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If you have sold or transferred all your shares in Asean Resources Holdings Limited, you should at once hand this composite document and the accompanying form of acceptance and transfer to the purchaser, transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



ASEAN RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



MEXAN GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**UNCONDITIONAL MANDATORY CASH OFFER MADE JOINTLY BY
KINGSTON SECURITIES LIMITED AND CSC SECURITIES (HK) LIMITED
ON BEHALF OF
MEXAN GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
ASEAN RESOURCES HOLDINGS LIMITED
OTHER THAN THOSE SHARES ALREADY OWNED
BY MEXAN GROUP LIMITED OR PARTIES ACTING IN CONCERT WITH IT**

Financial adviser to Asean Resources Holdings Limited

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Joint financial advisers to Mexan Group Limited



KINGSTON CORPORATE FINANCE LIMITED



CSC ASIA LIMITED

**Independent financial adviser to the independent board committee of
Asean Resources Holdings Limited**

SOMERLEY LIMITED

A letter from the independent board committee of Asean Resources to the independent shareholders of Asean Resources is set out on page 25 of this composite document. A letter from Somerley containing its advice to the independent board committee of Asean Resources is set out on pages 26 to 36 of this composite document.

The procedures for acceptance of the offer are set out on pages 37 to 40 of this composite document and in the accompanying form of acceptance and transfer. Acceptances of the offer should be despatched as soon as possible, by hand or by post, to Asean Resources' Hong Kong branch share registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not later than by 4:00 p.m. on Monday, 21st July, 2003, or such later time and, or date as the offeror may decide and which is in compliance with the Takeovers Code.

30th June, 2003

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EXPECTED TIMETABLE

2003

Opening date of the offer	Monday, 30th June
Latest time and date for acceptance of the offer (<i>note 1</i>)	4:00 p.m. on Monday, 21st July
Closing date (<i>note 2</i>)	Monday, 21st July
Teletext announcement through the Stock Exchange as to whether the offer has expired, or in relation to any extension of the offer, to state either the next closing date or the offer will remain open until further notice	7:00 p.m. on Monday, 21st July
Announcement of results of the offer to be published in the newspapers	Tuesday, 22nd July
Latest date for posting of remittances for the amounts due under the offer in respect of valid acceptances received on or before 4:00 p.m. on 21st July, 2003 (<i>note 3</i>)	Thursday, 31st July

Notes:

1. Acceptance of the offer shall be irrevocable and not be capable of being withdrawn subject to compliance by the offeror with rule 19 of the Takeovers Code.
2. The offer, which is unconditional, will close on Monday, 21st July, 2003 unless the offeror revises or extends the offer in accordance with the Takeovers Code. The offeror reserves the right to extend the offer until such date as it may determine. The offeror will issue a teletext announcement through the Stock Exchange by 7:00 p.m. on the closing date as to whether the offer has expired, or in relation to any extension of the offer, to state either the next closing date or the offer will remain open until further notice. Such announcement will be republished in the newspapers on the next business day thereafter. If the offeror decides to extend the offer such that the offer will remain open until further notice, at least 14 days' notice in writing will be given, before the offer is closed, to those qualifying shareholders who have not accepted the offer.
3. Remittances in respect of the shares tendered under the offer will be posted to the relevant qualifying shareholders by ordinary post at their own risk within 10 days of the date of receipt by the registrar of all the relevant documents which render the relevant acceptances under the offer complete and valid.

All time references contained in this composite document refer to Hong Kong time.

DEFINITIONS

In this composite document, the following expressions shall have the following meanings unless the context indicates otherwise:

“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a deemed licensed corporation under the SFO for the regulated activities of dealing in securities, advising on securities, advising on corporate finance and asset management and the financial adviser to Asean Resources
“announcement”	the announcement dated 21st February, 2003 jointly made by Asean Resources, Mexan Group, Besteam and United Goal Development relating to, amongst other things, the group reorganisation
“Asean Resources”	Asean Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Asean Resources group”	Asean Resources and its subsidiaries
“Asean Resources offer” or “offer”	the unconditional mandatory cash offer procured by Mexan Group to acquire all the outstanding issued Asean Resources shares from the qualifying shareholders at HK\$0.8784 per Asean Resources share
“Asean Resources share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Asean Resources
“Asean Resources shareholder(s)”	holder(s) of Asean Resources shares
“asset injection agreement”	an agreement pursuant to which the Asean Resources group will acquire from Mexan Group or its associates the entire interest in Mexan Holdings, for a total consideration of not more than HK\$700 million
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Besteam”	Besteam Limited, a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of United Goal Development. It was a wholly-owned subsidiary of Asean Resources before implementation of the group reorganisation
“Besteam group”	Besteam and its subsidiaries
“Besteam offer”	the unconditional voluntary cash offer made by United Goal Development to acquire all the outstanding issued Besteam shares from the Besteam shareholders, other than those already owned by United Goal Development or parties acting in concert with it at HK\$0.1216 per Besteam share

