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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Far East Consortium International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

**MAJOR AND DISCLOSEABLE TRANSACTIONS
AND
INCREASE OF AUTHORISED SHARE CAPITAL**

A notice convening an extraordinary general meeting of Far East Consortium International Limited to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong on Tuesday, 12 October, 2004 at 3:00 p.m. is set out on Appendix 4 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the principal office of the Company in Hong Kong at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

15 September, 2004

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	2
Provisional Agreement for the sale and purchase of Far East Bank Mongkok Building	3
Provisional Agreement for the sale and purchase of 263 Hollywood Road	5
Appendix 1 – Property valuation report	9
Appendix 2 – Financial information	12
Appendix 3 – General information	32
Appendix 4 – Notice of EGM	37

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“associates”	as defined under the Listing Rules
“Board”	the board of Directors
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability, the shares and bonds of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Extraordinary General Meeting” and “EGM”	the extraordinary general meeting of the Company to be convened at 3:00 p.m. on 12 October, 2004 at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	10 September, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

Executive Directors:

Mr. Deacon Te Ken Chiu (*Chairman*)

Dato' David Chiu

(Deputy Chairman and Chief Executive Officer)

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

Registered Office:

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

Non-executive Directors:

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Principal Office:

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

Independent Non-executive Directors:

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

Mr. Jian Yin Jiang

15 September, 2004

To the Shareholders

Dear Sir or Madam,

MAJOR AND DISCLOSEABLE TRANSACTIONS AND INCREASE OF AUTHORISED SHARE CAPITAL

INTRODUCTION

The Directors announced on 22 July, 2004 (the "Announcement") that an agreement dated 15 July 2004 was entered into between FEC Properties Limited, a wholly owned subsidiary of the Company and Smart View Enterprise Limited on 16 July 2004 in respect of the sale of Far East Bank Mongkok Building at a cash consideration of HK\$468,800,000 ("Agreement I") and announced on 22 July, 2004 (the "Announcement") that an agreement dated 15 July 2004 was entered into between Far East Consortium Limited, a wholly owned subsidiary of the Company and The Sun Company Limited and Lidell Realty Investment Company Limited on 16 July 2004 in respect of the purchase of the property at 263 Hollywood Road for a cash consideration of HK\$118,000,000 ("Agreement II"). On 12 August 2004, the Directors announced that as additional time is needed to compile the financial information to be incorporated into the circular, application for waiver has been made to the Stock Exchange to despatch the Circular on or about 31 August 2004. On 31 August 2004, the Company announced that as additional time is needed to gather further financial information and generally to finalise the Circular, application for waiver has been made to the Stock Exchange to despatch the Circular on or about 15 September 2004.

LETTER FROM THE BOARD

The transaction contemplated under the Agreement I constitutes a major transaction and Agreement II constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information regarding, among other things, the Agreements I and II, the valuations reports on the Property I and to give you notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Agreement I and the disposal of Property I and increase of authorised share capital.

A. PROVISIONAL AGREEMENT FOR THE SALE AND PURCHASE OF FAR EAST BANK MONGKOK BUILDING (“AGREEMENT I”)

Date of the Agreement I

15 July 2004

Vendor

FEC Properties Limited (“FECPL”), a wholly owned subsidiary of the Company.

Purchaser

Smart View Enterprise Limited (“Smart View”), its principal activity is property investments. Smart View and the ultimate beneficial owner of the Smart View are third parties independent of the Company and connected persons of the Company. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, Smart View and its beneficial owners are not connected with The Sun Company Limited and Lidell Realty Investment Company Limited and their ultimate beneficial owners. The Purchaser was introduced to the Company through the estate agent, Centaline Property Agency Limited.

Asset to be transferred

Under the Agreement I, FECPL agreed to sell the Far East Bank Mongkok Building (“Property I”) to Smart View at a cash consideration of HK\$468,800,000 representing approximately HK\$10,176 per sq.ft.. The registered owner of the Property I is FECPL. The property is leasehold and comprises the whole of basement, ground to 6th Floors (excluding theatre premises on portions of Ground to 5th Floors), Flat A on 24th Floor and Roof of Far East Bank Mongkok Building, 240-244 Portland Street and 11 Nelson Street, Mongkok, Kowloon. The property was occupied for retail/commercial and domestic uses. The property is sold subject to existing tenancies. The Purchaser will appoint the Vendor as its agent for the lease of the property and the Vendor will undertake to the Purchaser that the monthly rental income for the period from 15 March 2005 to 14 September 2007 will be HK\$1,953,333 based on 5% yield on the consideration which is about the market rate. Any excess rental income will be for the benefit of the Vendor.

