. (Deputy Chairman & Chief Executive Officer)**

Dato' Chiu, aged 48, joined the Group in 1973. He had been the Managing Director of Far East Consortium Limited, the predecessor of the Company, since 1978 and was appointed Deputy Chairman and Chief Executive Officer of the Company on 8th December, 1994 and 8th October, 1997 respectively. He is also a Director of Far East Technology International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He holds a double degree of Bachelor of Science in Business Administration and Economics at Sophia University, Japan.

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

### **Mr. Steven Ying Wai KWAN, A.C.A. (Aust.) (Managing Director)**

Mr. Kwan, aged 55, joined the Company in August 2000. Prior to joining the Company, he was a vice chairman of Continental Mariner Investment Company Limited and Poly Investments Holdings Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. He has been an executive director for both companies since 1983. Prior to that, Mr. Kwan had been in executive positions in the field of investment banking and finance for over 15 years in Asia (1978–1993). Mr. Kwan has been a chartered accountant in Australia since 1977. He has served as advisor and independent director for many publicly listed companies in Asia during the past 20 years. Currently, he is an independent non-executive director of Wah Fu International Holdings Limited, a publicly listed company in Hong Kong.

## EXECUTIVE DIRECTORS (continued)

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

Mr. Williams, aged 50, was appointed as a Director of the Company in 2000. He is responsible for all property development in Australia. He resides in Melbourne, Australia. He holds a degree of Bachelor of Civil Engineering from Melbourne University and before joining the Australian operations, was a Director of all development companies within Australia's largest property developer, the Lend Lease Group. Mr. Williams has extensive experience in all facets of property development and is the President of the St. Kilda Road Campaign Inc.

### **Mr. Dennis CHIU, B.A.**

Mr. Chiu, aged 43, joined Far East Consortium Limited, the predecessor of the Company, in 1978. He is now an Executive Director of the Company and also the Managing Director of Far East Technology International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc and is actively involved in the business development in China, Singapore and Malaysia. Mr. Chiu is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Daniel Tat Jung Chiu.

## NON-EXECUTIVE DIRECTORS

### **Madam Ching Lan JU CHIU, J.P.**

Madam Chiu, aged 63, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. She is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. Since 1975, she is the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was Lady Chairman of Yan Chai Hospital for 1977/78. Madam Chiu is the founder and Honorary Chairman of New Territories Women's and Juveniles Welfare Association. She is a committee member and Supervisor of Ju Ching Chu Secondary School and the Chairman of Kowloon Women's Welfare Club. She is the member of Shanghai Standing Committee Chinese People's Political Consultative Conference since 1982. Since 1997, she is also the Honorary Vice-President of Hong Kong Federation of Women. She is the wife of Mr. Deacon Te Ken Chiu, the mother of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

### **Mr. Dick Tat Sang CHIU, M.A.**

Mr. Chiu, aged 51, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. He is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

### **Mr. Daniel Tat Jung CHIU**

Mr. Chiu, aged 41, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1984. He is now a Non-executive Director of the Company and Far East Technology International Limited. He was appointed as Vice-Chairman (Non-executive) of Far East Hotels and Entertainment Limited in 1999. He is the major shareholder and Vice-Chairman of London-listing Fortune Oil Plc and has extensive experience in China trade, petroleum trading and infrastructures investment and also takes an active part in several kinds of projects in Hong Kong and China. Mr. Chiu is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Dennis Chiu.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (continued)

## NON-EXECUTIVE DIRECTORS (continued)

### **Mr. Kohei OGAWA, M.B.A., B.A.**

Mr. Ogawa, aged 45, joined the Company on 8th December, 1994 as the Managing Director and became a Non-executive Director of the Company on 1st July, 1997. He holds a master degree in Business Administration at Columbia University, the U.S.A. and Bachelor of Arts in Economics at Keio University, Japan. He has extensive experience in investment banking and venture capital business. He has worked at Goldman Sachs & Co. and one of the major Japanese trading firms and managed their trading business in the U.S.. He holds property broker licence in Japan. Mr. Ogawa was appointed as the President of Mori Denki Mfg Co., Ltd. in Japan in June, 1997 and as the President of Tokai Kanko Co. Ltd. in Japan in September, 1997.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Datuk Kee Leong CHEE**

Datuk Chee, aged 60, was appointed as an Independent Non-executive Director of the Company in 1997. He has been appointed as Chairman, Managing Director and Director of various companies in Malaysia and Hong Kong. He is currently the Managing Director of CCL Management Services Limited.

### **Mr. David Kwok Kwei LO**

Mr. Lo, aged 43, holds the degrees of bachelor of laws and bachelor of jurisprudence from University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practising as a solicitor in Hong Kong for over 13 years and is a partner in David Lo & Partners. He joined the Board of Directors of the Company in 2000.

## SENIOR MANAGEMENT

### **Ms. Eva Yin Fun HUI**

Ms. Hui, aged 49, joined the Company in 1985. In 1994, she was promoted as the Group's General Manager in Malaysia. She is responsible for all property development in Malaysia. She also sits on the Board of Directors of various Malaysian subsidiaries of the Group.

### **Mr. Teng Tatt YEOH, B.Sc.**

Mr. Yeoh, aged 46, is an Executive Director and heads the project management team of the Mayland Group. Mr. Yeoh has over 20 years' experience in project management of various developments. Mr. Yeoh graduated with a Bachelor of Science (Civil Engineering) from the University of Manitoba, Canada in 1979 and upon graduation, he joined the Ministry of Housing. From 1982-1994. Mr. Yeoh joined several companies as project engineer and project manager. In 1995, Mr. Yeoh was appointed as a Senior Project Manager of the companies of the Far East Group within Malaysia, where he assumed a variety of roles including project planning, acquisition of land, coordination of the project with architects and consultants, liaising with the authorities, monitoring of project schedules, cost control and site management. Mr. Yeoh is a corporate member of Malaysia Institute of Engineers (M.I.E.M.) and is a registered Professional Engineer (P.E.) with Malaysia Board of Engineers.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (continued)

## SENIOR MANAGEMENT (continued)

### **Mr. Kei Kon CHAN, B.A.**

Mr. Chan, aged 56, joined the company in 1996 as the General Manager of China Division responsible for the Group's industrial and property development project in China. He holds a degree of Bachelor of Political Science from Zhongshan University, Guangzhou in 1969.

Before joining the Group, he was the Managing Director of Tenmar International Ltd, an investment company specializing on China trade. He was also the Chairman of a number of industrial production companies in various parts of China.

### **Mr. Eddie Yu Cheung LEUNG, M Arch, Registered Architect, Authorized Person (Architect)**

Mr. Leung, aged 30, is a Project Manager of the Company and is the head of project department. He is responsible for all new property development, renovation and re-development of existing properties of the Company in Hong Kong. He graduated with a degree of Bachelor of Arts in Architectural Studies and Master of Architecture from the University of Hong Kong. Mr. Leung is now the Registered Architect and Authorized Person (Architect) in Hong Kong. He has extensive experience in both architect's firm and developer, dealt with various kinds of property development such as residential building, luxury house, hotel, commercial building, grand shopping mall, railway station and school. Mr. Leung's major role in the Company includes project planning and coordination, architectural design, cost control and acquisition of land. He joined the Company in January, 2000.

# FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31st March,				2002 HK\$'000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	
<b>RESULTS</b>					
Turnover	<u>414,108</u>	<u>668,858</u>	<u>621,675</u>	<u>510,353</u>	<u>691,590</u>
Profit (loss) before taxation	12,316	39,606	58,627	57,117	(207,915)
Taxation	<u>(15,414)</u>	<u>(10,628)</u>	<u>(24,758)</u>	<u>(12,403)</u>	<u>(4,343)</u>
Profit before minority interests	(3,098)	28,978	33,869	44,714	(212,258)
Minority interests	<u>7,059</u>	<u>(3,923)</u>	<u>(125)</u>	<u>3,198</u>	<u>8,128</u>
Net profit (loss) for the year	<u>3,961</u>	<u>25,055</u>	<u>33,744</u>	<u>47,912</u>	<u>(204,130)</u>
Earnings (loss) per share	<u>0.5 cents</u>	<u>3 cents</u>	<u>4 cents</u>	<u>5 cents</u>	<u>(21 cents)</u>

	For the year ended 31st March,				2002 HK\$'000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	
<b>ASSETS AND LIABILITIES</b>					
Total assets	4,079,652	3,958,688	3,898,844	4,192,066	4,318,107
Total liabilities	(1,321,235)	(1,540,160)	(1,372,171)	(1,713,388)	(1,856,739)
Minority interests	<u>(35,237)</u>	<u>(39,127)</u>	<u>(71,445)</u>	<u>(65,821)</u>	<u>(64,984)</u>
Shareholders' funds	<u>2,723,180</u>	<u>2,379,401</u>	<u>2,455,228</u>	<u>2,412,857</u>	<u>2,396,384</u>

Note: The figures for prior periods have been adjusted to reflect the change in accounting policy for the adoption of SSAP 9.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE RESULTS

During the financial year ended 31st March 2002, the turnover was HK\$691,590,000, an increase of 35% as compared to HK\$510,353,000 of the corresponding period in 2001. The loss for the year was HK\$204,130,000.

## FINANCIAL RESOURCES AND LIQUIDITY

### **Borrowing and charges 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\$1,209 million as at 31st March 2002 (2001: HK\$1,011 million), in which HK\$413 million was payable within one year and HK\$796 was payable after one year. HK\$1,086 million of the borrowings was secured while the remaining HK\$123 million was unsecured.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

### **Capital commitments**

At the balance sheet, the Group had contracted but not provided on property development expenditure of approximately HK\$260 million (2001: HK\$191 million) and the Group had authorised but not yet contracted for additional expenditure of a property development project in Shanghai of approximately HK\$217 million (2001: HK\$211 million).

### **Gearing ratio**

The gearing ratio (total bank borrowing to shareholders' equity) as at 31st March 2002 was 50% (2001: 42%).

### **Current ratio**

The current ratio is 1 (2001: 1.20). The Group has maintained sufficient liquid assets to finance its daily operation.

### **Exchange rate**

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

### **Pledge of assets**

At 31st March, 2002, the Group's properties and bank deposit with an aggregate net book value of approximately HK\$1,707 million (2001: HK\$1,652 million) together with the properties of associates and third parties were mortgaged or pledge 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\$1,390 million and HK\$5 million (2001: HK\$1,328 million and HK\$101 million) respectively.

### **Contingent liabilities**

At the balance sheet date, contingent liabilities of the Group in respect of guarantees issued to secure banking facilities made available to subsidiaries, third parties and an investee company were approximately HK\$82 million (2001: HK\$55 million).

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

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

## REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

### 1. Disposal of overseas and non-core assets

During the year under review, the Group has disposed of several overseas assets and certain non-performing investments which is consistent with our corporate mission set down in our previous annual report. The effect of those disposals created an aggregate loss amounting to approximately \$177,000,000 with the major items being loss on disposal of the Cambridge Building in Edmonton, Canada of approximately \$40,000,000; loss on disposal of The Dolphin Arcade at Gold Coast, Queensland, Australia of approximately \$39,500,000; and the land investment in Xiamen, China of approximately \$34,000,000. The balance of approximately \$63,500,000 were represented by provision against several overseas non-performing investments. It is most unfortunate that we have to dispose of some of the overseas assets at a loss in the recent depressed market condition. However, I must emphasize that the group is determined to continue this exercise as we are aiming to increase our land and investment holding both in Hong Kong and China and will become a more focused company. The bright side is that our operation profit and cashflow will continue to improve. The management was clearly aware of this objective in the last few years, it was more than just an economical cycle in Hong Kong. Hong Kong economy is going through some infrastructure changes which are inevitable but we firmly believe that the future of Hong Kong and China will be bright in the long term.

### 2. Property Division

Hong Kong

*Baker Street, Hung Hom* - a 32-storey commercial-residential development with a gross floor area of 55,000 sq.ft. comprises of 104 residential units, 26 car-parks and 2 floors of shopping units ready for occupation by September 2002. Over 30 units have been sold to date.

*Pak Shek Wo, Sai Kung* - a 15 detached house development with a total gross floor area of 18,000 sq.ft. built on a 30,000 sq.ft. site. Construction has commenced and the pre-sale launch is scheduled for October/November 2002.

*Chuk Kok - Sai Kung* - a 10 detached house development with a total gross floor area of 12,000 sq.ft. built on a 30,000 sq.ft. site. Site formation is currently in progress while the pre-sale launch is expected in the first quarter of 2003.