DEFINITIONS

“Besteam share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Besteam
“Besteam shareholder(s)”	holder(s) of Besteam shares
“board”	the board of directors
“business day”	any day on which banks in Hong Kong generally are open for business, except a Saturday and days on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“bye-laws”	the bye-laws of Asean Resources
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China”, “Mainland China” or “PRC”	the People’s Republic of China which, for the purpose of this composite document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“circular”	the circular dated 10th April, 2003 issued and despatched by Asean Resources to its shareholders
“closing date”	21st July, 2003 or if the offer is extended, the closing date of the offer as extended by the offeror in accordance with the Takeovers Code
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“composite document”	this composite offer and response document dated 30th June, 2003 jointly despatched by Asean Resources and Mexan Group in relation to the offer
“CSC Asia”	CSC Asia Limited, a deemed licensed corporation under the SFO and one of the joint financial advisers to the offeror
“CSC Securities”	CSC Securities (HK) Limited, a deemed licensed corporation under the SFO
“director(s)”	the director(s) of Asean Resources
“DTZ”	DTZ Debenham Tie Leung Limited, an independent firm of property valuers
“Elizabeth House”	the commercial podium of Elizabeth House in Causeway Bay, Hong Kong

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“form of acceptance”	the accompanying form of acceptance and transfer in respect of the offer
“group reorganisation”	an extensive reorganisation of the Asean Resources group which included the cancellation and distribution of the share premium and a portion of the retained earnings of Asean Resources. The amount arising from the cancellation of the share premium and the portion of the retained earnings was distributed in specie to the Asean Resources shareholders in the form of Besteam shares on 20th June, 2003
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“independent board committee”	an independent committee of the board, comprising an independent non-executive director, namely Mr. Cheung Hon Kit
“independent shareholders of Asean Resources”	the Asean Resources shareholders, other than United Goal Development and Mr. Peter Chan and their respective associates and concert parties
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a deemed licensed corporation under the SFO and one of the joint financial advisers to the offeror
“Kingston Securities”	Kingston Securities Limited, a deemed licensed corporation under the SFO
“latest practicable date”	27th June, 2003, being the latest practicable date prior to the printing of this composite document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“loan facility agreement”	the loan facility agreement entered into between United Goal Development and Mexan Group on 22nd November, 2002, pursuant to which United Goal Development agreed to provide to Mexan Group a loan facility of up to HK\$525 million at the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time, for the sole purpose of financing completion of the purchase of the sale shares

DEFINITIONS

“management contract”	the management contract entered into between, inter alia, Winsworld and Verywell dated 20th June, 2003 in relation to the management of the Elizabeth House commencing from 26th June, 2003, being the date of completion of the sale and purchase agreement
“Mexan Group” or “offeror”	Mexan Group Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially and wholly-owned by Mr. Lau Kan Shan
“Mexan Holdings”	Mexan Holdings Limited, a limited liability company incorporated in Hong Kong on 11th August, 1992 and beneficially and wholly-owned by Mr. Lau Kan Shan and holds all the assets intended to be injected into the Asean Resources group as referred to under the asset injection agreement which will not be proceeded further
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules
“Mr. Peter Chan”	Mr. Chan Boon Ho, Peter, the chairman of Asean Resources and the beneficial owner of 50% of the entire issued share capital of United Goal Development and a concert party to Mexan Group as defined under class nine in the Takeovers Code
“offer period”	the period commencing from 21st February, 2003, being the date of the joint announcement giving, amongst other things, details of the offer until (a) the date on which the offer is closed for acceptance and (b) the date when the offer lapses, whichever is the later
“offeror directors”	the directors of the offeror
“optionholder(s)”	holder(s) of share options
“parties acting in concert” or “concert parties”	has the meaning ascribed to it under the Takeovers Code
“preliminary agreement”	the preliminary sale and purchase agreement dated 8th October, 2002, as amended and supplemented by two supplemental agreements dated 8th November, 2002 and 22nd November, 2002, respectively, all of which were entered into between United Goal Development as vendor and Mexan Group as purchaser, in relation to sale and purchase of the sale shares which were subsequently superseded by the sale and purchase agreement
“qualifying shareholders”	the Asean Resources shareholders other than the offeror and parties acting in concert with it