Consideration

The consideration of the Property I is HK\$468,800,000 representing approximately HK\$10,176 per sq.ft. payable in cash and was agreed by the parties after arm’s length negotiations with reference to market price of properties in similar locations which range

LETTER FROM THE BOARD

from approximately HK\$9,100 per sq.ft. to HK\$12,300 per sq.ft. from the estate agent's information available to the Company. Property I was acquired by the Company in 1992 and the acquisition cost of the property as carried to 31 March 2003 is HK\$189,000,000 representing approximately HK\$4,100 per sq.ft.. The book value of Property I as at 31 March 2003 was HK\$255,000,000. The profit attributable to the Property I for the year ended 31 March 2003 and 31 March 2002 were HK\$1,000,000 and HK\$10,000,000 respectively. The profit on disposal of the Property I based on the acquisition cost is HK\$279,800,000 and based on the book value as at 31 March 2003 is HK\$213,800,000. The Property I was valued at HK\$271,000,000 as at 31 March 2004 by DTZ Debenham Tie Leung Limited, an unconnected independent valuer appointed by the Company. The profit on disposal of the property based on the valuation is HK\$197,800,000.

Based on the audited accounts for the year ended 31 March 2004, the turnover derived from Property I amounted to approximately HK\$8,500,000 and the disposal will reduce the turnover of the Company, which accounted for approximately 1% of the total turnover of the Group. The book value of Property I as at 31 March 2004 was HK\$271,000,000 and the profit on disposal of Property I based on the book value as at 31 March 2004 is HK\$197,800,000. The disposal of Property I will reduce the asset value of the Group and the liability will decrease as a result of reduction of the bank loans of the Group of approximately HK\$110,000,000 based on the audited accounts for the year ended 31 March 2004. The Directors consider that the disposal is fair and reasonable and is in the interests of the Company and the shareholders as a whole.

Formal agreement

A formal sale and purchase agreement is required to be entered into by the parties on or before 17 August 2004. As announced on 18 August 2004, the terms of the formal agreement such as those related to the appointment of the Vendor as the Purchaser's sole leasing agent are yet to be agreed by the solicitors of both parties on the understanding that the formal agreement will be signed by the parties as soon as possible. The signing of the formal agreement, if any, will therefore be postponed from on or before 17 August 2004 to a date to be agreed between the parties, which would in any event be on or before 15 March 2005, being the original completion date as announced in the Announcement.

Completion

Completion of Agreement I is scheduled to take place on or before 15 March 2005. The Property I is sold on an "as is" basis. HK\$10,000,000 was paid upon signing of Agreement I as deposit. HK\$36,880,000 shall be paid upon signing of formal agreement for sale and purchase on or before 17 August 2004. HK\$23,440,000 shall be paid on or before 25 February 2005 as further deposit and HK\$398,480,000 shall be paid upon completion on or before 15 March 2005 as balance of purchase price.

Reason for the Property I Disposal

The Group is principally engaged in property investment and development, investment holdings, securities trading, hotel operation, manufacture of boiler products and loan financing. The Directors consider the disposal will provide the opportunity for the Company to realize its assets at reasonable market price. The net proceeds will be used for repayment of existing loan of the Vendor of HK\$107 million and the remaining balance of HK\$361 million will be deployed for general working capital purpose.

LETTER FROM THE BOARD

Extraordinary General Meeting

Agreement I constitutes a major transaction of the Company. An Extraordinary General Meeting (“EGM”) will be held to consider and, if thought appropriate, approve the disposal of Property I under Agreement I. Any shareholders with a material interest in the transaction and his associate will abstain from voting on the resolution approving the transaction. In this respect, the Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry that Smart View and the ultimate beneficial owner of the Smart View are third parties independent of the Company and connected persons of the Company which does not constitute a connected transaction and no shareholder is required to abstain from voting at the EGM.

General

The Directors are of the view that the disposal of the Property I is in the interest of the Company and the terms of the Agreement I are on normal commercial terms, which are fair and reasonable and in the interest of the shareholders, as a whole. The Property I was valued at HK\$271,000,000 as at 31 March 2004 by DTZ Debenham Tie Leung Limited, an unconnected independent valuer and appointed by the Company. The Directors confirm that the consideration of the Property I has been determined after arm’s length negotiations between the parties by reference to the market value of property transaction and by reference to the property valuation. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, Smart View and the ultimate beneficial owner of the Smart View are third parties independent of the Company and connected persons of the Company.

