



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

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

Stock Code: 35

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2005

HIGHLIGHTS OF FINAL RESULTS OF FY2005

- Net profit rose 169% to approximately HK\$400 million.
- Basic earnings per share up 124% to HK32 cents
- Final dividend of HK5 cents, was proposed

RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2005 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Turnover	2	547,087	819,859
Cost of sales		(377,022)	(521,842)
Gross profit		170,065	298,017
Other operating income		59,830	23,846
Selling and distribution costs		(4,719)	(9,900)
Administrative expenses		(148,930)	(125,625)
Unrealised holding gain on trading securities		560	3,443
Profit on disposal of investment properties		201,362	–
Revaluation increase (decrease) of investment properties		166,952	(2,229)
Impairment loss reversed on property, plant and equipment		–	13,002
Allowance for amount due from an associate		(16,000)	–
Profit (loss) on disposal of property, plant and equipment		33,090	(3,467)
Revaluation increase on hotel membership		–	5,369
Loss on disposal of club membership		–	(1,815)
Amortisation of goodwill arising on acquisition of associates		(582)	(582)

Amortisation of negative goodwill		7,693	7,693
Profit on disposal of subsidiaries		–	5,690
Profit on deemed disposal of a subsidiary		–	11,514
Gain on disposal of an associate		451	36,422
Share of results of associates		16,394	(12,937)
Share of results of a jointly controlled entity		(792)	(332)
Finance costs		(38,741)	(34,376)
Profit before taxation		446,633	213,733
Taxation	3	(41,054)	(61,326)
Profit before minority interests		405,579	152,407
Minority interests		(5,109)	(2,983)
Profit for the year		400,470	149,424
Dividends	4	112,479	58,265
Earnings per share	5		
– Basic		32.0 cents	14.3 cents
– Diluted		30.7 cents	N/A

Notes:

1. Adoption of new Hong Kong Financial Reporting Standards and potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has early adopted the following HKFRSs in the preparation of the financial statements for the year ended 31st March, 2005:

HKAS 40	Investment Properties
Interpretation 21 (“HK-Int 21”)	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The principal effect of the early adoption of HKAS 40 and HK-Int 21 is that all changes in fair value of investment properties are recognised in the income statement and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use. In previous years, the changes in fair value of investment properties were taken directly to investment properties revaluation reserve on a portfolio basis to the extent that the reserve remained in surplus.

The Group has applied HKAS 40 and HK-Int 21 retrospectively and comparative amounts have been restated accordingly. As a result of this change in accounting policies, the Group’s retained profit has been increased by HK\$17,248,000 and the Group’s investment properties revaluation reserve has been decreased by HK\$55,975,000 at 1st April, 2003. This change has resulted in an increase in the Group’s profit for the year of HK\$128,396,000 (2004: a decrease of HK\$8,455,000), and decrease in the Group’s investment properties revaluation reserve of HK\$166,952,000 (2004: an increase of HK\$2,229,000).

In addition, HKFRS 3 “Business Combination” has been adopted by the Group for business combinations for which the agreement date is on or after 1st January, 2005. The first transaction to which HKFRS 3 has been applied by the Group is the acquisition of Grand Expert Limited in February 2005. Such adoption has had no significant impact on the Group’s financial statements for the year ended 31st March, 2005. In accordance with the transitional rules of HKFRS 3, the Group will apply the revised accounting policy of goodwill prospectively from the beginning of its first annual period beginning on or after 1st January, 2005, i.e. 1st April, 2005, to goodwill acquired in business combinations for which the agreement date was before 1st January, 2005.

Other than as mentioned above, the Group has not early adopted other new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether other new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These other new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Turnover and segment information

Business segments

For management purposes, the Group is currently organised into four operating divisions – property development and investment, hotel operations and relevant loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and other interest income.