DEFINITIONS

“registrar”	Tengis Limited, the Hong Kong branch share registrars of Asean Resources at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“sale and purchase agreement”	the sale and purchase agreement dated 20th December, 2002 as amended by a supplemental agreement dated 21st February, 2003 and a second supplemental agreement dated 22nd April, 2003 entered into between United Goal Development as vendor and Mexan Group as purchaser, in relation to the acquisition of the sale shares for an aggregate consideration of approximately HK\$839.7 million or HK\$0.8784 per sale share
“sale shares”	the 955,970,289 Asean Resources shares, representing approximately 74.3% of the entire issued share capital of Asean Resources as at 8th October, 2002, acquired by Mexan Group from United Goal Development and Mr. Peter Chan pursuant to the sale and purchase agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“share option(s)”	option(s) granted by the directors under the share option scheme which entitled the optionholders to subscribe for a total of 104,200,000 Asean Resources shares
“share option agreement”	the agreement dated 18th March, 2003 made between Asean Resources and the optionholders in relation to, amongst other things, the conditional cancellation of the share options and the extension of the option period of the share options upon the terms and conditions therein contained
“share option scheme”	the share option scheme adopted by Asean Resources on 8th September, 1998
“Somerley”	Somerley Limited, a licensed corporation under the SFO and the independent financial adviser to the independent board committee in relation to the offer
“special general meeting”	the special general meeting of Asean Resources held at 10:30 a.m. on Monday, 5th May, 2003 at Garden Room, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance, as amended from time to time

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“transactions”	the group reorganisation, the amendments to the bye-laws, the signing of the management contract and the signing of the share option agreement which sets out, amongst other things, terms and conditions of the conditional cancellation of the share options and the extension of the option period of the share options
“United Goal Development”	United Goal Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is the vendor under the sale and purchase agreement and is equally owned by Mr. Peter Chan and Chow Tai Fook Enterprises Limited
“Verywell”	Verywell Services Limited, an indirect wholly-owned subsidiary of Besteam
“Winsworld”	Winsworld Properties Limited, the registered owner of the Elizabeth House and an indirect wholly-owned subsidiary of Asean Resources
“HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, amounts denominated in Renminbi and United States dollars have been translated into Hong Kong dollars at the following exchange rates:

$$\begin{aligned}HK\$1.00 &= RMB1.06 \\HK\$7.80 &= US\$1.00\end{aligned}$$

Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

LETTER FROM THE BOARD



ASEAN RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive directors:

Chan Boon Ho, Peter (*Chairman*)
Cheng Kam Biu, Wilson
Lo Lin Shing, Simon
Chan Chi On, Derek
Wong Kam Cheong, Stanley
Lai Yu Ting
Lai Hing Chiu, Dominic

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

16th Floor
Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

Non-executive director:

To Hin Tsun, Gerald

Independent non-executive directors:

Cheung Hon Kit
Ng Wai Hung

30th June, 2003

To the Asean Resources shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER MADE JOINTLY BY
KINGSTON SECURITIES AND CSC SECURITIES
ON BEHALF OF MEXAN GROUP
TO ACQUIRE ALL THE ISSUED SHARES IN
ASEAN RESOURCES OTHER THAN THOSE SHARES ALREADY OWNED
BY MEXAN GROUP OR PARTIES ACTING IN CONCERT WITH IT**

INTRODUCTION

We refer to the announcement jointly made by Asean Resources, Mexan Group, Besteam and United Goal Development on 21st February, 2003, the circular, the announcement made by Asean Resources on 5th May, 2003 and the announcements jointly made by Asean Resources, Mexan Group, Besteam and United Goal Development on 12th May, 2003, 20th June, 2003 and 26th June, 2003 which set out, among others, that:

- the board had been requested by United Goal Development, the then controlling Asean Resources shareholder, to place before the Asean Resources shareholders the proposal of the group reorganisation which would result in the Asean Resources shareholders receiving the Besteam shares on a one for one basis to their respective shareholdings in Asean Resources;

LETTER FROM THE BOARD

- the board had also been informed by United Goal Development that United Goal Development as vendor and Mexan Group as purchaser had entered into the preliminary agreement and the sale and purchase agreement. Pursuant to the sale and purchase agreement, Mexan Group would acquire the sale shares from United Goal Development and Mr. Peter Chan, representing approximately 74.3% of the entire issued share capital of Asean Resources, for approximately HK\$839.7 million, payable in cash, equivalent to HK\$0.8784 per sale share;
- United Goal Development would make a voluntary offer to acquire from all Besteam shareholders, other than United Goal Development and Mr. Peter Chan and any party acting in concert with any one of them, the issued Besteam shares at HK\$0.1216 per Besteam share in cash;
- as at 21st February, 2003, Asean Resources had granted share options to a number of its directors and full time employees to subscribe for 104,200,000 Asean Resources shares in aggregate at an exercise price of HK\$0.68 per Asean Resources share, subject to adjustment. It is one of the conditions to the sale and purchase agreement that all outstanding share options granted by Asean Resources under its share option scheme be cancelled;
- pursuant to the sale and purchase agreement, Mexan Group had requested United Goal Development to procure the Asean Resources group to enter into the asset injection agreement for the purchase by the Asean Resources group at a consideration of not more than HK\$700 million of certain assets owned by Mexan Group or its associates after completion of the group reorganisation. In light of the review decision of the Stock Exchange to treat Asean Resources as a new listing applicant should the asset injection be proceeded, the asset injection agreement would not be entered into as agreed between Asean Resources and Mexan Group (please refer to the paragraph headed “the asset injection agreement” for further information);
- the resolutions to approve the group reorganisation, the amendments to the bye-laws, the signing of the management contract (special deal) and the signing of the share option agreement were duly approved by the Asean Resources shareholders at the special general meeting;
- all the conditions of the group reorganisation were fulfilled on 20th June, 2003 and accordingly, the group reorganisation, which includes, amongst other things, the cancellation and distribution of the share premium and a portion of the retained earnings of Asean Resources in specie to the Asean Resources shareholders in the form of Besteam shares, was completed on 20th June, 2003;
- upon completion of the sale and purchase agreement, Mexan Group became the beneficial owner of the sale shares and an unconditional mandatory cash offer will be made by Mexan Group to acquire all the outstanding Asean Resources shares in issue not already owned by Mexan Group or parties acting in concert with it, in accordance with the Takeovers Code; and
- the independent board committee will advise the independent shareholders of Asean Resources in relation to the offer.

LETTER FROM THE BOARD

THE GROUP REORGANISATION

The effect of the group reorganisation

At the request of United Goal Development, the controlling Asean Resources shareholder holding approximately 68.3% of its entire issued share capital prior to completion of the sale and purchase agreement, the board had placed before the Asean Resources shareholders the proposal of the group reorganisation. Upon completion of the group reorganisation on 20th June, 2003, Asean Resources shareholders registered as such on 5th May, 2003, being the date for the determination of the eligibility, had received the Besteam shares on a one for one basis to their respective shareholdings in Asean Resources and all the interests of the Asean Resources group, other than its interests in the Elizabeth House and its related debt and cash of not less than HK\$696 million, subject to adjustment, had been transferred to Besteam. These interests comprise principally interests of approximately 24.8% in JW Marriott Hotel Hong Kong in Admiralty, Hong Kong, approximately 47.7% in Hotel Nikko Hongkong in Tsimshatsui, Kowloon, Hong Kong, 57% in a residential redevelopment project at Nos. 33 and 35 Island Road, Hong Kong, 55% in the remaining unsold units of The Colonnade, a residential development at 152 Tai Hang Road, Hong Kong, various investment properties and properties held for or under development, being primarily holdings of agricultural land in the New Territories, Hong Kong. There is no material change in the management of these interests and, in particular, all the present executive and non-executive directors are the directors of Besteam and they will resign as directors of Asean Resources on the first closing date.