B. PROVISIONAL AGREEMENT FOR THE SALE AND PURCHASE OF 263 HOLLYWOOD ROAD (“AGREEMENT II”)

Date of the Agreement II

15 July 2004

Vendors

The Sun Company Limited (“The Sun”) and Lidell Realty Investment Company Limited (“Lidell Realty”) (collectively the “Vendors”). The Vendors and the ultimate beneficial owner of the Vendors are third parties independent of the Company and connected persons of the Company. Their principal activities are property holding and construction. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, The Sun and Lidell Realty and their ultimate beneficial owners are not connected with Smart View and its ultimate beneficial owners. The Vendors are introduced to the Company through FPDSAVILLS (Hong Kong) Limited.

Purchaser

Far East Consortium Limited (“FECL”), a wholly owned subsidiary of the Company.

LETTER FROM THE BOARD

Asset Acquired

Under the Agreement II, FECL has agreed to purchase from the Vendors all the issued share capital of the Caragis Limited (“Caragis”) and Vicsley Limited (“Vicsley”) which are sole beneficial owners of the Section A of Inland Lot Nos. 568 and Inland Lot No. 8412 at 263 Hollywood Road, Hong Kong the (“Property II”) at a cash consideration of HK\$118,000,000 representing approximately HK\$2,009 per sq.ft.. Property II is leasehold and the gross floor area of Property II is approximately 58,738 sq.ft. The Property II is for commercial/residential use and is purchased on an “as is” basis subject to existing tenancies which is about 75% rented out.

Consideration

The consideration of Property II is HK\$118,000,000 representing approximately HK\$2,009 per sq.ft.. payable in cash and was agreed by the parties after arm’s length negotiations with reference to market price of properties in similar locations which ranged from approximately HK\$3,300 per sq.ft. to HK\$7,600 per sq.ft. from the estate agent’s information available to the Company. An initial deposit of HK\$5,000,000 was paid upon the signing of Agreement II and further deposit of HK\$6,800,000 was paid on 29 July 2004. The remaining balance of HK\$106,200,000 shall be paid upon completion.

Based on the accounts provided by the Vendors, the net asset value of Caragis as at 30 June 2003 and 31 May 2004 were (HK\$45.6 million) and (HK\$46.6 million) respectively. The net asset value of Vicsley as at 30 June 2003 and 31 May 2004 were (HK\$59 million) and (HK\$60 million) respectively. The net loss of Caragis as at 30 June 2003 and 31 May 2004 were HK\$16 million and HK\$1 million respectively. The net loss of Vicsley as at 30 June 2003 and 31 May 2004 were HK\$16 million and HK\$1 million respectively. The book value of the Property II in Caragis as at 30 June 2003 and 31 May 2004 is HK\$45 million respectively. The book value of Property II in Vicsley as at 30 June 2003 and 31 May 2004 is HK\$45 million respectively. The consideration of HK\$118,000,000 represents a premium of HK\$28,000,000 over the book value of the Property II.

The Directors consider that the acquisition of Property II will not have any material effect on the net asset value of the Group. However, bank loans of approximately HK\$82,000,000 will increase for the purpose of acquisition of Property II. Based on the unaudited accounts for the period from 1 July 2003 to 31 May 2004, the turnover of Caragis and Vicsley is HK\$740,000 and HK\$740,000 respectively and the acquisition is expected to have a positive effect on the rental income. Caragis and Vicsley will be accounted for as wholly owned subsidiaries of the Company and the operating results of Caragis and Vicsley would be fully reflected in the accounts of the Company upon completion of the acquisition.

Formal agreement

A formal sale and purchase agreement is required to be entered into by the parties on or before 29 July 2004 and will supersede the Agreement II. As announced in the announcement dated 2 August 2004, a formal sale and purchase agreement is being reviewed by the solicitors of both parties on the understanding that it will be signed by the parties as soon as possible. It is expected that the signing of the formal agreement by the parties will be on or before 28 September 2004, being the original completion date.

LETTER FROM THE BOARD

Completion

Completion of Agreement II is scheduled to take place on or before 28 September 2004.

Reasons for the acquisition

The acquisition will provide a good opportunity for the Company to further its investment in the property business. The Property II is intended to be used as hotel or service apartments with about 148 units by mid 2005. The consideration and other terms and conditions of Agreement II were determined after arm's length negotiations between the parties with reference to the normal commercial terms and are considered by the Directors of the Company to be fair and reasonable after taking into consideration of the market prices.

The cash considerations of HK\$118,000,000 will be paid as to HK\$36,000,000 from internal resources of the Company and as to HK\$82,000,000 from bank finance.