Principal activities are as follows:

Property development and investment	–	properties development, letting and sale
Hotel operations	–	hotel operations and management
Loan financing	–	loan financing for hotel operations
Treasury management	–	investment and trading in securities

Segment information about these businesses is presented below:

2005

	Property development and investment HK\$'000	Hotel		Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
		Operations HK\$'000	Loan financing HK\$'000				
TURNOVER							
External sales	387,110	59,108	61,560	13,590	25,719	–	547,087
Inter-segment sales	33,090	–	–	–	–	(33,090)	–
Total turnover	420,200	59,108	61,560	13,590	25,719	(33,090)	547,087
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	155,005	2,083	59,281	7,363	20,026		243,758
Profit on disposal of investment properties	201,362						201,362
Allowance for amount due from an associate					(16,000)		(16,000)
Profit (loss) on disposal of property, plant and equipment		33,662			(572)		33,090
Amortisation of goodwill arising on acquisition of associates					(582)		(582)
Amortisation of negative goodwill	7,693						7,693
Gain on disposal of an associate					451		451
Share of results of associates	21,983				(5,589)		16,394
Share of results of a jointly controlled entity					(792)		(792)
Finance costs	(31,500)	(5,860)	(227)	(440)	(714)		(38,741)
Profit before taxation	354,543	29,885	59,054	6,923	(3,772)		446,633
Taxation	(23,972)	(13,472)		470	(4,080)		(41,054)
Profit before minority interests	330,571	16,413	59,054	7,393	(7,852)		405,579

Segment information about these businesses is presented below:

2004

	Property development and investment HK\$'000	Hotel		Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
		Operations HK\$'000	Loan financing HK\$'000				
TURNOVER							
External sales	713,170	36,095	35,046	10,805	24,743	–	819,859
Inter-segment sales	30,887	–	–	–	–	(30,887)	–
Total turnover	744,057	36,095	35,046	10,805	24,743	(30,887)	819,859

Inter-segment sales are charged at prevailing market rates.

RESULTS						
Segment results	188,520	(4,190)	31,503	(17,819)	(5,093)	192,921
Impairment losses reversed on properties, plant and equipment	13,002					13,002
Loss on disposal of property, plant and equipment	(3,467)					(3,467)
Loss on disposal of club membership					(1,815)	(1,815)
Amortisation of goodwill arising on acquisition of associates					(582)	(582)
Amortisation of negative goodwill	7,693					7,693
Profit on disposal of a subsidiary	5,690					5,690
Profit on deemed disposal of subsidiaries	11,514					11,514
Gain on disposal of an associate	4,674			22,555	9,193	36,422
Share of results of associates	10,976			(15,626)	(8,287)	(12,937)
Share of results of a jointly controlled entity					(332)	(332)
Finance costs	(25,159)	(7,594)	(117)	(715)	(791)	(34,376)
Profit before taxation	213,443	(11,784)	31,386	(11,605)	(7,707)	213,733
Taxation	(55,818)	(2,970)	0	470	(3,008)	(61,326)
Profit before minority interests	<u>157,625</u>	<u>(14,754)</u>	<u>31,386</u>	<u>(11,135)</u>	<u>(10,715)</u>	<u>152,407</u>

3. Taxation

2005
HK\$'000

2004
HK\$'000

The charges comprise:

Current year:

Hong Kong	—	3,594
Other regions in the PRC	—	48,438
Other jurisdictions	<u>857</u>	<u>413</u>
	<u>857</u>	<u>52,445</u>

Prior years:

Hong Kong	<u>6,823</u>	<u>2,155</u>
Other jurisdictions	<u>(171)</u>	<u>59</u>
	<u>6,652</u>	<u>2,214</u>

Deferred taxation

<u>29,305</u>	<u>4,614</u>
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Taxation attributable to the Company and its subsidiaries

<u>36,814</u>	<u>59,273</u>
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Share of taxation attributable to associates

<u>4,240</u>	<u>2,053</u>
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<u>41,054</u>	<u>61,326</u>
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Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. Taxation arising in other regions in the PRC or other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. Dividends

2005
HK\$'000

2004
HK\$'000

Final dividend in respect of 2004 – HK3 cents (2003: HK2 cents):

Cash	<u>13,849</u>	<u>8,471</u>
Share alternative under scrip dividend scheme	<u>21,204</u>	<u>11,232</u>
	<u>35,053</u>	<u>19,703</u>

Interim dividend in respect of 2005 – HK3 cents (2004: HK2 cents):

Cash	<u>23,112</u>	<u>9,458</u>
Share alternative under scrip dividend scheme	<u>18,654</u>	<u>13,754</u>
	<u>41,766</u>	<u>23,212</u>
	<u>76,819</u>	<u>42,915</u>

The final dividend in respect of 2005 of HK5 cents (2004: HK3 cents) per share, amounting to HK\$70,713,000 (2004: HK\$35,053,000) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2005 HK\$'000	2004 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	400,470	149,424
Effect of dilutive potential ordinary shares		
– amortisation of deferred expenditure on convertible bonds	2,322	–
– premium on redemption of convertible bonds	3,679	N/A
Earnings for the purpose of diluted earnings per share	<u>406,471</u>	<u>N/A</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,251,268	1,043,767
Effect of dilutive potential ordinary shares		
– convertible bonds	66,815	N/A
– share options	7,103	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,325,186</u>	<u>N/A</u>