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

*Sheung Yeung, Sai Kung* - a proposed development of 24 village houses with a total gross floor area of approximately 50,000 sq.ft. Building work on phase 1 with 4 houses has been commenced in July, 2002. Other phases will be depending on government approval schedule.

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

*Fung Lok Wai, Yuen Long* - raw land with total area approximately 8,610,000 sq.ft. which will be developed into a residential estate. No definite plan for this development at present. The Group holds 21.66% beneficial interest in this project.

# MANAGEMENT DISCUSSION AND ANALYSIS

## China

*California Garden, Shanghai* - a residential development with a land area of 14.5 million sq.ft. and an approved built-up area of 12.4 million sq.ft. A total of 2,500 units of houses have been built with over 95% sold to date since its first phase development in 1997. Upon full development in 5 to 6 years, a total of over 8,500 units would have been built. This project will show major contribution of profit for the Group.

*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.

## Malaysia

With continuing revival of the Malaysian economy, the housing sales have contributed positively to the Group's operation. The Group is still confident that the Malaysian property market remains stable and the demand for medium cost housing continues to be high.

*Karunmas Ehsan* - this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Occupancy Permits for Phase 1 and 2 totaling 426 units of terrace houses have been obtained and in Phase 3, comprising 240 units of condominiums is in process of completion.

*Taman Teluk Gedong Ludah* - this project consists of 628 units of terrace houses and 200 units of low cost flats. The project has been substantially completed and is in the process of obtaining occupancy permits.

## Australia

*St Kilda Road, Melbourne* - the construction of residential units of 360 St. Kilda Road have been completed on schedule in August 2001 and fully delivered to the unit holders. This project has a satisfactory contribution to the Group's profit.

*Flinder Wharf, Melbourne* - the Group owns 50% of a high-class residential development with 226 units located on the Yarra River in the city of Melbourne next to the Melbourne Exhibition and Convention Centre and The Crown Casino. The project has achieved over 90% sold to date. Construction has been in progress since February 2002 and will be scheduled to complete by Mid 2004. Upon delivery of completed apartments, the Group will yield a handsome profit from this project.

### 3. Hotel Division

*Dorsett Garden Hotel and Dorsett Seaview Hotel* - the Group operates two 3-stars hotels in Hong Kong with a total of 356 rooms. The two hotels maintain an occupancy rate of over 90% on monthly weighted average and provide a steady income to the Group.

*Dorsett Regency Hotel, Kuala Lumpur* - this hotel continues to perform well with 320 rooms and with high occupancy throughout the year under review.

*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 late 2004.

# MANAGEMENT DISCUSSION AND ANALYSIS

*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 is expected to commence in October 2002.

*Dallas Grand Hotel, Dallas, USA* - after the 911 event in the USA, the Group has decided to tie up this hotel with an international 'Brand' and is currently reviewing the franchise arrangement with the prospective Brand with the view to continue its operation with 700 rooms together with the convention facilities. The refurbishment and upgrading program of this hotel will commence when the franchise agreement is finalised.

#### 4. Industrial Infrastructure Division

The boiler factory in Guangzhou had a moderate performance. The Board believes that the operation of the boiler factory will gradually improve.

The Company has completed construction of a 68% interest in the 44km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways tollroad collections. This investment yields a good return for the Group for the year under review.

#### 5. Recurrent Income

The Group's rental income comes mainly from four commercial/office buildings in Hong Kong.

The occupancy rate of leased tenants maintained 90% during this review period.

#### 6. Corporate Strategy and Outlook

We will continue with the following objectives set last year:

- (a) dispose of our overseas assets and the non-core businesses in the Group;
- (b) strengthen our investment in 3 and 4 stars hotels in Hong Kong and China to meet the emerging demands of tourist occupancy for the advent of 2008 Beijing Olympics in China;
- (c) build quality and price competitive properties for sales; and
- (d) strive for management creativity, transparency and excellence.

**David Chiu**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 24th July, 2002

The directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2002.

## PRINCIPAL ACTIVITIES

The Company acted as an investment holding company and its subsidiaries were engaged in property investment and development, investment holding, securities trading, hotel operations and manufacture of boiler products.

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries, associates and a jointly controlled entity at 31st March, 2002 are set out in notes 50, 51 and 20 respectively to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 23.

The directors recommend a final dividend for the year ended 31st March, 2002 of 2 cents (2001: 2 cents) per share to shareholders whose names appear on the Company's Register of Members on 28th August, 2002 amounting to HK\$19,355,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 28th August, 2002; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 28th August, 2002. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or before 3rd September, 2002. Dividends warrants or new shares certificates will be posted on 30th September, 2002.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 35 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 8.

## INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

# DIRECTOR'S REPORT

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

## PROPERTIES UNDER DEVELOPMENT

Details of movements during the year in the properties under development of the Group are set out in note 17 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2002 are set out on pages 79 to 88 of the annual report.

## SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 34 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

## BORROWINGS AND INTEREST CAPITALISED

Obligations under finance leases and bank and other borrowings are set out in notes 29 and 30 to the financial statements respectively.

Interest capitalised by the Group during the year amounted to HK\$3,937,000.

## ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's total bank and other borrowings as at 31st March, 2002 were approximately HK\$1,209 million (2001: HK\$1,011 million).

The directors consider that with the continuing support of the Group's bankers and lenders of the other loans in respect of the existing secured facilities, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

## DIRECTORS

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

### **Executive Directors**

Mr. Deacon Te Ken Chiu, *Chairman*

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

Mr. Steven Ying Wai Kwan, *Managing Director*

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

Mr. Michael Chi Ning O'Young (resigned on 16th July, 2001)

### **Non-executive Directors**

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Mr. Kohei Ogawa

### **Independent Non-executive Directors**

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

In accordance with the provisions of the Company's Articles of Association, Datuk Kee Leong Chee, Madam Ching Lan Ju Chiu and Mr. Dennis Chiu shall retire by rotation and, being eligible, offer themselves for re-election.

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

# DIRECTOR'S REPORT

## DIRECTORS' INTERESTS IN SHARES

### (a) Shares

At 31st March, 2002, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Directors	Number of ordinary shares held		Total
	Personal interests	Corporate interests	
Deacon Te Ken Chiu	9,688,973	106,764,126 ( <i>Note i</i> )	116,453,099
David Chiu	585,014	281,050,459 ( <i>Note ii</i> )	281,635,473
Dennis Chiu	7,586	4,885,585 ( <i>Note iii</i> )	4,893,171
Ching Lan Ju Chiu	1,108,018	–	1,108,018
Dick Tat Sang Chiu	770,697	–	770,697
Daniel Tat Jung Chiu	36,250	3,877,218 ( <i>Note iv</i> )	3,913,468

Note i: These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.

Note ii: These shares are held by Sumptuous Assets Limited, a company controlled by Dato' David Chiu.

Note iii: These shares are held by Chiu Capital N.V. and First Level Holdings Limited, both companies controlled by Mr. Dennis Chiu.

Note iv: These shares are held by First Level Holdings Limited and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.



## (b) Options

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

The Company had adopted a share option scheme (the "Previous Option Scheme") on 24th May, 1990 which expired on 11th June, 2000.

A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 28th September 2000. Summary of the Share Option Scheme is set out as follows:

- 1) Purpose : To provide opportunity to the participants to have equity holdings in the Company, thus enabling them to participate in the Company's prosperity and contribute further to the success of the Company
- 2) Participants : Employee or executive of the Company and any member of its subsidiaries, including executive directors (but no non-executive directors)
- 3) Total number of shares available for issue : Number of shares which may be issued under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time
- 4) Maximum entitlement of each participant : Not exceed 25% of all shares which may be issued under the Share Option Scheme
- 5) Period within which the shares must be taken up under an option : No option will be exercisable earlier than one year nor later than four years after it is granted
- 6) Amount payable on acceptance of an option : HK\$10.00 payable to the Company
- 7) The basis of determining the exercise price : The higher of the nominal value of a share and 80% of the average of the closing prices on the Stock Exchange for the 5 business days immediately preceding the date of grant of an option.
- 8) The remaining life of the Share Option Scheme : Valid until 28th September, 2010 unless otherwise terminated under the terms of the Share Option Scheme

# DIRECTOR'S REPORT

Note: the Share Option Scheme will be terminated on 28th August, 2002 subject to shareholders' approval at the annual general meeting to be held on the same date.

Mr. Michael Chi Ning O' Young had personal interests in share options under the Previous Option Scheme to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$1.80 per share, exercisable from 8th October, 1998 to 7th October, 2001. The Option was granted to Mr. Michael Chi Ning O' Young on 8 October 1997 and the vesting period of the share options is from the date of grant until the commencement of the exercise period. Mr. Michael Chi Ning O' Young resigned as a director of the Company on 16th July, 2001 and the share options lapsed accordingly.

Except as disclosed above, during the year under review, no option was granted, exercised or lapsed.

(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 the Option Plan. The Option Plan is administered by the compensation committee of the Board of NCH. Summary of the Option Plan are as follow:

- 1) Purpose : To attract and retain qualified personnel, to provide additional incentives to the employees, officers and advisers and to promote the success of the business.
- 2) Participants : Employees, officers and executive directors of NCH or any of its subsidiaries
- 3) Total number of shares available for issue : Number of shares NCH which may be issued shall not exceed 10% of the total number of NCH Shares from time to time outstanding
- 4) Maximum entitlement of each participant : Not exceed 25% of total number of NCH shares
- 5) Period within which the shares must be taken up under an option : Each option may be exercised in accordance with the terms of the Stock Option Plan at any time during a period to be determined, such period of time, however, shall not exceed 10 years from the date on which it is granted
- 6) Amount payable on acceptance of an option : To be determined from time to time
- 7) The basis of determining the exercise price : The exercise price of the incentive stock options and non-statutory stock options must be at least 100% and 85% of the fair market value of the NCH Shares on the date of grant of option.

- 8) The remaining life of : Shall be in effect for 10 years commencing 10th August 1999 and the Option Plan may terminate at any time by the NCH board.

No options have been granted under the Option Plan since its adoption.

**(c) Shares in associated corporations**

As at 31st March, 2002, the interests of the Directors in the share capital of the Company's associated corporations were as follows:

Name of Directors	Name of associated corporation	Number of ordinary shares held
Deacon Te Ken Chiu	Far East Technology International Limited	110,926,800 <i>(Note i)</i>
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Oi Tak Enterprises Limited	250,000
David Chiu	Libran Star (M) Sdn. Bhd.	125,000
Dennis Chiu	Far East Technology International Limited	47,010,200 <i>(Note ii)</i>
Daniel Tat Jung Chiu	Far East Technology International Limited	41,400,000 <i>(Note ii)</i>

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

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

Other than disclosed above, none of the Directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT AND SERVICE CONTRACTS OF DIRECTORS

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

# DIRECTOR'S REPORT

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain Directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2002.

## DONATIONS

During the year, the Group made charitable donations amounting to HK\$875,550.

## POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 47 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

## EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31st March, 2002 was approximately 1,500.

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

Details of retirement benefits scheme are set out in note 49 to the financial statements.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2002 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.