General

The Directors are of the view that the acquisition of the Property II is in the interest of the Company and the terms of the Agreement are on normal commercial terms, which are fair and reasonable and in the interest of the shareholders, as a whole. The Directors confirm that the consideration of the Property II has been determined after arm's length negotiations between the parties by reference to the market value of property transaction. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, the Vendors and the ultimate beneficial owner of the Vendors are third parties independent of the Company and connected persons of the Company.

FINANCIAL IMPACT

As at the date of completion of the transaction under Agreement I and Agreement II, there will be no material change on the Group's assets and liabilities. The increase in cash of HK\$468 million generated from the disposal under Agreement I will be off set by the decrease in investment property of approximately HK\$271 million and bank loans of approximately HK\$107 million. The acquisition under Agreement II will result in an increase of the Group's investment property of HK\$118 million which will be off set simultaneously by the increase of bank loans and decrease in cash.

INCREASE OF AUTHORISED SHARE CAPITAL

The Directors of the Company proposed to put forward an ordinary resolution at the EGM seeking shareholders' approval to increase the authorized share capital of the Company from HK\$150,000,000 divided into 1,500,000,000 shares to HK\$200,000,000 divided into 2,000,000,000 shares by the creation of an additional 500,000,000 shares ranking pari passu in all respects with the existing and unissued shares.

LETTER FROM THE BOARD

NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice convening the EGM in respect of approving Agreement I and the disposal of Property I and increase of the authorised share capital of the Company is set out on pages 37 to 38 of this circular.

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the principal office of the Company in Hong Kong at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not prevent shareholders from attending and voting at the EGM in person if they so wish.

Pursuant to Article 71, every question submitted to a general meeting shall be determined in the first instance by a show of hands of the members present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands) by the Chairman or by:–

- (i) not less than three members present in person or by proxy having the right to vote at the meeting; or
- (ii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is duly demanded, a declaration by the Chairman that a resolution has been carried or lost and an entry to that effect in the minutes book of the Company shall be conclusive evidence of the result of such resolution.

RECOMMENDATION

The Directors believe that all the above-mentioned disposal and acquisition of properties and the resolutions are fair and reasonable and in the best interests of the Company and its shareholders. Accordingly, the Directors recommend you to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,
For and behalf of the Board of
Far East Consortium International Limited
David Chiu
Deputy Chairman and Chief Executive Officer



Formerly C Y Leung & Company
原梁振英測量師行

15 September, 2004

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

Dear Sirs,

RE: BASEMENT, GROUND TO 6TH FLOORS (EXCLUDING THEATRE PREMISES ON PORTIONS OF GROUND TO 5TH FLOORS), FLAT A ON 24TH FLOOR AND ROOF, FAR EAST BANK MONGKOK BUILDING, 240-244 PORTLAND STREET AND 11 NELSON STREET, MONGKOK, KOWLOON.

Instructions, Purpose & Date of Valuation	We refer to your instructions for us to carry out an open market valuation of the captioned property. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 31st March, 2004 (“the date of valuation”) for accounting purpose.
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Basis of Valuation	Our valuation of the property represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:-
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- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Valuation Assumptions	<p>Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred term contract, a leaseback, a joint venture, a management agreement or any similar arrangements which could serve to affect the value of the property.</p> <p>No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.</p>
Method of Valuation	<p>The property is held for investment purpose and we have adopted the investment approach of valuation by capitalisation of the income derived from the existing tenancies with due provision for the reversionary income potential of the property.</p>
Source of Information	<p>We have relied to a very considerable extent on the information given by you and have accepted advice given to us on such matters as statutory notices, easements, tenure, lettings, particulars of occupancy, floor areas and all other relevant matters.</p>
Title Investigation	<p>We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Urban Land Registry. However, we have not searched the original documents to verify ownership or to verify any lease amendments. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken.</p>
Site Inspection	<p>We have inspected the exterior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.</p>
Non-publication & Savings Clause	<p>Neither the whole nor any part of this letter and valuation certificate or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which they will appear.</p> <p>Finally and in accordance with our standard practice, we must state that this letter and valuation certificate are for the use only of the party to whom they are addressed and no responsibility is accepted to any third party for the whole or any part of their contents.</p> <p>We enclose herewith our valuation certificate.</p>

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
M.R.I.C.S., M.H.K.I.S.
Director