DIVIDEND

The directors recommend a final dividend for the year ended 31st March, 2005 of HK5 cents (2004: HK3 cents) per share to shareholders whose names appear on the Company's Register of Members on 19th August, 2005 amounting to HK\$70,713,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 19th August, 2005; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 19th August, 2005. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 26th August, 2005. Dividends warrants or new shares certificates will be posted on or about 27th September, 2005.

BOOK CLOSE

The register of members of the Company will be closed from 15th August, 2005 to 19th August, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Standard Registrars Limited of G/F BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 12th August, 2005.

MANAGEMENT DISCUSSION AND CORPORATE OVERVIEW

For the financial year ended 31st March 2005, the Group continued to deliver a solid financial and operational performance. In FY2005, our net profit increased by 169% to approximately HK\$400 million.

This successful achievement attributed from both the property sales during the year and the increase in hotel rooms to meet with the increasing demand of hotel accommodation in Hong Kong. The Group remains extremely well positioned in the property development market and the hotel industry.

Despite the recent weak sentiment on property market in mainland, the Board remains positive in the development of middle-class property in mainland in long term. Given the well established skilled and experienced property team, the Group is confident in undertaking new property developments in mainland.

With the introduction of Closer Economic Participation Arrangement (CEPA), the hotel industry in Hong Kong had been greatly benefited from increase in demand of accommodation. The Group had experienced prominent increases in both occupancy rates and profit contribution from our hotel portfolio during the year. With the opening of Disneyland, the Board expects stronger demand of hotel accommodation in Hong Kong in coming years. Before the end of December 2005, the Group will make itself as one of the leading 3-4 star hotel operators in Hong Kong with close to 2,000 hotel rooms in operations.

During the financial year, the Group further affirmed its interests, in the Macau project with Venetian Group (Venetian) from Las Vegas, USA, by signing of a Memorandum of Agreement (MOA). The final binding agreements with Venetian are expected to be signed before the end of third quarter of 2005. Being a strategic partner with Venetian, the Group will develop a site located in Cotai, Macau, with a total gross floor area of more than three million square feet. The Macau project is divided into two phrases. The Group targets to begin construction work in August/September 2005. In anticipation of the completion and commencement of business of Phase I in the second half of 2007, the Group will have four hotels with no less than 2,000 rooms, a shopping and entertainment complex of approximately one million square feet, a casino/showroom shell of more than 200,000 square feet, and a serviced residential development of approximately 360,000 square feet. The casino/showroom shell will be leased to Venetian, which will operate a casino and related activities. The Group will not involve in gaming operation in this complex. With significant economic growth in Macau, the Board strongly believes that this project will enhance our future recurring income stream.

We will continue to cultivate our future growth based on our two principal businesses in Greater China. The first one is to continue developing affordable quality housing in mainland with middle class as our primary targeted customers. Our second principal business is to develop and operate 3-4 star hotels in Hong Kong and Macau so as to capitalize the opportunity of increasing demand from mainland's travelers in the region. In addition, in order to employ our resources more efficiently and effectively, the Group will continue to dispose its non-core investment assets.

BUSINESS REVIEW

1. Property Development Division

Mainland China

Despite the announcement of austerity measures by the central government in May 2004, the Group remains positive in mainland's middle-class property market and continuously exploring and assessing good return investment opportunities in property development in several major cities of mainland. California Garden, our property development project in Shanghai, will be one of the main revenue contributors for the Group over the next few years. In addition, our two property development projects in Guangzhou, New Time Plaza and Gantangyuan, are scheduled to complete in 2007 and 2008, respectively. Guangzhou will be one of our key focused cities for property development as we believe the property market of Guangzhou will recover in near future.

In March 2005, we sold 60% of the commercial units launched for pre-sale in California Garden. Based on the revenue recognition from the stage of completion method, our estimated gross profit from the property sales was about RMB56 million. However, with the introduction of HK Interpretation 3 "Revenue – Pre-completion Contracts for the sale of Development Properties (previously SSAP-Int24)" issued by the Hong Kong Institute of Certified Public Accountants in May 2005, we were required to exclude such profit from our FY2005 final results. Such profit will be deferred to FY2006 when the occupancy permits for those pre-sold units being obtained.