The mechanics of the group reorganisation

The group reorganisation was implemented by a cancellation and distribution of the share premium account of Asean Resources of approximately HK\$929.8 million and by the distribution of a portion of the retained earnings of Asean Resources of approximately HK\$403.1 million. The total amount arising from the cancellation of the share premium account and the portion of the retained earnings of Asean Resources was distributed in specie in the form of Besteam shares to all Asean Resources shareholders on 20th June, 2003.

The capital repayment and dividend distribution resulted in each Asean Resources shareholder registered as such on 5th May, 2003 receiving the same number of Besteam shares as he/she/it had in Asean Resources. No application has been or will be made for the listing of the Besteam shares on any stock exchange. The issued Besteam shares rank *pari passu* in all respects with each other.

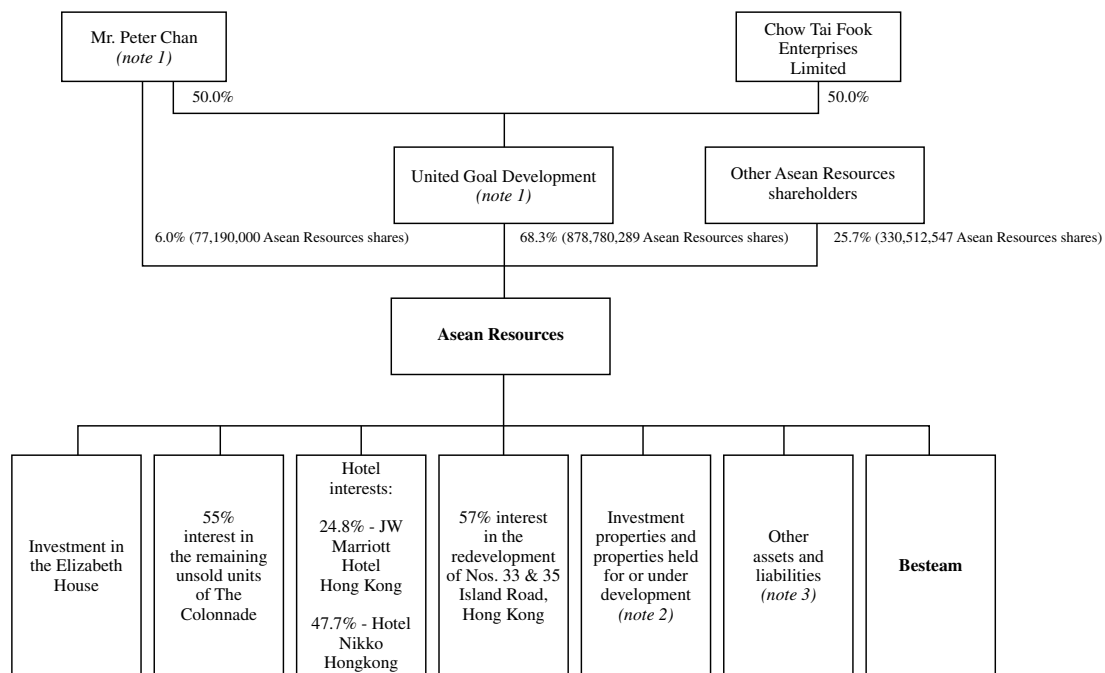
All the conditions of the group reorganisation were fulfilled on 20th June, 2003 and the group reorganisation was completed on the same day.

LETTER FROM THE BOARD

Asean Resources group and shareholding structures immediately before the group reorganisation and immediately after the implementation of the group reorganisation and completion of the sale and purchase agreement

Group and shareholding structures immediately before the implementation of the group reorganisation

The chart below shows in summary form the group and shareholding structures of Asean Resources immediately before the implementation of the group reorganisation:



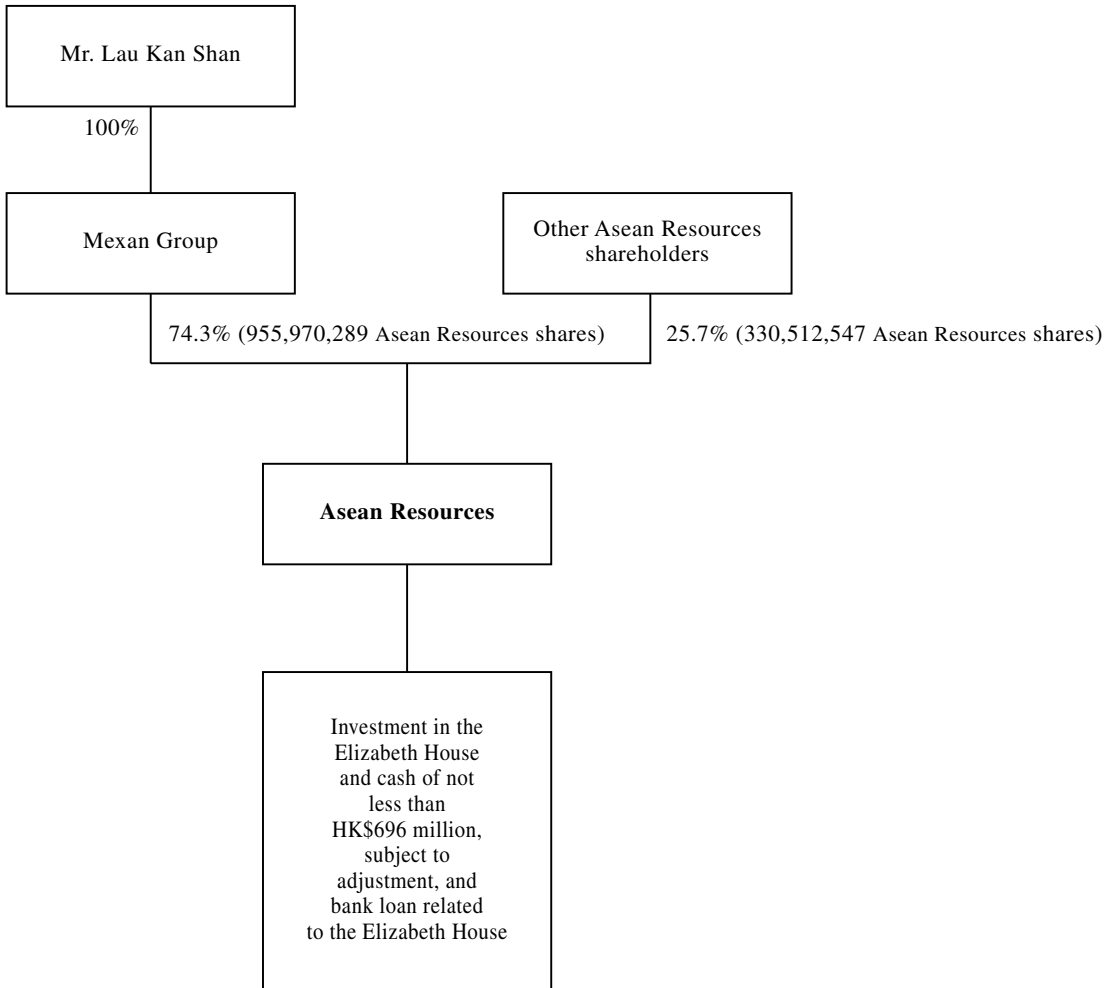
Notes:

1. United Goal Development, which is held jointly and equally by Mr. Peter Chan and Chow Tai Fook Enterprises Limited, held 878,780,289 Asean Resources shares immediately before completion of the sale and purchase agreement and holds 878,780,289 Besteam shares immediately after the implementation of the group reorganisation, representing approximately 68.3% of the entire issued share capital of Asean Resources and Besteam, respectively. Mr. Peter Chan in his own capacity held 77,190,000 Asean Resources shares immediately before completion of the sale and purchase agreement and holds 77,190,000 Besteam shares immediately after completion of the group reorganisation representing approximately 6.0% of the entire issued share capital of Asean Resources and Besteam, respectively.
2. All the investment properties including, amongst other things, warehouse, shops and rental properties which are located in Hong Kong and the PRC, were wholly-owned by Asean Resources before the implementation of the group reorganisation. Properties held for or under development include a piece of agricultural land in Yuen Long which was wholly-owned by Asean Resources and the remaining properties held for or under development were held through associated companies before the implementation of the group reorganisation.
3. Other assets and liabilities mainly comprised accounts and other receivables, deposits and prepayments, other investments, cash and bank balances, accounts payable, deposits received and accrued charges and bank loans.