## AUDITORS

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

## PRE-EMPTIVE RIGHTS

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

On behalf of the Board

**David Chiu**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 24th July, 2002

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE MEMBERS OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 22 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### BASIS OF OPINION

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

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

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2002, and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Hong Kong, 24th July, 2002

# CONSOLIDATED INCOME STATEMENT

For the Year Ended 31st March, 2002

	<u>Notes</u>	<u>2002</u> <u>HK\$'000</u>	<u>2001</u> <u>HK\$'000</u>
Turnover	4	<b>691,590</b>	510,353
Cost of sales		<b>(521,944)</b>	(323,691)
Gross profit		<b>169,646</b>	186,662
Other operating income		<b>35,782</b>	26,195
Selling and distribution costs		<b>(4,427)</b>	(7,506)
Administrative expenses		<b>(130,869)</b>	(117,810)
Other operating expenses	6	<b>(28,347)</b>	(34,807)
Unrealised holding losses on investments in securities		<b>(2,464)</b>	(13,482)
Impairment losses recognised in respect of overseas properties and investments	7	<b>(177,078)</b>	–
Loss on profit guarantee	8	<b>(18,145)</b>	–
Profit on disposal of subsidiaries		–	18,637
Warrant reserve released on expiration of warrants		–	24,768
Share of results of a jointly controlled entity		<b>3,124</b>	4,975
Share of results of associates		<b>(7,927)</b>	20,292
Finance costs	9	<b>(47,210)</b>	(50,807)
(Loss) profit before taxation	10	<b>(207,915)</b>	57,117
Taxation	12	<b>(4,343)</b>	(12,403)
(Loss) profit before minority interests		<b>(212,258)</b>	44,714
Minority interests		<b>8,128</b>	3,198
Net (loss) profit for the year		<b>(204,130)</b>	47,912
Dividends	13	<b>19,049</b>	18,783
(Loss) earnings per share – Basic	14	<b>(21 cents)</b>	5 cents

# BALANCE SHEET

At 31st March, 2002

	<i>Notes</i>	THE GROUP		THE COMPANY	
		<u>2002</u> HK\$'000	<u>2001</u> HK\$'000 (As restated)	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000 (As restated)
<b>Non-current assets</b>					
Investment properties	15	1,022,177	1,170,470	–	–
Property, plant and equipment	16	737,313	476,090	–	–
Properties under development	17	652,941	461,438	–	–
Interests in subsidiaries	18	–	–	2,087,148	1,939,565
Interests in associates	19	217,236	562,819	–	–
Interest in a jointly controlled entity	20	56,073	63,060	–	–
Investments in securities	21	86,854	108,808	–	–
Amounts due from investee companies	22	177,710	57,655	–	–
Other assets		14,815	14,815	–	–
Loans receivable	23	259,343	252,806	–	–
Deposit for acquisition of an investment		–	9,561	–	–
Amount due from a minority shareholder	36	563	563	–	–
Amounts due from associates	24	56,589	61,045	–	–
Pledged bank deposits		11,058	34,868	–	–
		<u>3,292,672</u>	<u>3,273,998</u>	<u>2,087,148</u>	<u>1,939,565</u>
<b>Current assets</b>					
Completed properties for sale – at cost		42,980	97,853	–	–
Properties under development for sale	25	725,245	503,041	–	–
Deferred compensation cost		58	2,236	–	–
Debtors, deposits and prepayments	26	147,391	173,398	–	–
Loans receivable	23	411	367	–	–
Investments in securities	21	34,934	211	–	–
Inventories	27	7,142	16,671	–	–
Amounts due from associates	24	19,700	55,705	–	–
Taxation recoverable		6,216	4,502	–	–
Pledged bank deposits		2,357	4,941	–	–
Bank balances and cash		39,001	59,143	350	416
		<u>1,025,435</u>	<u>918,068</u>	<u>350</u>	<u>416</u>

# BALANCE SHEET

At 31st March, 2002

	Notes	THE GROUP		THE COMPANY	
		2002 HK\$'000	2001 HK\$'000 (As restated)	2002 HK\$'000	2001 HK\$'000 (As restated)
<b>Current liabilities</b>					
Creditors and accruals	28	246,518	172,461	2,065	1,846
Customers' deposits received		275,957	156,334	–	–
Obligations under finance leases	29	201	230	–	–
Bank and other borrowings	30	413,469	353,885	4,800	–
Amount due to a director	31	30,858	31,100	–	–
Amounts due to related companies	32	12,266	2,771	–	–
Amounts due to associates	33	24,097	28,317	–	–
Taxation payable		18,205	40,592	–	–
		<b>1,021,571</b>	<b>785,690</b>	<b>6,865</b>	<b>1,846</b>
Net current assets (liabilities)		<b>3,864</b>	<b>132,378</b>	<b>(6,515)</b>	<b>(1,430)</b>
		<b>3,296,536</b>	<b>3,406,376</b>	<b>2,080,633</b>	<b>1,938,135</b>
<b>Capital and reserves</b>					
Share capital	34	96,775	95,245	96,775	95,245
Share premium and reserves	35	2,299,609	2,317,612	1,849,258	1,842,890
		<b>2,396,384</b>	<b>2,412,857</b>	<b>1,946,033</b>	<b>1,938,135</b>
<b>Minority interests</b>		<b>64,984</b>	<b>65,821</b>	–	–
<b>Non-current liabilities</b>					
Obligations under finance leases	29	308	509	–	–
Bank and other borrowings	30	795,362	656,918	134,600	–
Amounts due to associates	33	–	245,448	–	–
Amount due to a minority shareholder	36	19,811	19,760	–	–
Deferred taxation	37	19,687	5,063	–	–
		<b>835,168</b>	<b>927,698</b>	<b>134,600</b>	–
		<b>3,296,536</b>	<b>3,406,376</b>	<b>2,080,633</b>	<b>1,938,135</b>

The financial statements on pages 23 to 78 were approved and authorised for issue by the Board of Directors on 24th July, 2002 and are signed on its behalf by:

David Chiu  
DIRECTOR

Steven Ying Wai Kwan  
DIRECTOR



# CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the Year Ended 31st March, 2002

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Revaluation decrease on investments in securities held by the Group	(4,532)	(17,796)
Revaluation increase on hotel properties held by the Group	275,581	–
Revaluation decrease on investment properties held by the Group	(16,551)	(21,143)
Revaluation (decrease) increase on investment properties held by associates	(87,442)	10,064
Exchange differences arising on translation of financial statements denominated in currencies other than Hong Kong dollars	13,585	2,125
Share of associates' exchange differences arising on translation of financial statements denominated in currencies other than Hong Kong dollars	(1,512)	(26,634)
Net gains (losses) not recognised in the income statement	179,129	(53,384)
Net (loss) profit for the year	(204,130)	47,912
Total recognised losses	<u>(25,001)</u>	<u>(5,472)</u>
Prior period adjustment arising from the effects of changes in accounting policy ( <i>see note 2</i> )		
– increase in retained profits at 1st April, 2000		18,783

# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st March, 2002

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
<b>NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES</b>	38	<b>499,380</b>	<b>(87,763)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		1,408	8,475
Interest paid		(54,230)	(67,106)
Dividends paid		(11,995)	(12,131)
Dividends paid to minority shareholders		–	(170)
Dividends received from associates		13,646	8,218
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(51,171)</b>	<b>(62,714)</b>
<b>TAXATION</b>			
Hong Kong Profits Tax paid		(2,403)	(3,301)
Tax paid for other jurisdictions		(11,477)	(1,229)
Tax refund		1,213	846
<b>TAXATION PAID</b>		<b>(12,667)</b>	<b>(3,684)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of a subsidiary	41	1,007	–
Proceeds from disposal of investment properties		1,571	–
Proceeds from disposal of properties and other fixed assets		12,735	1,088
Proceeds from disposal of properties under development		–	16,577
Purchase of property, plant and equipment		(3,515)	(2,547)
Purchase of property under development		(86,732)	(68,853)
Purchase of investment properties		(3,286)	(12,569)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	39	(223,567)	(58,479)
Deposits paid for acquisition of an investment		–	(686)
Additional investment in an associate		(429)	(12,873)
Additional investment in securities		(892)	(570)
Advanced of loans receivable		(6,537)	(201,913)
Advanced to investee companies		(120,055)	–
Repayment from associates		1,475	71,841
Decrease in pledged bank deposits		26,778	21,337
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(401,447)</b>	<b>(247,647)</b>
<b>NET CASH INFLOW (OUTFLOW) BEFORE FINANCING CARRIED FORWARD</b>		<b>34,095</b>	<b>(401,808)</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st March, 2002

	<u>Notes</u>	<u>2002</u> <u>HK\$'000</u>	<u>2001</u> <u>HK\$'000</u>
<b>NET CASH INFLOW (OUTFLOW) BEFORE FINANCING BROUGHT FORWARD</b>		<b>34,095</b>	<b>(401,808)</b>
<b>FINANCING</b>			
New loans raised	40	526,183	532,457
Repayments of loans		(304,118)	(326,638)
Repayments of capital element of finance leases		(230)	(553)
(Repayment to) advance from associates		(245,448)	69,692
(Repayment to) advance from directors		(242)	31,100
<b>NET CASH (OUTFLOW) INFLOW FROM FINANCING</b>		<b>(23,855)</b>	<b>306,058</b>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>		<b>10,240</b>	<b>(95,750)</b>
<b>CASH AND CASH EQUIVALENTS AT 1ST APRIL</b>		<b>4,737</b>	<b>98,074</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>688</b>	<b>2,413</b>
<b>CASH AND CASH EQUIVALENTS AT 31ST MARCH</b>		<b>15,665</b>	<b>4,737</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		39,001	59,143
Bank overdrafts		(23,336)	(54,406)
		<b>15,665</b>	<b>4,737</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 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 and manufacture of boiler products.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGE IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders’ funds of the Group and the Company at 1st April, 2000 and 31st March, 2001 by HK\$18,783,000 and HK\$19,049,000 respectively.

### **Segment reporting**

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

### **Leases**

In accordance with SSAP 14 (Revised) “Leases”, some amendments were introduced to the basis of accounting for leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

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

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

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

#### **Goodwill**

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

Goodwill arising on acquisition 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 over the cost of acquisition.

Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets/as a deduction from intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

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

### **Interests in associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment properties**

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

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

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

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

#### **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 accumulated impairment losses.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (Continued)

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

Land in Hong Kong	Over unexpired lease term
Buildings on land in Hong Kong held under long lease	2%
Buildings on freehold land held outside Hong Kong	2%
Buildings on land outside Hong Kong held under medium-term lease (lease with 10 to 50 years to run)	Shorter of lease terms or 50 years
Plant and machinery	10–20%
Motor vehicles	20%
Furniture, fixtures and equipment	10–20%
Motor vessels	20%

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

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

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

### Completed properties for sale

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

### Properties under development for sale

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

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

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



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

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

### **Other assets**

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

### **Deferred compensation cost**

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

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as 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 (cash-generating unit) 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, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates or jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### **Taxation**

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

### **Leases**

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. 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.

### **Revenue recognition**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (Continued)

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

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

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

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

### Retirement benefits scheme

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

## 4. TURNOVER

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

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Rental income and management fee income	97,895	115,745
Sale of properties	469,604	277,061
Loan interest income and commitment fees	5,221	15,463
Manufacture of boiler products	26,745	52,072
Hotel operations	41,908	42,148
Sale of shares	50,217	7,864
	<u>691,590</u>	<u>510,353</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

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

Principal activities are as follows:

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

Segment information about these businesses is presented below.

### 2002

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

Inter-segment sales are charged at prevailing market rates.

### RESULT

Segment results	<u>39,997</u>	<u>(4,290)</u>	<u>5,351</u>	<u>(17,825)</u>	<u>(7,288)</u>	<u>(2,327)</u>	<u>(1,777)</u>	11,841
Other operating income	3,122	338	1,381	1,193	27,421	2,327	–	35,782
Unrealised holding losses on investments in securities	–	(2,464)	–	–	–	–	–	(2,464)
Impairment losses recognised in respect of overseas properties and investments	(167,518)	(9,560)	–	–	–	–	–	(177,078)
Loss on profit guarantee	(18,145)	–	–	–	–	–	–	(18,145)
Share of results of a jointly controlled entity	–	–	–	–	–	3,124	–	3,124
Share of results of associates	3,186	(9,721)	–	–	256	(1,648)	–	(7,927)
Finance costs								(47,210)
Unallocated corporate expenses								<u>(5,838)</u>
Loss before taxation								(207,915)
Taxation	(3,371)	(180)	–	–	(308)	(484)	–	<u>(4,343)</u>
Loss after taxation								<u>(212,258)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (Continued)

	Property development and investment	Securities investment	Hotel operations	Industries	Treasury	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	2,975,576	33,281	536,560	37,545	255,040	190,606	4,028,608
Interests in associates	48,201	73,910	–	–	217	94,908	217,236
Interest in a jointly controlled entity	–	–	–	–	–	56,073	56,073
Taxation recoverable	6,216	–	–	–	–	–	6,216
Unallocated corporate assets	–	–	–	–	–	–	9,974
Consolidated total assets							<u>4,318,107</u>
<b>LIABILITIES</b>							
Segment liabilities	520,140	8,341	17,997	27,571	1,127	857	576,033
Borrowings							1,209,034
Taxation payable liabilities	31,970	–	–	–	777	5,145	37,892
Unallocated corporate liabilities	–	–	–	–	–	–	33,780
Consolidated total liabilities							<u>1,856,739</u>
<b>OTHER INFORMATION</b>							
Capital additions	87,829	–	316	1,858	–	12	90,015
Depreciation and amortisation	3,948	–	3,676	4,436	–	2,905	14,965
Unrealised holding loss on investments in securities	–	(2,464)	–	–	–	–	(2,464)
Impairment losses recognised in respect of overseas properties and investments	(112,582)	–	–	–	–	(64,496)	(177,078)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (Continued)

2001

	Property development and investment HK\$'000	Securities investment HK\$'000	Hotel operations HK\$'000	Industries HK\$'000	Treasury HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>								
External sales	392,806	7,864	42,148	52,072	15,463	-	-	510,353
Inter-segment sales	29,898	-	-	-	-	-	(29,898)	-
Total turnover	<u>422,704</u>	<u>7,864</u>	<u>42,148</u>	<u>52,072</u>	<u>15,463</u>	<u>-</u>	<u>(29,898)</u>	<u>510,353</u>

Inter-segment sales are charged at prevailing market rates.