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2004
Basement, Ground to 6th Floors (excluding Theatre Premises on Portions of Ground to 5th Floors), Flat A on 24th Floor and Roof, Far East Bank Mongkok Building, 240-244 Portland Street and 11 Nelson Street, Mongkok, Kowloon	The property comprises the whole of basement, ground to 6th floors and one domestic unit on the 24th floor of a 25-storey plus basement composite building completed in 1969. The basement and ground to 6th floors are for commercial uses whilst the upper floors are domestic units.	As at the date of valuation, except 18,751 sq.ft. space which was vacant, the property was let to various tenants for various terms with the latest tenancy due to expire in February, 2009 at a total monthly rent of about HK\$842,700.	HK\$271,000,000
Sundry shares of and in the Remaining Portion of Kowloon Inland Lot No. 1385 and the Remaining Portion of Kowloon Inland Lot No. 1386	The property has a total gross floor area of approximately 45,872 sq.ft. (4,261.61 sq.m.). The property is held under two Government Leases for terms of 75 years renewed for further terms of 75 years from 18th February, 1910. The current aggregate Government rent payable for the lots (K.I.L. 1385 R.P. and K.I.L. 1386 R.P.) is HK\$512,498 per annum.	The property was occupied for retail/commercial and domestic uses.	

Notes:

- (1) The registered owner of the property is FEC Properties Limited.
- (2) The property is subject to Order Nos. DU115/93/T and INVO26/K/97 under Sections 28(3) and 26A(1) of the Buildings Ordinance as well as an Order under Section 6(1) of Sewage Tunnel Ordinance. For the purpose of our valuation, we have assumed that the Orders have been complied with and no allowance for any necessary costs has been made.
- (3) The property is subject to a Mortgage to secure general banking facilities and Assignment of Rent both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (4) The property is subject to an Order No. INVO0077/K/03 under Section 26A(1) of the Buildings Ordinance (Re: 6/F). For the purpose of our valuation, we have assumed that the Order has been complied with and no allowance for any necessary costs has been made.
- (5) The property is currently zoned for "Commercial" use.

(1) FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated financial statements of the Group for two years ended 31 March 2004 as extracted from the annual report of the Company for the year ended 31 March 2004.

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 March 2004

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

BALANCE SHEETS

At 31 March 2004

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital	Share premium	Capital redemption reserve	Other reserve	Assets revaluation reserve	Investment properties revaluation reserve	Special reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st April, 2002											
- as originally stated	96,775	658,652	253	169,352	275,750	67,816	869,357	(155,821)	(60,605)	474,855	2,396,384
- prior period adjustment (note 2)	-	-	-	-	(74,416)	-	-	-	-	3,288	(71,128)
- as restated	96,775	658,652	253	169,352	201,334	67,816	869,357	(155,821)	(60,605)	478,143	2,325,256
Revaluation increase (decrease)	-	-	-	-	131,664	(98,981)	-	-	(3,930)	-	28,753
Deferred tax liabilities arising on revaluation of properties	-	-	-	-	(35,859)	-	-	-	-	-	(35,859)
Share of movement in associate's reserves	-	-	-	-	-	(9,540)	-	10,029	-	-	489
Exchange difference on translation of overseas operations	-	-	-	-	-	-	-	16,756	-	-	16,756
Net gains (losses) not recognised in the income statement	-	-	-	-	95,805	(108,521)	-	26,785	(3,930)	-	10,139
Shares issued pursuant to scrip dividend scheme	1,738	-	-	-	-	-	-	-	-	-	1,738
Credit arising on scrip dividend	-	5,059	-	-	-	-	-	-	-	-	5,059
Realised on disposal of assets	-	-	-	-	-	96,680	-	-	-	-	96,680
Realised on disposal of a subsidiary	-	-	-	-	-	-	-	2,637	-	-	2,637
Loss for the year	-	-	-	-	-	-	-	-	-	(124,202)	(124,202)
Dividends paid	-	-	-	-	-	-	-	-	-	(19,355)	(19,355)
At 1st April, 2003	98,513	663,711	253	169,352	297,139	55,975	869,357	(126,399)	(64,535)	334,586	2,297,952

	Share capital	Share premium	Capital redemption reserve	Other reserve	Assets revaluation reserve	Investment properties revaluation reserve	Special reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revaluation increase (decrease)	-	-	-	-	13,445	(2,229)	-	-	24,572	-	35,788
Deferred tax liabilities arising on revaluation of properties	-	-	-	-	30,138	-	-	-	-	-	30,138
Share of movement in associate's reserves during the year	-	-	-	-	-	10,750	-	(9,767)	-	-	983
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	33,653	-	-	33,653
Net gains (losses) not recognised in the income statement	-	-	-	-	43,583	8,521	-	23,886	24,572	-	100,562
Shares issued pursuant to scrip dividend scheme	1,833	-	-	-	-	-	-	-	-	-	1,833
Credit arising on scrip dividend	-	23,153	-	-	-	-	-	-	-	-	23,153
Share issued at premium	16,500	181,500	-	-	-	-	-	-	-	-	198,000
Share issued expense	-	(4,581)	-	-	-	-	-	-	-	-	(4,581)
Profit for the year	-	-	-	-	-	-	-	-	-	149,010	149,010
Dividends paid	-	-	-	-	-	-	-	-	-	(42,915)	(42,915)
At 31st March, 2004	<u>116,846</u>	<u>863,783</u>	<u>253</u>	<u>169,352</u>	<u>340,722</u>	<u>64,496</u>	<u>869,357</u>	<u>(102,513)</u>	<u>(39,963)</u>	<u>440,681</u>	<u>2,723,014</u>