Hong Kong

The Group does not maintain a significant land bank but typically only acquires land to satisfy its specific project requirements. During the period, the Group had three property development projects, namely Bakerview, Clear Water Bay Knoll, and Art Del Sol, launched for sales. Another new development project, Terra Nova in Sai Kung, is expected to be launched for pre-sale in the first half of FY2006.

Australia

The Group has two luxury residential development projects in Melbourne, namely Flinder Wharf and Royal Domain Tower. The Group has a 47.5% interest in Flinder Wharf, of which approximately 95% of the units had been sold. The construction of Royal Domain Tower is expected to be completed by early 2006. Up to the end of the FY2005, approximately 50% of the units had been sold. The Group has a 90% interest in this project.

2. Hotel Business

With the relaxation of tourist visa approvals for the mainland's travelers under CEPA, our hotel operations in Hong Kong achieved an average occupancy of over 90% for the year. Furthermore, our hotels marked a double-digit increase in room rates for the year.

Before the end of the year, our Cosmopolitan Hotel, which was converted from the old China News Agency Building in Wanchai, commenced operations with a total of 454 rooms. With its historical background and convenient location, Cosmopolitan Hotel has been operating at a high level of both occupancy and room rates since its opening.

In September 2004, the Group paid HK\$118 million to acquire an office building located at 263 Hollywood Road for hotel development. The conversion work was completed in about six months. The new hotel, The Central Park Hotel, with 142 rooms was opened in mid- April 2005. The operating performance of the hotel has met our expectation and continuous improvement is expected.

In December 2004, we further expand our hotel portfolio by acquiring the Gold and Silver Tower in Wanchai for HK\$122 million. The Gold and Silver Tower was again an office building and located two buildings away from our Cosmopolitan Hotel. The building will be developed into a HIP hotel with 142 rooms. The conversion work is under its way and is expected to be completed by August 2005. The new hotel is named Cosmo Hotel with a targeted opening in September 2005.

In late April 2005, the Group opened its third new hotel, Dorsett Olympic Hotel, in Tai Kok Tsui. This is a 3-star hotel with a total of 141 rooms. Despite its short history of operation, the hotel has been enjoying an occupancy rate of 90% since its opening.

The Group targets to open three more new hotels with a total of 560 rooms within the next six months. They are Cosmo Hotel, Lan Kwai Fong Hotel and Dorsett Tsuen Wan Hotel. After these three hotels opened, the Group will have a total of eight hotels, including Dorsett Regency Hotel in Kuala Lumpur, Malaysia, with close to 2,000 rooms in operations. This will make us as one of the major hotel groups listed in Hong Kong.

In addition to the hotels mentioned above, the Group recently paid HK\$81million to acquire an industrial site with a site area of 5,528 square feet in Tai Kok Tsui. The Town Planning Board had granted the approval to convert the site for hotel development use. According to the present development plan, we expect to complete a 3-star hotel with 285 rooms within two and a half years. The sale and purchase transaction is expected to be completed in August 2005.

Significant Events

In the first half of the year, the Group sold Far East Bank Mongkok Building which carried a book value of HK\$205 million and a fair market value of HK\$271 million at a cash consideration of HK\$469 million; a gain of approximately HK\$191 million was recognized on such disposal.

As announced on 20 June 2005, the Group was informed that the interests in Riverside South Project in Manhattan, the United States, were agreed to sell for US\$1.76 billion to an independent third party. The book cost of our investment is approximately HK\$70 million. We expect the transaction to be completed before the end of August 2005.

Material acquisitions and disposals of subsidiaries and associated companies

In September 2004, the Group acquired the entire issued share capital of and shareholders loan to Caragis Limited and Vicsley Limited which jointly owned the office building located at 263 Hollywood Road which was subsequently converted into The Central Park Hotel.

In February 2005, the Group acquired the entire issued share capital of and shareholders loan to Grand Expert Limited which owned the Gold and Silver Tower. The Gold and Silver Tower will be converted and operated as Cosmo Hotel.

In 2004, the Group acquired 100% of the issued share capital of Tang City Properties Pte Limited for a consideration of S\$1.

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

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

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 and convertible bonds amount to approximately HK\$2,457 million as at 31st March, 2005 (2004: HK\$1,667 million), in which HK\$615 million was payable within one year and HK\$1,842 million was payable after one year. HK\$1,603 million of the borrowings was secured while the remaining HK\$89 million was unsecured. The Group's borrowings are primarily denominated in Hong Kong dollars.