### RESULT

Segment results	<u>60,618</u>	<u>5,418</u>	<u>(7,607)</u>	<u>(10,360)</u>	<u>(8,840)</u>	<u>(305)</u>	<u>(3,539)</u>	35,385
Other operating income	16,150	-	-	1,043	8,696	306	-	26,195
Unrealised holding losses on investments in securities	(13,482)	-	-	-	-	-	-	(13,482)
Profit on disposal of subsidiaries	-	-	-	-	-	-	-	18,637
Warrant reserve released on expiration of warrants	-	-	-	-	-	-	-	24,768
Share of results of a jointly controlled entity	-	-	-	-	-	4,975	-	4,975
Share of results of associates	(2,947)	(11,221)	-	-	27,086	7,374	-	20,292
Finance costs	-	-	-	-	-	-	-	(50,807)
Unallocated corporate expenses	-	-	-	-	-	-	-	<u>(8,846)</u>
Profit before taxation								57,117
Taxation	(9,119)	(103)	-	-	(2,588)	(593)	-	<u>(12,403)</u>
Profit after taxation								<u>44,714</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (Continued)

	Property development and investment	Securities investment	Hotel operations	Industries	Treasury	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	2,800,535	21,221	326,364	49,164	273,285	85,494	3,556,063
Interests in associates	274,430	52,794	–	–	148,187	87,408	562,819
Interest in jointly controlled entity	–	–	–	–	–	63,060	63,060
Taxation recoverable	4,487	–	–	15	–	–	4,502
Unallocated corporate assets	–	–	–	–	–	–	5,622
Consolidated total assets							<u>4,192,066</u>
<b>LIABILITIES</b>							
Segment liabilities	483,394	22	23,421	27,845	77,554	8,395	620,631
Borrowings	–	–	–	–	–	–	1,011,542
Taxation payable	39,080	–	–	–	1,430	5,145	45,655
Unallocated corporate liabilities	–	–	–	–	–	–	35,560
Consolidated total liabilities							<u>1,713,388</u>
<b>OTHER INFORMATION</b>							
Capital additions	98,749	–	265	24	–	–	99,038
Depreciation and amortisation	7,330	–	5,226	3,317	–	3,003	18,876
Unrealised holding loss on investments in securities	–	13,482	–	–	–	–	13,482

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

A geographical analysis of the Group's turnover and contribution to (loss) profit before taxation, by location of market, is as follows:

	Sales revenue by geographical market		Contribution to (loss) profit before taxation	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By geographical				
Hong Kong	84,350	80,029	(14,134)	(1,849)
Other regions in the Peoples' Republic of China ("PRC")	104,525	241,704	(112,519)	(8,746)
Malaysia	307,815	119,945	49,306	44,589
United States of America	1,384	13,054	(650)	(10,273)
Australia	188,137	49,778	(83,316)	44,023
Singapore	5,379	5,843	(677)	(1,202)
Others	—	—	(45,925)	(9,425)
	<b>691,590</b>	<b>510,353</b>	<b>(207,915)</b>	<b>57,117</b>

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,852,717	1,569,855	47,250	55,787
Other regions in PRC	485,184	620,990	3,536	23,992
Malaysia	1,070,855	587,933	2,491	9,513
United States of America	221,212	221,422	—	192
Australia	237,352	344,628	36,095	8,149
Singapore	119,689	128,249	—	—
Others	41,599	82,986	643	1,405
	<b>4,028,608</b>	<b>3,556,063</b>	<b>90,015</b>	<b>99,038</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 6. OTHER OPERATING EXPENSES

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Included in other operating expenses is:		
Loss on termination of a development project	8,698	–
Allowance for recoverability of advances to associates	<u>2,981</u>	<u>12,109</u>

## 7. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF OVERSEAS PROPERTIES AND INVESTMENT

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Impairment loss recognised on properties under development for sale	79,660	–
Impairment loss recognised on property under development	33,932	–
Impairment loss recognised on investment in associate	53,925	–
Impairment loss recognised on deposit for acquisition of an investment	<u>9,561</u>	<u>–</u>
	<u>177,078</u>	<u>–</u>

During the year, the directors have assessed the net realisable value of overseas properties and the recoverable amount of the deposit for acquisition of an investment, as it is unlikely that the acquisition can be completed and the deposit is not expected to be refunded. As a result, an impairment loss of HK\$113,592,000 and HK\$9,561,000 respectively have been recognised.

In addition, the directors have also assessed the recoverable amount of the investment in an associate. As the associate incurs continuing operating loss and is not able to generate positive cash flows in the future. Impairment loss of HK\$53,925,000 has been recognised.

## 8. LOSS ON PROFIT GUARANTEE

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 9. FINANCE COSTS

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	31,325	52,632
– not wholly repayable within five years	5,988	193
Other loans		
– wholly repayable within five years	20,378	11,828
Finance leases	48	106
Other finance costs	2,141	2,347
	<hr/>	<hr/>
Total borrowing costs	59,880	67,106
Less: amounts capitalised	(3,937)	(14,435)
Less: amounts included in cost of sale	(8,733)	(1,864)
	<hr/>	<hr/>
	<b>47,210</b>	<b>50,807</b>

## 10. (LOSS) PROFIT BEFORE TAXATION

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	2,602	2,135
Depreciation of		
– owned assets	9,705	13,422
– assets held under finance leases	177	398
	<hr/>	<hr/>
	9,882	13,820
Staff costs including directors' remuneration	31,790	23,021
Minimum lease payment in respect of operating lease charges		
– land and buildings	–	1,119
– motor vehicles	217	217
Allowance for bad and doubtful debts	11,456	12,169
Retirement benefits scheme contributions, net of forfeited contributions/pension costs	574	198
Net foreign exchange losses	7,724	1,810
Amortisation of deferred compensation cost	2,178	2,151
Amortisation of interest in a jointly controlled entity	2,905	2,905
Profit on disposal of property, plant and equipment	(4,252)	(70)
Profit on disposal of investment properties	(392)	–
Net rental income	(66,564)	(64,236)
Bank interest income	(1,408)	(8,475)
	<hr/>	<hr/>
	<b>(1,408)</b>	<b>(8,475)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 11. DIRECTORS' AND TOP FIVE EMPLOYEES' EMOLUMENTS

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Directors' fees	275	277
Other emoluments		
Salaries and other benefits	5,731	7,715
Retirement benefits scheme contributions	39	12
	<hr/>	<hr/>
Total emoluments	<u>6,045</u>	<u>8,004</u>

The amounts disclosed above include directors' fees of HK\$50,000 (2001: HK\$50,000) and other emoluments of HK\$Nil (2001: HK\$280,440) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	<u>2002</u> No. of directors	<u>2001</u> No. of directors
Nil to HK\$1,000,000	10	9
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
	<hr/>	<hr/>

Of the five individuals with the highest emoluments in the Group, two (2001: all) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2001: nil) individuals in this year were as follows:

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Salaries and other benefits	1,430	–
Retirement benefit scheme contributions	36	–
	<hr/>	<hr/>
	<u>1,466</u>	<u>–</u>

Their emoluments were within the following bands:

	<u>2002</u> No. of employees	<u>2001</u> No. of employees
Nil to HK\$1,000,000	3	–
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 12. TAXATION

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
The (credit) charges comprise:		
Profits for the year:		
Hong Kong	1,697	2,759
Other regions in the PRC	579	5,834
Other jurisdictions	6,208	2,221
	<u>8,484</u>	<u>10,814</u>
Prior years		
Hong Kong	(492)	5
Other regions in the PRC	15	–
Other jurisdictions	–	278
	<u>(477)</u>	<u>283</u>
Deferred taxation		
Other regions in the PRC (Note 37)	(5,173)	(251)
Taxation attributable to the Company and its subsidiaries	2,834	10,846
Share of taxation attributable to associates	1,509	1,557
	<u>4,343</u>	<u>12,403</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 13. DIVIDENDS

During the year, scrip dividend alternatives were offered in respect of the 2001 and 2000 final dividends. These scrip dividend alternatives were accepted by the majority of shareholders, as follows:

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Dividends:		
Cash	11,995	12,131
Share alternative	<u>7,054</u>	<u>6,652</u>
	<u><u>19,049</u></u>	<u><u>18,783</u></u>

The final dividend of 2 cents (2001: 2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 14. (LOSS) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net loss for the year of HK\$204,130,000 (2001: net profit of HK\$47,912,000) and on the weighted average number of 958,823,000 (2001: 944,724,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share have been presented because the exercise prices of the Company's share options were higher than the average market prices of share for both 2002 and 2001.

## 15. INVESTMENT PROPERTIES

	<b>THE GROUP</b> HK\$'000
VALUATION	
At 1st April, 2001	1,170,470
Exchange adjustments	8,632
Transfer to properties under development for sale	(142,481)
Additions	3,286
Disposals	(1,179)
Revaluation decrease	<u>(16,551)</u>
At 31st March, 2002	<u><u>1,022,177</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 15. INVESTMENT PROPERTIES (continued)

The carrying amount of investment properties comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Land in Hong Kong:		
Long lease	422,100	613,377
Medium-term lease	457,037	277,037
Land outside Hong Kong:		
Freehold	38,347	168,558
Long lease	104,693	111,498
	<u>1,022,177</u>	<u>1,170,470</u>

Investment properties were revalued respectively by independent professional valuers in the relevant countries, namely DTZ Debenham Tie Leung in Hong Kong, CB Richard Ellis in Australia and Premas International Ltd. in Singapore, on an open market basis at 31st March, 2002. The valuation give rise to revaluation decrease of HK\$16,551,000 has been debited to the investment properties revaluation reserve.

The gross rental income from investment properties for the year ended 31st March, 2002 amounted to HK\$88,698,000 (2001: HK\$86,914,000). The property held has committed tenants for the next two years.

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

	2002	2001
	HK\$'000	HK\$'000
Within one year	45,730	73,707
In the second to fifth year inclusive	36,710	65,816
Over five years	668	2,959
	<u>83,108</u>	<u>142,482</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 16. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b>	<b>Hotel properties</b>	<b>Other assets</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
COST OR VALUATION				
At 1st April, 2001	64,837	430,702	65,041	560,580
Exchange adjustments	747	(348)	238	637
Additions	1,065	190	2,260	3,515
Disposals	(9,480)	–	(7,327)	(16,807)
Revaluation increase	–	270,052	–	270,052
	<u>57,169</u>	<u>700,596</u>	<u>60,212</u>	<u>817,977</u>
At 31st March, 2002	<u>57,169</u>	<u>700,596</u>	<u>60,212</u>	<u>817,977</u>
Comprising:				
At cost	57,169	–	60,212	117,381
At 2002 professional valuation	–	520,000	–	520,000
At 2002 Directors' valuation	–	180,596	–	180,596
	<u>57,169</u>	<u>700,596</u>	<u>60,212</u>	<u>817,977</u>
DEPRECIATION				
At 1st April, 2001	5,002	42,294	37,194	84,490
Exchange adjustments	15	(15)	145	145
Provided for the year	2,013	2,606	5,263	9,882
Eliminated on disposals	(3,395)	–	(4,929)	(8,324)
Eliminated on revaluation	–	(5,529)	–	(5,529)
	<u>3,635</u>	<u>39,356</u>	<u>37,673</u>	<u>80,664</u>
At 31st March, 2002	<u>3,635</u>	<u>39,356</u>	<u>37,673</u>	<u>80,664</u>
NET BOOK VALUES				
At 31st March, 2002	<u>53,534</u>	<u>661,240</u>	<u>22,539</u>	<u>737,313</u>
At 31st March, 2001	<u>59,835</u>	<u>388,408</u>	<u>27,847</u>	<u>476,090</u>

One of the hotel properties was closed down during the year for renovation, therefore, no external revaluation has been performed. In the opinion of the directors, the carrying value of this hotel property represent the fair value at 31st March, 2002.