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

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

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

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

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

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

ACCOUNTING POLICIES**1. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

Goodwill

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

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

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

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

Negative goodwill

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

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

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

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

Investments in subsidiaries

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

Interests in associates

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

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

Investments in jointly controlled entities

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

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

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

Investments in jointly controlled assets

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

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

Investment properties

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

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

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

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

Properties under development held for long term purposes

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Completed properties for sale

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

Properties under development for sale

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

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

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

Investments in securities

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

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

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

Other assets

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

Impairment

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

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

Inventories

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

Foreign currencies

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

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

Taxation

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

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

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

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

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

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

Leases

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

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

Borrowing costs

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

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

Revenue recognition

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

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

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

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

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

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

Retirement benefits scheme

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

(2) FINANCIAL AND OPERATING REVIEW**Corporate results**

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

FINANCIAL RESOURCES AND LIQUIDITY**Borrowings and charge on Group assets**

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK\$1,667 million as at 31st March, 2004 (2003: HK\$1,594 million), in which HK\$462 million was payable within one year and HK\$1,205 million was payable after one year. HK\$1,435 million of the borrowings was secured while the remaining HK\$232 million was unsecured. The Group's borrowings are primarily denominated in Hong Kong dollars.

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

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

Zero Coupon Bonds

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

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

Contingencies and commitments*Contingencies*

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

Commitments

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

Gearing ratio

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

Current ratio

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

Exchange rate

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

Pledge of assets

As at 31st March 2004, the Group's properties, bank deposits and securities with an aggregate net book value of approximately HK\$2,603 million (2003: HK\$2,204 million) HK\$5 million (2003: HK\$19 million) and HK\$2 million (2003: HK\$1 million) respectively, together with properties of associates and third parties were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities to the Group and its associates to the extent of approximately HK\$2,021 million and HK\$5 million (2003: HK\$1,987 million and HK\$5 million) respectively.

The group's listed investment of approximately HK\$38 million (2003: HK\$20 million) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$8 million (2003: HK\$8 million), of which HK\$2 million (2003: HK\$5 million) were utilised.

Material acquisitions and disposals of subsidiaries and associated companies

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

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

REVIEW OF OPERATION, OUTLOOK AND STRATEGY**1. Property Development Division***Hong Kong*

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

Clear Water Bay Knoll, Sai Kung – a 15 detached house development with a total gross floor area of approximately 18,000 sq.ft. built on a 30,000 sq.ft. site. Construction was completed in late 2003 and the occupancy permit has been obtained. The sale was launched at the first quarter of 2004.

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

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

Tan Kwai Tsuen, Yuen Long – this project is a 4-storey apartment development with 104 units with a total gross floor area of approximately 52,000 sq.ft. The group is in the process of applying land exchange and access road formation.

Hung Shui Kiu, Yuen Long – a 7-storey residential development project with a total gross floor area of approximately 38,000 sq.ft. The group is currently in the process of applying for land exchange. The construction work is scheduled to commence by the beginning of 2005.

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

China

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

California Garden, Shanghai – a residential development with a land area of approximately 14.5 million sq.ft. with an approved built-up area of approximately 12.4 million sq.ft. Upon full completion of the development, this project will boost a total of approximately 8,000 units of a mixture of residential and commercial properties with more than 97% are residential units. Prior to this year, a total of 2,400 units of residential and commercial development have been built with over 99% sold since its first phase of development in the late 90's. For the financial year ended 31st March, 2004, the company has completed 400 units and sold. The balances of approximately 5,200 units are scheduled for completion over the next 4 to 5 years.

New Time Plaza, Guangzhou – during the year, the Group increase its stake of this development from 45% to 50%. It comprises of an auxiliary building with 8,000 sq.m. and a proposed 29-storey residential tower with a gross floor area of approximately 27,000 sq.m. Construction work is expected to commence in late 2004.