LETTER FROM THE BOARD

Group and shareholding structures immediately after the implementation of the group reorganisation and completion of the sale and purchase agreement

The chart below shows in summary form the group and shareholding structures of Asean Resources immediately after the implementation of the group reorganisation and completion of the sale and purchase agreement:



LETTER FROM THE BOARD

Unaudited pro forma financial information on the Asean Resources group

The following is the unaudited pro forma combined profit and loss account for the two financial years ended respectively on 31st March, 2001 and 31st March, 2002, and the unaudited pro forma combined statement of assets and liabilities as at 31st March, 2002 of the Asean Resources group prepared on the basis set out in appendix III on page 84 of this composite document.

Unaudited pro forma combined profit and loss account

	Year ended 31st March,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>90,789</u>	<u>91,403</u>
Profit from operations	76,347	77,432
Finance costs	<u>(29,326)</u>	<u>(47,373)</u>
Profit before taxation	47,021	30,059
Taxation	<u>–</u>	<u>–</u>
Profit attributable to Asean Resources shareholders	<u><u>47,021</u></u>	<u><u>30,059</u></u>
Earnings per Asean Resources share based on 1,286,482,836 Asean Resources shares in issue	<u><u>3.66 cents</u></u>	<u><u>2.34 cents</u></u>

Unaudited pro forma statement of assets and liabilities

	31st March, 2002
	<i>HK\$'000</i>
Fixed assets	1,900,014
Accounts and other receivables, deposits and prepayments	16,233
Cash and bank balances	663,212
	679,445
Current liabilities	
Accounts payable, deposits received and accrued charges	24,928
Dividend payable	481
Bank loans, secured	44,000
	<u>69,409</u>
Net current assets	<u>610,036</u>
Total assets less current liabilities	2,510,050
Bank loans, secured	<u>685,000</u>
Unaudited pro forma net assets	<u><u>1,825,050</u></u>
Unaudited pro forma net asset value per Asean Resources share based on 1,286,482,836 Asean Resources shares in issue	<u><u>HK\$1.42</u></u>

LETTER FROM THE BOARD

As stated in appendix III to this composite document, the preparation of the unaudited pro forma financial information regarding the group reorganisation involved certain assumptions including the payment of cash by Besteam to Asean Resources as partial repayment of intercompany loan balance which was based on a cash balance of HK\$625,309,000 in the Besteam group as at 31st March, 2002, and the capitalisation of the remaining intercompany loan balance of HK\$429,485,000 by issuance of Besteam shares. The amount of cash repayment from the Besteam group to the Asean Resources group and hence capitalisation of the intercompany loan balance will be different should the preparation date be set on 30th September, 2002. In view of the above, the unaudited pro forma combined statement of assets and liabilities as at 30th September, 2002 and the unaudited pro forma condensed cash flow statement for the six months period ended 30th September, 2002 are not included in this composite document. The directors consider that the unaudited pro forma combined profit and loss account for each of the three years ended 31st March, 2002 and the six months ended 30th September, 2002, the unaudited pro forma condensed cash flow statement for each of the two years ended 31st March, 2002, and the unaudited pro forma combined statement of assets and liabilities as at 31st March, 2001 and 31st March, 2002, when read in conjunction with other financial and non-financial information provided in this composite document, are sufficient for the Asean Resources shareholders to make an informed decision in respect of the offer. The appendix III to this composite document which sets out, amongst other things, such unaudited pro forma financial information has been prepared for the purpose of illustrating to the Asean Resources shareholders how the financial position of the Asean Resources group might have changed had the group reorganisation taken place at the beginning of the earliest period presented therein.

Results of the special general meeting

At the special general meeting, all resolutions on the transactions as set out in the notice of the special general meeting appended to the circular were duly approved.

Completion of the sale and purchase agreement

All the conditions precedent to the completion of the sale and purchase agreement in relation to the acquisition of the sale shares were fulfilled on 26th June, 2003 and accordingly, the sale and purchase agreement was completed on 26th June, 2003.

Management contract for the Elizabeth House

The entering into of the management contract is a special deal under the Takeovers Code and Asean Resources had complied with the relevant regulatory requirements, and in this connection, (i) the Executive had granted its consent in relation to rule 25 of the Takeovers Code; (ii) Somerley had issued a fair and reasonable opinion, details of which were set out in the letter from Somerley appended to the circular; and (iii) the independent shareholders of Asean Resources had given their approval by way of poll at the special general meeting. Of the 173,831,013 Asean Resources shares voted in respect of resolution numbered 3 as set out in the notice of the special general meeting, 173,765,077 Asean Resources shares, equivalent to approximately 99.96%, and 65,936 Asean Resources shares, equivalent to approximately 0.04%, were voted for and against the resolution, respectively.