Other hotel properties were revalued by independent professional valuers in the relevant countries namely DTZ Debenham Tie Leung in Hong Kong and Michael & Co in Malaysia on an open market basis at 31st March, 2002. The revaluation gave rise to revaluation increase of HK\$275,581,000 which has been credited to the asset valuation reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties shown above comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Land in Hong Kong:		
Long lease	13,906	13,707
Medium-term lease	110,000	100,000
Land outside Hong Kong:		
Freehold	553,295	292,298
Medium-term lease	37,573	42,238
	<u>714,774</u>	<u>448,243</u>

Other assets with an aggregate net book value of HK\$483,000 (2001: HK\$1,301,000) were held under finance leases.

If the hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$385,802,000 (2001: HK\$388,408,000).

## 17. PROPERTIES UNDER DEVELOPMENT

	THE GROUP HK\$'000
COST	
At 1st April, 2001	461,438
Exchange adjustments	3,481
Additions	86,732
On acquisition of a subsidiary	288,976
Transferred to properties under development for sales	(153,754)
Impairment loss recognised	(33,932)
	<u>652,941</u>
At 31st March, 2002	<u>652,941</u>

During the year, the directors have assessed the recoverable amount of the properties under development project, one of them is not able to generate positive cashflows to the Group in the future. An impairment loss of HK\$33,932,000 has been recognised.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 17. PROPERTIES UNDER DEVELOPMENT (continued)

The net book value of properties shown above comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Land in Hong Kong:		
Long lease	56,094	182,605
Medium-term lease	208,396	113,682
Land outside Hong Kong:		
Freehold	314,995	60,152
Medium-term lease	73,456	104,999
	<u>652,941</u>	<u>461,438</u>

Included in development properties is interest capitalised of approximately HK\$46,196,000 (2001: HK\$42,259,000).

## 18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	1,210,284	1,210,284
Advances thereto	876,864	729,281
	<u>2,087,148</u>	<u>1,939,565</u>

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

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 50.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 19. INTERESTS IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
Share of net assets other than goodwill	284,255	575,913
Discount arising on acquisition of associates	(13,094)	(13,094)
Impairment loss recognised	(53,925)	–
	<u>217,236</u>	<u>562,819</u>
Market value		
Hong Kong listed investments	<u>31,804</u>	<u>24,320</u>

During the year, the directors have assessed the recoverable amount of the investment in an associate, as the associate incurs continuing operating loss and is not able to generate positive cashflows in the future. Impairment loss of HK\$53,925,000 has been recognised.

Details of the Group's principal associates at 31st March, 2002 are set out in note 51.

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

As Far East Technology International Limited ("Far East Technology") is listed on the Stock Exchange, only published financial information for the year ended 31st December, 2001 is disclosed in the following table.

	<b>Bermuda</b>			
	<b>Far East Technology</b>		<b>Investment Limited</b>	
	<b>31.12.2001</b>	<b>31.12.2000</b>	<b>31.3.2002</b>	<b>31.3.2001</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Results for the year</b>				
Turnover	<u>147,197</u>	<u>181,935</u>	<u>21,397</u>	<u>22,374</u>
(Loss) profit from ordinary activities before taxation	<u>(58,188)</u>	<u>(97,236)</u>	<u>19,380</u>	<u>20,151</u>
(Loss) profit from ordinary activities before taxation attributable to the group	<u>(16,409)</u>	<u>(27,421)</u>	<u>4,845</u>	<u>5,038</u>
<b>Financial position</b>				
Non-current assets	651,375	591,654	300,001	320,001
Current assets	76,144	270,240	2,381	2,597
Current liabilities	(332,414)	(377,681)	(5,597)	(5,745)
Non-current liabilities	(33,256)	(37,649)	–	–
Minority interests	(50,578)	(58,358)	–	–
Net assets	<u>311,271</u>	<u>388,206</u>	<u>296,785</u>	<u>316,853</u>
Net assets attributable to the Group	<u>87,778</u>	<u>109,474</u>	<u>74,196</u>	<u>79,213</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets less amortization	63,279	63,060
Amount due to a jointly controlled entity	(7,206)	—
	<u>56,073</u>	<u>63,060</u>

<u>Name of entity</u>	<u>Form of business structure</u>	<u>Country of registration</u>	<u>Principal place of operations</u>	<u>Capital contribution</u>	<u>Nature of business</u>
Shangqiu Yongyuan Development Company Limited 商丘永遠公路有限公司	Incorporated	PRC	PRC	68%	Construction and operation of highway

Under a joint venture agreement, the Group has an interest of 68% in Shangqiu Yongyuan Development Company Limited which is based on capital contribution from the Group, an equity joint venture company in the PRC with a term of 21 years commencing from 31st July, 1997. Upon the completion of the construction work, the Group is entitled to 85% of the profits earned until it has recovered dividends to an amount equivalent to all its contribution. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until it has effectively recovered dividends equivalent to all its contribution for the agreed valuation of the relevant highway. Thereafter, the Group's entitlement to share of profits is then in proportion to its contribution. At the end of the 21 years, the joint venture will be dissolved and the Group's interest in the joint venture will be surrendered to the PRC party for no consideration. Therefore a HK\$2,905,000 investment cost of interest in a jointly controlled entity was amortised and the Group's share result of the joint venture project during the year is HK\$3,124,000 (2001: HK\$4,975,000).

The amount due to a jointly controlled entity is unsecured, non-interest bearing and has no fixed repayment terms.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 21. INVESTMENTS IN SECURITIES

### THE GROUP

	Trading securities		Other securities		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities						
Listed	35,639	16,542	16,604	21,136	52,243	37,678
Unlisted	69,545	68,528	–	2,813	69,545	71,341
	<u>105,184</u>	<u>85,070</u>	<u>16,604</u>	<u>23,949</u>	<u>121,788</u>	<u>109,019</u>
Listed						
Hong Kong	35,639	16,542	16,457	20,853	52,096	37,395
Overseas	–	–	147	283	147	283
Unlisted	69,545	68,528	–	2,813	69,545	71,341
	<u>105,184</u>	<u>85,070</u>	<u>16,604</u>	<u>23,949</u>	<u>121,788</u>	<u>109,019</u>
Market value of listed securities	<u>35,639</u>	<u>16,542</u>	<u>16,604</u>	<u>21,136</u>	<u>52,243</u>	<u>37,678</u>
Carrying amount analysed for reporting purposes as:						
Current	34,859	–	75	211	34,934	211
Non-current	70,325	85,070	16,529	23,738	86,854	108,808
	<u>105,184</u>	<u>85,070</u>	<u>16,604</u>	<u>23,949</u>	<u>121,788</u>	<u>109,019</u>

## 22. AMOUNTS DUE FROM INVESTEE COMPANIES

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 23. LOANS RECEIVABLE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Long-term loans receivable bear interest at commercial rate		
– secured	259,461	243,664
– unsecured	293	9,509
	<u>259,754</u>	<u>253,173</u>
Less: Amount due within one year shown as current assets	(411)	(367)
	<u><u>259,343</u></u>	<u><u>252,806</u></u>

## 24. AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Interest free advances to associates (net of allowance)	66,465	55,966
Interest bearing advances to associates (net of allowance)	9,824	60,784
	<u>76,289</u>	<u>116,750</u>
Less: Amount due within one year shown as current assets	(19,700)	(55,705)
	<u><u>56,589</u></u>	<u><u>61,045</u></u>

The advances are unsecured. The interest bearing advances bear interest at prevailing market rates.

## 25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At cost	508,670	525,829
Transfer from investment properties	142,481	–
Transfer from properties under development	153,754	48,144
Transfer to properties under development	–	(70,932)
Impairment loss recognised	(79,660)	–
	<u>725,245</u>	<u>503,041</u>

During the year, the directors have assessed the net realisable value of the properties under development for sale and an impairment loss of HK\$79,660,000 was recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 26. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of HK\$70,693,000 (2001: HK\$75,725,000). 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	
	2002	2001
	HK\$'000	HK\$'000
0-60 days	29,236	43,236
61-91 days	2,144	3,977
> 90 days	39,313	28,512
	<u>70,693</u>	<u>75,725</u>

## 27. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	2,997	7,115
Work in progress	3,019	5,899
Finished goods	1,126	3,657
	<u>7,142</u>	<u>16,671</u>

The cost of inventories recognised as an expense during the year was HK\$20,663,000 (2001: HK\$51,915,000).

Included above are work-in progress of HK\$3,019,000 (2001: finished goods of HK\$2,556,000) which are carried at net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 28. CREDITORS AND ACCRUALS

The creditors and accruals include trade creditors of HK\$96,259,000 (2001: HK\$83,223,000).

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

	<b>THE GROUP</b>	
	<u>2002</u> <b>HK\$'000</b>	<u>2001</u> HK\$'000
0–60 days	63,422	71,864
61–91 days	2,708	1,329
> 90 days	<u>30,129</u>	<u>10,030</u>
	<u><b>96,259</b></u>	<u><b>83,223</b></u>

## 29. OBLIGATIONS UNDER FINANCE LEASES

### THE GROUP

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<u>2002</u> <b>HK\$'000</b>	<u>2001</u> HK\$'000	<u>2002</u> <b>HK\$'000</b>	<u>2001</u> HK\$'000
Amounts payable under finance leases				
Within one year	245	278	201	230
In the second to fifth year inclusive	<u>357</u>	<u>602</u>	<u>308</u>	<u>509</u>
	602	880	509	739
Less: future finance charges	<u>(93)</u>	<u>(141)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u><b>509</b></u>	<u><b>739</b></u>	<u><b>509</b></u>	<u><b>739</b></u>
Less: Amount due within 1 year (shown under current liabilities)			<u>(201)</u>	<u>(230)</u>
			<u><b>308</b></u>	<u><b>509</b></u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 31st March, 2002, the average effective borrowing rate was 5.15%. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	23,336	54,406	–	–
Bank loans	752,497	590,573	–	–
Mortgage loans	324,998	365,824	31,400	–
Other loans	108,000	–	108,000	–
	<u>1,208,831</u>	<u>1,010,803</u>	<u>139,400</u>	<u>–</u>
Secured	1,085,755	997,654	31,400	–
Unsecured	123,076	13,149	108,000	–
	<u>1,208,831</u>	<u>1,010,803</u>	<u>139,400</u>	<u>–</u>

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	413,469	353,885	4,800	–
More than one year, but not exceeding two years	105,607	72,196	4,800	–
More than two years, but not exceeding five years	495,420	348,288	129,800	–
More than five years	194,335	236,434	–	–
	<u>1,208,831</u>	<u>1,010,803</u>	<u>139,400</u>	<u>–</u>
Less: Amount due within one year shown under current liabilities	(413,469)	(353,885)	(4,800)	–
	<u>795,362</u>	<u>656,918</u>	<u>134,600</u>	<u>–</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 31. AMOUNT DUE TO A DIRECTOR

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

## 32. AMOUNTS DUE TO RELATED COMPANIES

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

## 33. AMOUNTS DUE TO ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Amounts due to associates, interest bearing	–	179,898
Amounts due to associates, interest free	<b>24,097</b>	93,867
	<b>24,097</b>	273,765
Less: Amount due within one year shown under current liability	<b>(24,097)</b>	(28,317)
	<b>–</b>	245,448

The advances are unsecured. The interest bearing amounts due to associates bear interest at prevailing market rates.