Huadiwan, Guangzhou – the Group owns 100% of this development comprises of 2 blocks of 32- storey residential building with a total gross floor area of approximately 43,000 sq.m. comprises of 40,000 sq.m. of residential, 2,000 sq.m. of commercial and 1,000 sq.m. of car park. Currently the development is at the planning stage, the construction is expected to start in late 2004 and is expected to complete by the end of 2006.

Australia

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

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

2. Hotel Division

In the first quarter of the financial year 2004, our hotel operations were severely affected by the spread of SARS in Hong Kong. In the midst of SARS, our average occupancy had fallen to single digit level. But, as the SARS being controlled and the relaxation of tourist visa approvals for the mainland's travelers under CEPA, we quickly resumed the profitability of our hotel operations. This reflected our ability to capture the opportunity on mainland's visitors and our competitiveness in the 3-star hotel market.

Dorsett Garden Hotel and Dorsett Seaview Hotel, Yau Ma Tei – the Group operates two 3-star hotels in Hong Kong with a total of 368 rooms. The outbreak of SARS from April to July this year had affected the operation of the hotels. However, the occupancy rate and the room rate have rebounded since August 2003 and the two hotels continue to provide steady income to the Group.

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

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

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

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

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

3. Recurrent Income

The Group's rental income derives mainly from four commercial/office buildings in Hong Kong. The occupancy rate with the exception of Mongkok building, which had completed its renovation by March 2004, maintains at an average of approximately 90% during the year.

(3) INDEBTEDNESS

At the close of business on 31st July, 2004 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Group had an aggregate outstanding indebtedness including bank loans, overdrafts and bank borrowings amounting to approximately HK\$1,554 million of which HK\$1,349 million are secured by the Group's properties, bank deposits and securities.

As at the close of business on 31st July, 2004, contingent liabilities of the Group in respect of guarantees given to a bank were approximately HK\$64 million.

Save as aforesaid and apart from intra-Group liabilities, the Group did not, at the close of business on 31st July, 2004, have any mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities other than those abovementioned under the heading of "Financial Resources and Liquidity".

(4) WORKING CAPITAL

The Directors are of the opinion that taking into account of the Group's internal resources, the estimated net proceeds from the Disposal of Property I and after subsequent repayment of the relevant bank loan of HK\$107,000,000 secured by the Property I and increase of bank loans of approximately HK\$82,000,000 for the purpose of the acquisition of Property II, the Group has sufficient working capital for its present operations.

(5) MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2004, the date to which the latest published audited accounts of the Company were made up.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(a) Shares

	Number of ordinary shares held			Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Total	
Deacon Te Ken Chiu	9,982,405	109,997,490 (<i>Note i</i>)	119,979,895	10.27%
David Chiu	607,248	299,960,209 (<i>Note ii</i>)	300,567,457	25.72%
Dennis Chiu	8,099	4,969,263 (<i>Note ii</i>)	4,977,362	0.43%
Ching Lan Ju Chiu	1,141,571	–	1,141,571	0.10%
Dick Tat Sang Chiu	794,037	–	794,037	0.07%
Daniel Tat Jung Chiu	37,347	3,877,218 (<i>Note iv</i>)	3,914,565	0.34%

Notes:

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

(b) Shares options

As at the Latest Practicable Date, the Company has not granted to the Directors any share option under the share option scheme adopted on 28 August, 2002.

(c) Shares in associated corporations

As at the Latest Practicable Date, the interests of Director in the share capital of the Company's associated corporations was as follow:

Name of Director	Name of associated corporation	Number of ordinary shares held
David Chiu	Oi Tak Enterprises Limited	250,000

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons had a long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number of ordinary share held	%
J.P. Morgan Chase & Co. ("JPMC")	92,441,347 (<i>Note i</i>)	7.91%
JP Morgan Chase Bank ("JPMCB")	22,000,000 (<i>Note i</i>)	1.88%
Deutsche Bank Aktiengesellschaft ("DBA")	69,459,119 (<i>Note ii</i>)	5.95%

Notes:

- (i) According to the notice to the Company from JPMC, as at the Latest Practicable Date, JPMC had interests of 92,441,347 shares in the Company as an investment manager and 22,000,000 shares held as a lending pool in other capacity. 3,569,347 shares were held by JPMC's wholly owned subsidiary, JMPCB 66,872,000 shares were held by various subsidiaries of JPMC.
- (ii) According to the notice to the Company from DBA, as at the Latest Practicable Date, DBA had interest of 69,459,119 shares in the Company and 51,705,000 shares were held in short position.

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

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in item 7 below, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.