Zero Coupon Bonds

On 13th April, 2004, the Group completed the US\$67 million zero coupon convertible bond issue. The purpose of the issue was for the repayment of existing loans and the general working capital. Based on the adjusted conversion price of HK\$2.18, the convertible bonds are convertible into approximately 237 million shares of HK\$0.1 each in the share capital of the Company. Presently, approximately 97% of these convertible bonds have been converted into shares.

With the abovementioned convertible bonds being almost fully converted, the Group launched another zero coupon convertible bond issue of HK\$754 million in December 2004. The issue was primarily purposed to finance the upcoming development project in Macau. Based on the adjusted conversion price of HK\$4.06, the convertible bonds are convertible into approximately 186 million shares of HK\$0.1 each in the share capital of the Company.

Contingent Liabilities and Commitments

Contingent Liabilities

As at 31st March, 2005, the Group had the following contingent liabilities:

- (a) The Group has given guarantees to secure banking and other facilities granted to an investee company amounting to approximately HK\$102,536,000 (2004: HK\$64,185,000).
- (b) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2005, the total amount of mortgages outstanding which are subject to these guarantees was HK\$115,539,000 (2004: HK\$35,537,000).

- (c) In previous year, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleges that the Subsidiary owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding to the employment contract as the board of directors of the Subsidiary amounting to approximately HK\$5,865,000. Motion of dismiss was filed to the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen levy of land appreciation tax on property developers. In the opinion of the directors, after consulting the tax consultants and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and accordingly, full provision for land appreciation tax has not been made in the financial statements. The Group, has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that there is a small possibility that land appreciation tax might be fully levied in accordance with the rule of State Administration of Taxation. Should such levies take place, additional land appreciation tax would be approximately HK\$80 million.

Commitments

At the balance sheet date, the Group had capital commitments contracted but not provided for property development projects of approximately HK\$1,101 million (2004: HK\$561 million). At 31st March, 2004, 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.

Gearing ratio

The gearing ratio (total bank and other borrowings/convertible bonds to shareholders’ equity) as at 31st March, 2005 was 65% (2004: 62%).

Current ratio

The current ratio as at 31st March, 2005 was 2.50 (2004: 1.40). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

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

Pledge of assets

- (a) The Group’s properties, bank deposits and investments in securities with an aggregate carrying amount of approximately HK\$2,497,046,000 (2004: HK\$2,603,798,000), HK\$3,901,000 (2004: HK\$5,539,000) and HK\$1,556,000 (2004: HK\$2,334,000) respectively, together with properties of associates and third parties were mortgaged or pledged to the Group’s bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$2,572,480,000 (2004: HK\$2,021,216,000) and HK\$5,000,000 (2004: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$3,000,000 (2004: HK\$2,945,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of certain subsidiaries of the Company.

- (b) The Group's investments in securities of approximately HK\$237,746,000 (2004: HK\$37,517,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$37,613,000 (2004: HK\$7,800,000), of which HK\$32,449,000 (2004: HK\$2,411,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (2004: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee companies.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31st March, 2005 was approximately 1,000. Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any training scheme for the employees during the year. To provide incentives or rewards to staff, the Company adopted a share option scheme, particulars of which will be disclosed in the Company's annual report for the year ended 31st March, 2005.

CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2005, complied with the Code of Best Practices set out in Appendix 14 of the Main Board Listing Rules (the "Listing Rules"). The Code of Best Practices was replaced by the Code on Corporate Governance Practices which has become effective for accounting periods commencing on or after 1st January, 2005. The Company has, to certain extent, applied the principles and complied with code provisions and the Code on Corporate Governance Practices throughout the year ended 31st March, 2005.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors. The Audit Committee has reviewed the 2004/2005 financial statements with management and the Company's external auditors and recommended its adoption by the Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The detailed results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 13th July, 2005

As at the date of this announcement, the Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Craig Grenfell Williams, Mr. Dennis Chiu; non-executive directors of Madam Ching Lan Ju Chiu, Mr. Dick Tat Sang Chiu, Mr. Daniel Tat Jung Chiu and independent non-executive directors namely Datuk Kee Leong Chee, Mr. David Kwok Kwei Lo and Mr. Jian Yin Jiang.

Please also refer to the published version of this announcement in South China Morning Post.