## 34. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<b>1,500,000,000</b>	1,500,000,000	<b>150,000</b>	150,000
Issued and fully paid:				
At beginning of year	<b>952,451,881</b>	939,147,635	<b>95,245</b>	93,915
Issued pursuant to scrip dividend scheme for 2001 and 2000 final dividend	<b>15,297,994</b>	13,304,246	<b>1,530</b>	1,330
At end of year	<b>967,749,875</b>	952,451,881	<b>96,775</b>	95,245

On 28th September, 2001, the Company issued and allotted a total of 15,297,994 shares of HK\$0.1 each in the Company at par to the shareholder who elected to receive shares in the Company for the 2001 final dividends pursuant to the scrip dividend scheme announced by the Company on 18th July, 2001. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 35. SHARE PREMIUM AND RESERVES

	Capital		Investment			Investment		Warrant	Retained	Total	
	Share redemption	reserve	Other revaluation	Assets		Special	Exchange				
				revaluation	properties						revaluation
premium	reserve	reserve	reserve	reserve	reserve	reserve	reserve	profits			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
<b>THE GROUP</b>											
At 1st April, 2000											
– as previously reported	647,806	253	169,352	169	182,888	869,357	(163,908)	(38,277)	24,768	650,122	2,342,530
– prior year adjustment (note 2)	–	–	–	–	–	–	–	–	–	18,783	18,783
	<u>647,806</u>	<u>253</u>	<u>169,352</u>	<u>169</u>	<u>182,888</u>	<u>869,357</u>	<u>(163,908)</u>	<u>(38,277)</u>	<u>24,768</u>	<u>668,905</u>	<u>2,361,313</u>
– as restated	647,806	253	169,352	169	182,888	869,357	(163,908)	(38,277)	24,768	668,905	2,361,313
Credit arising on scrip dividend	5,322	–	–	–	–	–	–	–	–	–	5,322
Revaluation decrease in the year	–	–	–	–	(21,143)	–	–	(17,796)	–	–	(38,939)
Net profit for the year	–	–	–	–	–	–	–	–	–	47,912	47,912
2000 final dividends paid	–	–	–	–	–	–	–	–	–	(18,783)	(18,783)
Share of associate's reserves											
movement during the year	–	–	–	–	10,064	–	(26,634)	–	–	–	(16,570)
Exchange difference on translation											
of overseas operations	–	–	–	–	–	–	2,125	–	–	–	2,125
Released on expiry of warrants	–	–	–	–	–	–	–	–	(24,768)	–	(24,768)
	<u>653,128</u>	<u>253</u>	<u>169,352</u>	<u>169</u>	<u>171,809</u>	<u>869,357</u>	<u>(188,417)</u>	<u>(56,073)</u>	<u>–</u>	<u>698,034</u>	<u>2,317,612</u>
At 31st March, 2001	653,128	253	169,352	169	171,809	869,357	(188,417)	(56,073)	–	698,034	2,317,612
Credit arising on scrip dividend	5,524	–	–	–	–	–	–	–	–	–	5,524
Revaluation increase (decrease)											
during the year	–	–	–	275,581	(16,551)	–	–	(4,532)	–	–	254,498
Net loss for the year	–	–	–	–	–	–	–	–	–	(204,130)	(204,130)
2001 final dividends paid	–	–	–	–	–	–	–	–	–	(19,049)	(19,049)
Realised on disposal of assets	–	–	–	–	–	–	20,523	–	–	–	20,523
Share of associate's reserves											
movement during the year	–	–	–	–	(87,442)	–	(1,512)	–	–	–	(88,954)
Exchange difference on translation											
of overseas operations	–	–	–	–	–	–	13,585	–	–	–	13,585
	<u>658,652</u>	<u>253</u>	<u>169,352</u>	<u>275,750</u>	<u>67,816</u>	<u>869,357</u>	<u>(155,821)</u>	<u>(60,605)</u>	<u>–</u>	<u>474,855</u>	<u>2,299,609</u>
At 31st March, 2002	658,652	253	169,352	275,750	67,816	869,357	(155,821)	(60,605)	–	474,855	2,299,609

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 35. SHARE PREMIUM AND RESERVES (continued)

The retained profits of the Group include HK\$80,282,000 (2001: HK\$89,718,000) retained by associates of the Group and HK\$8,099,000 (2001: HK\$4,975,000) retained by a jointly controlled entities.

	Redemption reserve HK\$'000	Share premium HK\$'000	Distributable reserve HK\$'000	Warrant reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2000						
– as previously reported	253	647,806	1,165,620	24,768	782	1,839,229
– prior year adjustment (note 2)	–	–	–	–	18,783	18,783
– as restated	253	647,806	1,165,620	24,768	19,565	1,858,012
Credit arising on scrip dividend	–	5,323	–	–	–	5,323
Released on expiration of warrants	–	–	–	(24,768)	–	(24,768)
Net profit for the year	–	–	–	–	23,106	23,106
2000 final dividends paid	–	–	–	–	(18,783)	(18,783)
At 31st March, 2001	253	653,129	1,165,620	–	23,888	1,842,890
Credit arising on scrip dividend	–	5,523	–	–	–	5,523
Net profit for the year	–	–	–	–	19,894	19,894
2001 final dividends paid	–	–	–	–	(19,049)	(19,049)
At 31st March, 2002	253	658,652	1,165,620	–	24,733	1,849,258

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:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Distributable reserve	<b>1,165,620</b>	1,165,620
Retained profits	<b>24,733</b>	23,888
	<b><u>1,190,353</u></b>	<u>1,189,508</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 36. AMOUNT DUE FROM (TO) A MINORITY SHAREHOLDER

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

## 37. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	5,063	4,613
Exchange difference	110	701
Credit for the year (note 12)	(5,173)	(251)
Transferred from taxation payable	19,687	–
	<u>19,687</u>	<u>–</u>
Balance at end of year	<u>19,687</u>	<u>5,063</u>

In the previous years, a subsidiary has pre-sold a real estate development project and has accrued the full amount of provisional foreign enterprises income tax on deemed profits arising from the pre-sales pursuant to the relevant tax regulations. During the year, this subsidiary has reached an agreement with the relevant tax authority that the subsidiary shall be liable for profit tax based on its actual profit. Accordingly, the taxation payable arising from the deemed profit tax in the previous years was reclassified to deferred taxation.

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

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	–	–	3,527	729
Tax effect of taxation losses	–	–	(66,786)	(46,111)
Others	19,687	5,063	–	–
	<u>19,687</u>	<u>5,063</u>	<u>(63,259)</u>	<u>(45,382)</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 37. DEFERRED TAXATION (continued)

The amount of unprovided deferred tax liabilities (assets) for the year is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	2,798	373
Tax losses (arising) utilised	(20,675)	60
	<u>(17,877)</u>	<u>433</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 38. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
(Loss) profit before taxation	(207,915)	57,117
Share of results of associates	7,927	(20,292)
Share of results of a jointly controlled entity	(3,124)	(4,975)
Depreciation	9,882	13,820
Interest income	(1,408)	(8,475)
Interest expenses	55,943	52,671
Allowance for advances to associates	2,981	12,109
Loss on profit guarantee in respect of a subsidiary	18,145	–
Impairment losses recognised in respect of overseas properties and investment	177,078	–
Unrealised holding losses on investments in securities	2,464	13,482
Amortisation of interest in a jointly controlled entity	2,905	2,905
Amortisation of deferred compensation cost	2,178	2,151
Warrant reserve released on warrant expired during the year	–	(24,768)
Profit on disposal of subsidiaries	–	(18,637)
Profit on disposal of properties and other fixed assets	(4,252)	(70)
Profit on disposal of investment properties	(392)	–
Increase (decrease) in amounts due to related companies	9,495	(1,411)
Decrease (increase) in completed properties for sale	54,873	(57,499)
Decrease (increase) in properties under development for sale	116,185	(48,383)
Decrease in amounts due from associates	36,005	6,653
Decrease in amounts due to associates	(4,220)	(110,234)
Increase in amount due to a jointly controlled entity	7,206	–
Decrease in debtors, deposits and prepayments	161,932	65,145
Increase in loans receivable	(44)	–
Decrease in investments in securities	(18,873)	–
Decrease in inventories	9,529	13,802
Decrease in customers' deposits received	(2,191)	(14,120)
Increase (decrease) in creditors and accruals	39,314	(28,348)
Effect on foreign exchange	27,757	9,594
	<hr/>	<hr/>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	<b>499,380</b>	<b>(87,763)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 39. PURCHASE OF SUBSIDIARIES

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Net asset acquired		
Investment properties	–	66,077
Property, plant and equipment	–	100,877
Properties under development	<b>288,976</b>	–
Debtors, deposits and prepayments	<b>135,925</b>	2,529
Inventories	–	60
Bank balance and cash	<b>1,776</b>	92
Creditors and accruals	<b>(22,295)</b>	(1,064)
Bank loans	–	(110,000)
Amounts due to former shareholders	<b>(208,313)</b>	(271,016)
	<b>196,069</b>	(212,445)
Assignment of amounts due to former shareholders	<b>208,313</b>	271,016
	<b>404,382</b>	58,571
Satisfied by:		
Cash consideration	<b>225,343</b>	58,571
Carrying value of associates	<b>179,039</b>	–
	<b>404,382</b>	58,571
Net cash outflow arising on acquisition:		
Cash consideration	<b>225,343</b>	58,571
Bank balance and cash acquired	<b>(1,776)</b>	(92)
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<b>223,567</b>	58,479

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 40. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Warrant reserve HK\$'000	Bank and other borrowings HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000	Amount due to a minority shareholder HK\$'000	Amount due to associates HK\$'000	Amount due to a director HK\$'000
Balance at 1st April, 2000	24,768	664,603	658	71,445	19,760	175,756	-
Net cash inflow (outflow) from financing	-	205,819	(553)	-	-	69,692	31,100
Share of loss for the year	-	-	-	(3,198)	-	-	-
Dividend paid to minority shareholders	-	-	-	(170)	-	-	-
Acquisition of subsidiary	-	110,000	-	-	-	-	-
Released upon expiry of warrants	(24,768)	-	-	-	-	-	-
Inception of finance leases contracts	-	-	634	-	-	-	-
Effect of foreign exchange rate changes	-	(24,025)	-	(2,256)	-	-	-
Balance at 31st March, 2001	-	956,397	739	65,821	19,760	245,448	31,100
Net cash inflow (outflow) from financing	-	222,065	(230)	-	-	(245,448)	(242)
Share of loss for the year	-	-	-	(8,128)	-	-	-
Loss on for profit guarantee	-	-	-	7,405	-	-	-
Effect of foreign exchange rate changes	-	7,033	-	(114)	51	-	-
Balance at 31st March, 2002	-	1,185,495	509	64,984	19,811	-	30,858

## 41. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
NET ASSETS DISPOSED OF		
Debtors, deposits and prepayments	-	91,256
Creditors and accruals	(5)	(801)
Interest in associate	1,012	-
Amount due to a holding company	(1,114)	-
	(107)	90,455
Profit on disposal	-	18,637
Assignment of amounts due to a holding company	1,114	-
Total consideration	1,007	109,092
Satisfied by:		
Cash consideration	1,007	-
Receipt of investment in associate	-	109,092
	1,007	109,092

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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 42. NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$Nil (2001: HK\$634,000).

## 43. PLEDGE OF ASSETS

- (a) The Group's properties and bank deposits with an aggregate net book value of approximately HK\$1,702 million (2001: HK\$1,652 million) together with properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$1,390 million and HK\$5 million (2001: HK\$1,328 million and HK\$101 million) respectively.
- (b) The Group's listed investments of approximately HK\$38 million (2001: Nil) 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\$15 million (2001: HK\$Nil), of which HK\$8 million (2001: HK\$Nil) were utilised.
- (c) The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of property 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\$698,000 (2001: HK\$4,499,000) was placed with banks to guarantee the above agreements.

## 44. CAPITAL COMMITMENTS

- (a) At the balance sheet date, the Group had capital expenditure contracted for but not provided in the financial statements on property development expenditure of approximately HK\$260 million (2001: HK\$191 million); and
- (b) At the balance sheet date, the Group had capital expenditure authorised but not yet contracted for additional expenditure on a property development project in Shanghai of approximately HK\$217 million (2001: HK\$211 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 45. LEASE COMMITMENTS

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	
	2002 HK\$'000	2001 HK\$'000
Land and buildings:		
– within one year	354	79
– in the second to fifth year inclusive	–	331
	<u>354</u>	<u>410</u>
Motor vehicles:		
– within one year	217	217
– in the second to fifth year inclusive	235	452
	<u>452</u>	<u>669</u>

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

At 31st March, 2002, the Company had no commitments under non-cancellable operating leases.