7. MATERIAL CONTRACTS

As announced on 5 September, 2003, the Company entered into an agreement dated 3 September 2003 ("Placing and Subscription Agreement") to place out a total of 165 million shares with a placing price of HK\$1.20. The net proceeds of the placement after deducting relevant expenses is approximately HK\$193 million.

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

On 24 December 2003, the Directors jointly announced with the board of directors of Far East Technology International Limited ("FET") that the Sale and Purchase Agreement was entered into between, inter alia, Smartland Assets Limited ("Smartland"), the Company and FET and Mr. Dennis Chiu on 22 December, 2003 ("Sale and Purchase Agreement") whereby FET and Mr. Dennis Chiu have conditionally agreed to sell to Smartland and Smartland has conditionally agreed to purchase Tang City Properties Limited ("TCPL") shares, which represents 100% of the issued share capital of TCPL for a total consideration of SGDI (equivalent to approximately HK\$4.50) in cash and in kind by procuring the Refinancing of SGD24 million (equivalent to approximately HK\$112.50 million) by way of term loan.

Save as disclosed in the previous announcements and circulars of the Company and the Agreement I and Agreement II as disclosed in this circular, neither the Company nor any of its subsidiaries had any of its subsidiaries had entered into any material contracts (not being contracts entered in the ordinary course of business) within two years immediately preceding the date of this circular and are or may be material.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning defined in the Listing Rules) has any interests in a business, which competes or may compete with the business of the Group.

9. EXPERTS

The following are the qualifications of DTZ Debenham Tie Leung Limited:

Name	Qualification
DTZ Debenham Tie Leung Limited	Professional surveyors

DTZ Debenham Tie Leung Limited does not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

DTZ Debenham Tie Leung Limited does not have any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

The valuation report given by DTZ Debenham Tie Leung Limited is for incorporation herein.

10. CONSENT OF EXPERTS

DTZ Debenham Tie Leung has given and have not withdrawn their respective written consent to the issue of this circular with in the inclusion of their report and letter (as the case may be) and references to their respective name in the form and context in which they respective appear.

11. OTHER INTERESTS

Save as disclosed in this circular of the Company, none of the Directors has or had any direct or indirect interest in any assets acquired or disposed or by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2004, being the date to which the latest published audited financial statements of the Company were made up.

12. MISCELLANEOUS

- (a) The qualified accountant of the Company is Bill Kwai Pui Mok, M.B.A, A.I.C.P.A., H.K.S.A.

- (b) The secretary of the Company is Mr. Kwok Wor Chow.
- (c) The registered office of FEC is at P.O. Box 1043, Ground Floor, Caledonian House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (d) The English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection for not less than 14 days at the principal office of the Company at 16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company
- (b) Agreement I
- (c) Agreement II
- (d) Placing and Subscription Agreement as referred to on page 34 of this circular
- (e) Sales and Purchase Agreement as referred to on page 34 of this circular
- (f) Subscription Agreement as referred to on page 34 of this circular
- (g) property valuation report as set out in Appendix I to this circular
- (h) the annual reports of the Company for the two financial years ended 31st March 2004 and interim reports of the Company for the six months ended 30th September, 2003.

**FAR EAST CONSORTIUM INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 35)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting 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 12 October, 2004 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the agreement dated 15 July, 2004 (a copy of which has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) (the “Agreement”) entered into between FEC Properties Limited, a wholly owned subsidiary of the Company and Smart View Enterprise Limited in respect of the sale of the whole of basement, ground to 6th Floors (excluding theatre premises on portions of Ground to 5th Floors), Flat A on 24th Floor and Roof of Far East Bank Mongkok Building, 240-244 Portland Street and 11 Nelson Street, Mongkok, Kowloon (“the Property”) by FEC Properties Limited to Smart View Enterprise Limited at a cash consideration of HK\$468,800,000 be and is hereby approved and ratified and that the directors of the Company and FEC Properties Limited be and are hereby authorized to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion think fit, necessary or desirable for the purpose of and in connection with the implementation of the Agreement and to complete the disposal of the Property in accordance with the terms of the Agreement, with or without amendment as the Directors may from time to time deem necessary.”
2. **“THAT** the authorised share capital of the Company be increased from HK\$150,000,000 divided into 1,500,000,000 shares of HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each by the creation of an additional 500,000,000 shares of HK\$0.10 each ranking pari passu in all respects with the existing and unissued shares.”

By Order of the Board of
Far East Consortium International Limited
Deacon Te Ken Chiu
Chairman

15 September 2004

Notes:

1. 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.
2. 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.
3. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person, or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand first in the register of members of the Company in respect of the joint holding.