## 46. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees issued to secure banking and other facilities made available to				
– subsidiaries	–	–	1,168,226	1,074,142
– third parties	11,000	11,000	11,000	11,000
– an investee company	44,793	44,275	44,793	44,275
	<u>44,793</u>	<u>44,275</u>	<u>44,793</u>	<u>44,275</u>

(b) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in PRC. At March 31, 2002, the total amount of mortgages outstanding which are subject to these guarantees was HK\$26,639,000 (2001: HK\$73,008,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 46. CONTINGENT LIABILITIES (continued)

- (c) The Group has given rental guarantee to a third party for the properties situated in Australia. At March 31, 2002, the total amount of these guarantees was HK\$10.6 million (2001: HK\$20 million).
- (d) The Inland Revenue Department has raised additional estimated assessments against the Group for the year of assessment 1995/96, requesting total tax payment of HK\$2.8 million. Regarding this tax dispute, the potential tax liability to the group is amounting to HK\$11 million of 1995/96 to 2000/2001. The Group intends to contest the case vigorously. While the outcome of this dispute cannot at present be estimated with certainty, 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.
- (e) During the year, the Company was sued by a contractor working for it to develop Phase III of Chingchu California Gardens. The contractor alleges that the Company owes it approximately HK\$14 million for work performed. Of this amount, approximately HK\$3.8 million related to work encompassed by the construction contract which has not been paid by the Company, which has been recorded as a liability in the accompanying financial statement as of 31st March, 2002. The remaining HK\$10 million relates to additional construction work performed has not been provided in the financial statement. However, the Company filed a counter-claim seeking approximately RMB10.6 million from the contractor, asserting that it failed to comply with certain specifications of the construction contract and sought damages for the contractor's delay in completing the project. Both the contractor's claim and the Company's counter-claim are pending in a PRC court, which is expected to be heard by the end of the calendar year 2002. In the meantime, the PRC court has ordered that certain assets amounted to HK\$1.7 million of the Company be frozen. The ultimate outcome of these matters is uncertain.

## 47. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date, the Group entered into a conditional agreement with an independent third party for the disposal of the Group's investment securities at a consideration of HK\$18 million. This transaction had been completed on 17th May, 2002.
- (b) Subsequent to the balance sheet date, the Group entered into agreement for the disposal of two properties at an aggregate consideration of approximately HK\$148 million.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 48. RELATED PARTY TRANSACTIONS

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

(a) Directors and their associates

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Interest expenses (note (i) below)	<u>1,088</u>	<u>1,296</u>

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

(b) Associates

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Dividend income	(13,646)	(4,320)
Interest income	(12,058)	(17,641)
Interest expenses	4,910	5,327
Building management fee expenses	<u>2,101</u>	<u>1,214</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 24, 31, 32 and 33.

## 49. RETIREMENT BENEFITS SCHEME

In December, 2000, the Group joined the Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. 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 Scheme. When an employee leaves the Scheme, the mandatory contributions are fully vested with the employee.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of indirect subsidiary	Number of Shares	Par value per share/ registered capital	Class of shares held	Issued share capital		Principal activities
				Proportion of nominal value of issued capital/ registered capital held by the Group		
404577 Alberta Ltd.	2	Nil	Class A	100		Property investment
413643 Alberta Ltd.	100	Nil	Class A	100		Property investment
Accessway Profits Limited	1	US\$1	Ordinary	100		Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	100		Investment holdings
Aik Land Limited	2	HK\$1	Ordinary	100		Share investment
Amphion Investment Limited	2	HK\$1	Ordinary	100		Investment holdings
Aniwell Company 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
Bournemouth Estates Limited *	2	HK\$10	Ordinary	100		Property development
Bradney Proprietary Ltd	2	HK\$1	Ordinary	100		Investment holdings
Capital Fortune Investment Limited	10,000	HK\$1	Ordinary	100		Property Investment
Cathay General Inc.	1	Nil	Common	100		Investment holdings and share investment
Charter Joy Limited	2	HK\$1	Ordinary	100		Property development
Charter National International Ltd	2	HK\$1	Ordinary	100		Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100		Property development
China Web Incorporated	1	US\$1	Ordinary	100		Investment holdings
Ching Chu Property Management (Shanghai) Company Limited	N/A	US\$9,000,000	N/A	100		Property management
Chun Wah Holdings Limited	200	HK\$1	Ordinary	100		Property development

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
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.) Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Dorsett Regency Hotel (M) Sdn. Bhd.	5,000,000	M\$1	Ordinary	100	Hotel investment and operation
Dunball Limited	2	HK\$1	Ordinary	100	Property investment
Dunjoy Limited	2	HK\$1	Ordinary	100	Investment holdings
Dynahome Development Sdn. Bhd.	1,255,000	M\$1	Ordinary	100	Investment holdings
E-Cash Ventures Limited	1	US\$1	Ordinary	100	Investment holdings
Elliott Investment Corporation	2	Nil	Ordinary	100	Investment holdings and share investment
Esmart Management Limited	2	HK\$1	Ordinary	100	Hotel management
Ever Liberty (M) Sdn. Bhd.	2	M\$1	Ordinary	100	Property investment
Everkent Development Ltd.	2	HK\$1	Ordinary	100	Property development
Evershine Management Limited	2	HK\$1	Ordinary	100	Security Management
Far East Consortium China Infrastructure Company Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK\$100	Ordinary	100	Property development and trading
Far East Consortium China Land Corporation Limited	1,000	HK\$100	Ordinary	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12 235	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Consortium Limited	830,650,000	HK\$1	Ordinary	100	Investment holdings and property investment

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Far East Consortium Machinery Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Malaysia) Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US\$1	Ordinary	100	Investment holdings
Far East Consortium Properties Pty Limited	12	A\$1	Ordinary	100	Investment holdings
	225	A\$0.01	Redeemable preference	100	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	A\$1	Ordinary	100	Investment holdings
	375	A\$0.01	Redeemable preference	100	
Far East Rockman Investments Pty Limited	12	A\$1	Ordinary	100	Investment holdings
	125	A\$0.01	Redeemable preference	100	
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 Property Services Pty Ltd.	1	A\$1	Ordinary	100	Loan financing
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	Investment holdings
Focus Venue Sdn. Bhd.	90	M\$1	Ordinary	90	Property investment
Fortune Plus (M) Sdn. Bhd.	935,000	M\$1	Ordinary	100	Property investment
FECFW 1 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
FECFW 2 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
Garden Resort Development Limited.	100	HK\$1	Ordinary	100	Property development
Grandco Investment Limited	1	US\$1	Ordinary	100	Property investment
Grandtune Investments Limited	1	US\$1	Ordinary	100	Property Investment
Guangzhou Pegasus Boiler Manufacture Company Limited	N/A	HK\$50,000,000	N/A	51	Operation of boiler factory

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Hamsher International Ltd.	29,805,065	US\$1	Ordinary	100	Hotel investment and operation
Hayworth Holdings Limited	100	£1	Ordinary	100	Investment holdings
Henrik Investment Limited	2	HK\$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	Property investment
Karunmas Ehsan Sdn. Bhd.	250,000	M\$1	Ordinary	51	Property development
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	Investment holdings
Mayland Victory Sdn. Bhd.	2,340,000	M\$1	Ordinary	100	Land development
New China Homes, Ltd.	12,700,000	US\$1	Common	70.9	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
Pacific Boulevard Hotel (M) Sdn. Bhd.	2,000,000	M\$1	Ordinary	100	Property development
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
Rich Diamond Holdings Limited	10	US\$1	Ordinary	70	Investment holdings
Ridon Investment Limited	2	HK\$1	Ordinary	100	Investment holdings and share investment



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Roseville Enterprises Limited	6,000	HK\$100	Ordinary	100	Property investment
Royal Domain Plaza Pty. Ltd.	2	A\$1	Ordinary	100	Property investment
Royal Domain Towers Pty. Limited	2	A\$1	Ordinary	100	Property investment
Ruby Way Limited	2	HK\$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK\$1	Ordinary	100	Property investment
Shanghai Chingchu Property Development Company Limited	N/A	US\$9,000,000	N/A	98.2	Developing, selling and leasing properties
Sheen Profit Industries Ltd	2	HK\$1	Ordinary	100	Property development
Shelborn Enterprises, Inc.	10	US\$1	Ordinary	100	Investment holdings
Singford Holdings Limited	1	US\$1	Ordinary	100	Share investment
Sovereign Land Company Limited	2	HK\$100	Ordinary	100	Property investment
Star Bridge Development Limited	2	HK\$1	Ordinary	100	Property investment
Stoneline Sdn. Bhd.	100	M\$1	Ordinary	100	Investment holdings
Teampearl Company Ltd	5,001	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
Upperace Development Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Victoria Land Pty. Ltd.	12	HK\$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
Wonder China Investments Limited	1	US\$1	Ordinary	100	Investment holdings

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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
Bradney Proprietary Ltd.	Australia	Australia
Cathay General Inc.	Republic of Liberia	Hong Kong
China Web Incorporated	Cayman Islands	Hong Kong
Ching Chu Property Management (Shanghai) Company Limited	The PRC	The PRC
Coventry Investments Inc.	Republic of Liberia	Republic of Liberia
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	Malaysia
Dynahome Development Sdn. Bhd.	Malaysia	Malaysia
E-Cash Ventures Limited	British Virgin Islands	Hong Kong
Elliott Investment Corporation	Panama	Hong Kong
Ever Liberty (M) Sdn. Bhd.	Malaysia	Malaysia
Far East Consortium Holdings (Australia) Pty Limited	Australia	Australia
Far East Consortium (Netherlands Antilles) N.V.	Netherlands Antilles	Netherlands Antilles
Far East Consortium Properties Pty Limited	Australia	Australia
Far East Consortium Property & Marketing Service Pty Limited	Australia	Australia
Far East Rockman Hotels (Australia) Pty Limited	Australia	Australia
Far East Rockman Investments Pty Limited	Australia	Australia
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	Malaysia
FEC Financing Solutions Pty Ltd.	Australia	Australia
FEC Properties Limited	British Virgin Islands	Hong Kong
FEC Property Services Pty Ltd.	Australia	Australia
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	The Netherlands
Focus Venue Sdn. Bhd.	Australia	Australia
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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

<b>Name of indirect subsidiary</b>	<b>Place of incorporation</b>	<b>Place of operation</b>
Hamsher International Ltd.	British Virgin Islands	The U.S.A.
Hayworth Holdings Limited	Channel Islands	Malaysia
Karunmas Ehsan Sdn. Bhd.	Malaysia	Malaysia
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
Mayland Victory Sdn. Bhd.	Malaysia	Malaysia
New China Homes, Ltd.	Cayman Islands	The PRC
Pacific Boulevard Hotel (M) Sdn. Bhd.	Malaysia	Malaysia
Redleaf Properties Limited	British Virgin Islands	Malaysia
Rich Diamond Holdings Limited	British Virgin Islands	The Philippines
Royal Domain Plaza Pty. Ltd.	Australia	Australia
Royal Domain Towers Pty. Limited	Australia	Australia
Shanghai Chingchu Property Development Company Limited	The PRC	The PRC
Shelborn Enterprises, Inc.	British Virgin Islands	The U.S.A.
Singford Holdings Limited	British Virgin Islands	Hong Kong
Stoneline Sdn. Bhd.	Malaysia	Malaysia
Tomarta Sdn. Bhd.	Malaysia	Malaysia
Top Trend Developments Limited	British Virgin Islands	China
Victoria Land Pty. Ltd.	Australia	Australia
Vico Overseas Inc.	British Virgin Islands	Malaysia
Waldorf Development Pte Limited	Singapore	Singapore
Waldorf Holdings Pte Limited	Singapore	Singapore
Wonder China Investments Limited	British Virgin Islands	The PRC

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 51. 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
Alicegate Pty. Ltd. (formerly known as Rockman's Regency Towers Pty. Ltd.)	Ordinary	49	Investment holdings
Bermuda Investment Limited	Ordinary	25	Property investment
Far East Technology International Limited	Ordinary	28.2	Investment holdings, share and property investments
Flinders Wharf management Pty. Ltd.	Ordinary	50	Property management
Gold Coin (Hong Kong) Limited	Ordinary	26	Investment holdings
Gold Coin Feedmill (China) Limited*	Ordinary	26	Operation of feedmill factory
Guangdong Xin Shi Dai Real Estate Limited	N/A	45	Property development
Kanic Property Management Limited	Ordinary	50	Building management
Libran Star (M) Sdn. Bhd.	Ordinary	50	Property development
Liuzhou Universe Compressor Company Limited	N/A	25.24	Operation of compressor factory
Naples Investments Limited	Ordinary	35	Investment holdings
Northleisure Proprietary Limited	Ordinary	50	Investment holdings
Northrock Investments Proprietary Limited	Ordinary	49.09	Loan financing
	Cumulative redeemable preference	49.98	
Peacock Estates Limited	Ordinary	25	Property investment
Philippine Dream Company, Inc.	Ordinary	25.2	Hotel operation
Regency Hotels Proprietary Limited	Ordinary	49	Investment holdings
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2002

## 51. PARTICULARS OF PRINCIPAL ASSOCIATES (continued)

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

<b>Name of indirect associate</b>	<b>Place of incorporation</b>	<b>Place of operation</b>
Alicegate Pty. Ltd. (formerly known as Rockman's Regency Towers Pty. Ltd.)	Australia	Australia
Flinders Wharf Management Pty. Ltd.	Australia	Australia
Gold Coin Feedmill (China) Limited	The PRC	The PRC
Guangdong Xin Shi Dai Real Estate Limited	The PRC	The PRC
Libran Star (M) Sdn. Bhd.	Malaysia	Malaysia
Liuzhou Universe Compressor Company Limited	The PRC	The PRC
Naples Investments Limited	British Virgin Islands	The Philippine
Northleisure Proprietary Limited	Australia	Australia
Northrock Investments Proprietary Limited	Australia	Australia
Philippine Dream Company, Inc.	The Philippines	The Philippines
Regency Hotels Proprietary Limited	Australia	Australia
Young Heung International (BVI) Ltd	British Virgin Islands	The PRC

# LIST OF MAJOR PROPERTIES HELD BY THE GROUP

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
1. 16th, 18th, 19th, 20th and 24th Floors, (including lavatories on 16th, 18th, 19th, 20th and 24th Floors and Flat Roof on 24th Floor), Far East Consortium Building, 121 Des Voeux Road Central	120/736 shares of and in IL 2198, 2200, 2201, Sec. A and RP of IL 2199 and Sec. A, B & C of ML 299	100%	—
2. Unit 1 on G/F and Unit 3 on Level 1 (known as Golden Palace Theatre) and Flats 1A, 1C Tung Wai Garden, 419G Queen's Road West and 4 Sai On Lane, Sai Ying Pun	5598/25701 shares of and in RP of Sec. B of ML 205	100%	—
3. Unit B on 1/F, Cheong Kat Mansion, 98-100 Catchick Street and 21-23 Cadogan Street, Kennedy Town	8/180 shares of and in RP of Ss1 of Sec. A & RP of Sec. A of Ss1 of Sec. A of IL 1298	100%	—
4. Basement, Ground to 6th Floor (excluding Theatre Premises on Portions of Ground to 5th Floor and Flat A on 24/F and Roof, Far East Bank Mongkok Building, 240-244 Portland Street and 11 Nelson Street, Mongkok	95/400 shares of and in RP of KIL 1385-1386	100%	—
5. Far East Consortium Building, 204-206 Nathan Road, Tsim Sha Tsui, Kowloon	RP of KIL 10467 & RP of KIL 10468	100%	—
6. Far East Bank Tsuen Wan Building, 135-143 Castle Peak Road, Tsuen Wan	Lot 2158 in DD 449	100%	—
7. G/F, Garden Area and 1/F of Block 4, and carparking spaces nos. 1, 4, 25, 61 & 62, Rise Park Villas, Razor Hill Road, Sai Kung	69/1408 shares of and in Lot 1124 in DD 253	100%	—

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Approximate gross floor area (m <sup>2</sup> )	Type	Stage of completion	Expected completion date
2,473	O	Completed	Existing
658	C & R	Completed	Existing
91	C	Completed	Existing
4,280	S & R	Completed	Existing
3,579	S & O	Completed	Existing
9,076	S, R & C	Completed	Existing
598	R & CP	Completed	Existing

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
8. Various shops on LG/F and UG/F, Tsuen Wan Gardens Phase 1, 15-23 Castle Peak Road, Tsuen Wan	241/4400 shares of and in TWTL 241	100%	—
9. Various lots, Pak Kong, Sai Kung	Lots 1134 RP, 1137 RP, 1138 & 1139 RP in DD 222	100%	3,525
10. Shops 17, 18 and 20 on G/F, commercial portion of 1/F - 3/F, Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long	249/750 shares of and in YLTL 287 & 349	100%	—
11. Route TWISK, Chuen Lung	Various lots in DD 360, DD 433 and DD 435	100%	32,202
12. Shop 6 on G/F and whole of 1/F, Cheong Hung Mansion, 2-14 Mei Fong Street, Kwai Chung	119/1000 shares of and in KCTL 186 & 295	100%	—
13. Shop C on Ground Floor and 1/F to 3/F, Full Hang Court, Nos. 104-112 Ma Tau Wai Road, Hung Hom	213/527 shares of and in KIL 8480-8484, RP of KIL 6020	100%	—
14. Shop No. 7 on G/F, whole 1/F and two staircases & one entrance lobby on G/F for the exclusive use of 1/F, Full Yau Court, Yau San Street, Yuen Long	285/975 shares of and in YITL 391	100%	—
15. Shop Nos. 10, 19-24, 44-46, 56-60 and Showcase Nos. 18, 18a, 18b on G/F, shops nos. 101-173 on 1/F, Come On Building, 387 Castle Peak Road, Castle Peak Bay, Tuen Mun	351/2485th shares of and in TMTL 151	100%	—
16. Shop Nos. 4, 5 and 6 on G/F, Toho Court, 18 Main Street Apleichau and No. 5 Ping Lan Street, Apleichau	29/1176th shares of and in Section A of Apleichau Inland Lot 47 and the extension thereto	100%	—



## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Approximate gross floor area (m <sup>2</sup> )	Type	Stage of completion	Expected completion date
3,908	SA	Completed	Existing
Not yet determined	A	Planning stage	Vacant site
1,318	S, R & C	Completed	Existing
Not yet determined	A	Planning stage	Vacant site
570	C	Completed	Existing
1,667	C & S	Completed	Existing
1,231	C & S	Completed	Existing
1,471	C & S	Completed	Existing
57	S	Completed	Existing

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
17. Yau Kam Tau, Tsuen Wan	Lot 232 RP in DD 354	100%	5,940
18. Sheung Yeung, Sai Kung	Lots 84, 85, 86, 89, 91, 92, 94, 95A, 99, 116RP, 137, 139, 141RP, 213, 221RP, 224RP, 229, 230, 231A, 231RP, 233, 234, 236, 258, 263RP and 746 in DD225	100%	7,136
19. Tai Hang Village, Tai Po	Lot 73 RP in DD7	100%	2,332
20. Bakerview, 66 Baker Street, Hung Hom, Kowloon	HHIL 235 SB, SC, SD, SE, SIss1, SIss2 and SIss3	100%	604
21. Pak Shek Wo, Sai Kung, N.T.	Lot 1265 in DD 253	100%	2,796
22. Tan Kwai Tsuen, Yuen Long, N.T.	Lot 3927 SB in DD 124	100%	4,849
23. 46-48 Anchor Street, Tai Kok Tsui, Kowloon	KIL 6374	100%	357
24. Dorsett Place, No. 5B Chancery Lane, Mid-levels, Central	Lot No. 68 SASS5 R.P.	100%	–
25. Dorsett Garden Hotel, 30 Nanking Street, Jordan	KIL 7968, 8816	100%	289
26. Chuk Kok, Sai Kung	Lot 14 in DD231	100%	2,790
27. Hung Shui Kiu, Yuen Long	Lot 2959, 2960, 2972RP, 2973RP, 2969B3 in DD124	100%	2,817
28. 1 Kau U Fong, 3-9 Aberdeen Street and 1 Gough Street, Central	1L 1747, 8852	100%	377

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Approximate gross floor area (m <sup>2</sup> )	Type	Stage of completion	Expected completion date
–	A	Planning stage	Vacant site
4,682	R	Under construction	2002
3,121	R	Planning stage	Vacant site
5,444	S & R	Under Construction	2002
1,672	R	Under Construction	2003
4,849	R	Planning Stage	2004
4,281	H	Planning Stage	2004
13,555	R	Completed	Existing
2,502	H	Completed	Existing
1,116	R	Under Construction	2003
3,549	R	Planning Stage	Vacant Site
5,853	H	Under Construction	2004

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Overseas</b>			
29. Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	Lots 471 and 472	100%	1,860
30. Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	Lot 908	100%	985
31. Mukim of Kajang, District of Hulu Langat, State of Selangor	Lot 6504	51%	203,403
32. State Land Plot 'E' Teluk Gedong Forest Reserve, Mukim and District of Kelang, State of Selangor	–	100%	185,874
33. 100A Eu Tong Sen Street, Waldorf Office Complex, Singapore	Lot 178-49-A/J of TS 22	100%	–
34. Kelly Ramsey Building, 100A Street, #101A Avenue, Edmonton, Alberta, Canada	Lots 39 and 40, except thereout the most westernly 6 feet throughout of the said Lot 40	100%	1,310
35. Dallas Grand Hotel, 1914 Commerce Street, Dallas, Texas, U.S.A.	N/A	100%	6,849
36. 360 St. Kilda Road, Melbourne, Victoria, Australia	N/A	100%	–

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Approximate gross floor area (m <sup>2</sup> )	Type	Stage of completion	Expected completion date
23,532	H	Completed	Existing
–	R	Completed	Existing
–	R	Under construction	2003
–	R	Under construction	2003
3,464	O & S	Completed	Existing
4,307	O	Completed	Existing
–	H	Completed	Existing
488	C & CP	Completed	Existing

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Overseas</b>			
37. 1954 Commerce Street, Dallas, Texas, USA	N/A	100%	2,322
38. Room 2603, Block 3, Dong-Jun Plaza, 836 Dong Feng Road East, Guangzhou, PRC	N/A	100%	–
39. Room 2604, Block 3, Dong-Jun Plaza, 836 Dong Feng Road East, Guangzhou, PRC	N/A	100%	–

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP (continued)

Approximate gross floor area (m <sup>2</sup> )	Type	Stage of completion	Expected completion date
11,918	CP & SA	Development stage	2003
91	O	Completed	Existing
91	C	Completed	Existing

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

O – Office  
SA – Shopping Arcade  
C – Commercial

S – Shops  
R – Residential  
A – Agricultural

H – Hotel  
CP – Car Park

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Far East Consortium International Limited (the “Company”) will be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on Wednesday, 28th August, 2002 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2002.
2. To declare a final dividend.
3. To re-elect directors and to fix the directors’ fees.
4. To re-appoint auditors and to authorize the directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as Ordinary Resolutions:

## ORDINARY RESOLUTIONS

### A. “**THAT:**

- (i) subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); (b) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company; (c) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (d) an issue of shares under any option scheme or similar arrangement for the grant or issue to employees and/or other eligible persons of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and



# NOTICE OF ANNUAL GENERAL MEETING

- (iv) For the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

**B. “THAT:**

- (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (iii) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
  - (a) the conclusion of the next annual general meeting of the Company;
  - (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

# NOTICE OF ANNUAL GENERAL MEETING

- (c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”
- C. “**THAT** subject to the passing of the Resolution Nos. 5A and 5B set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot and deal with additional shares pursuant to Resolution No. 5A set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5B set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the said Resolution.”
- D. “**THAT** conditional upon the Listing Committee of the Stock Exchange approving the share option scheme (the “New Scheme”) (a copy of which marked “A” is produced to the Meeting and signed for the purpose of identification by the Chairman of the Meeting and the principal terms of which have been summarised in Appendix II to the document of the Company dated 31st July 2002) and the granting of options to subscribe for new ordinary shares of HK\$0.10 each (the “Shares”) in the capital of the Company under the New Scheme, and granting the listing of, and permission to deal in, any new Shares which may fall to be issued pursuant to the exercise of the subscription rights under the options that may be granted under the New Scheme:
- (a) the New Scheme be and is hereby approved and adopted;
- (b) the Directors of the Company be authorised to grant options to subscribe for Shares under the New Scheme, to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the New Scheme provided that the total number of Shares which may be issued upon exercise of the options to be granted under the New Scheme and any other share option scheme of the Company and/or its subsidiary shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue at the date of passing this Resolution, and to do all such acts and things as they consider necessary or expedient to give effect to the New Scheme; and
- (c) the existing share option scheme of the Company adopted on 28th September 2000 be and is hereby terminated in accordance with its terms.”

By Order of the Board  
**Chow Kwok Wor**  
*Company Secretary*

Hong Kong, 24th July, 2002

# NOTICE OF ANNUAL GENERAL MEETING

*Notes:*

1. The register of members of the Company will be closed from Friday, 23rd August, 2002 to Wednesday, 28th August, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, 22nd August, 2002.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the principal office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. A circular containing further details regarding Resolutions Nos. 5A to 5D above will be sent to shareholders in due course.