LETTER FROM THE BOARD

The asset injection agreement

Pursuant to the sale and purchase agreement, Mexan Group had requested United Goal Development to procure the Asean Resources group to enter into the asset injection agreement for the purchase by the Asean Resources group of the entire interests in Mexan Holdings at a consideration of not more than HK\$700 million. The Stock Exchange considered that they might treat Asean Resources as a new listing applicant if any unlisted assets are to be injected by Mexan Group or its associates into Asean Resources shortly after completion of the sale and purchase agreement. In view of the decision of the Stock Exchange, Asean Resources had appealed to the Stock Exchange for a review of the decision and on 30th April, 2003, Asean Resources was informed by the Stock Exchange of the review decision to treat Asean Resources as a new listing applicant should the asset injection be proceeded. Following a review of Asean Resources' options by the board, including a further appeal to the Listing Appeal Committee of the Stock Exchange for another review, the board has agreed with Mexan Group not to seek a review of the decision by the Listing Appeal Committee. The asset injection agreement will not be entered into as agreed between Asean Resources and Mexan Group.

UNCONDITIONAL MANDATORY CASH OFFER FOR ASEAN RESOURCES SHARES

Under the loan facility agreement, should Mexan Group utilize the loan financing, Mexan Group would not exercise any voting right in the sale shares without consent of United Goal Development, and United Goal Development should be authorised and have full discretion to vote in respect of the sale shares on all matters reasonably necessary to protect the assets of Asean Resources and United Goal Development's interests until the loan would be fully repaid by Mexan Group. The above conditions were not relevant since the completion of the sale and purchase agreement took place on 26th June, 2003 and the sale shares were acquired by Mexan Group out of its internal funding of HK\$589.7 million (including the deposit of HK\$100 million) and a loan of HK\$250 million provided by Kingston Securities to Mexan Group. Mexan Group did not utilize the loan financing under the loan facility agreement.

Following completion of the sale and purchase agreement, Mexan Group becomes the beneficial owner of the sale shares, and Mexan Group is required to make an unconditional mandatory cash offer for all the outstanding Asean Resources shares in issue, other than those already held by Mexan Group or parties acting in concert with it, in accordance with the Takeovers Code.

The Asean Resources offer

Mexan Group is procuring to extend an unconditional mandatory cash offer to all the Asean Resources shareholders to acquire all the outstanding issued Asean Resources shares, other than those already owned by Mexan Group or parties acting in concert with it, on the terms set out in this composite document and the form of acceptance and on the following basis:

for each Asean Resources share HK\$0.8784 in cash

The offer price per Asean Resources share is the same as the price paid for each sale share and is determined after taking into account the unaudited pro forma adjusted consolidated net tangible asset value of the Asean Resources group after completion of the group reorganisation of HK\$1.12 per Asean Resources share. The total consideration of the Asean Resources offer based on 330,512,547 Asean Resources shares, representing the number of Asean Resources shares in issue as at the latest practicable date, other than those Asean Resources shares already owned by Mexan Group or parties acting in concert with it, amounts to approximately HK\$290.3 million.

LETTER FROM THE BOARD

The Asean Resources shares to be acquired under the Asean Resources offer will be acquired ex the entitlement to the capital repayment and dividend distribution in specie but with the right to all future dividends and distributions declared, paid or made on or after the close of the offer and free from all third party rights attaching thereto on or after that date.

Seller's ad valorem stamp duty in connection with the acceptance of the Asean Resources offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable in respect of the Asean Resources shares being sold by such Asean Resources shareholder pursuant to the offer; and (ii) the value of the Asean Resources shares will be payable by the accepting qualifying shareholder. Such stamp duty will be deducted from the consideration payable on acceptance of the Asean Resources offer and then Mexan Group will pay the stamp duty on behalf of the accepting qualifying shareholders.

It is the responsibility of the Asean Resources shareholders, whose addresses as stated in the register of members of Asean Resources are outside Hong Kong and who wish to accept the Asean Resources offer and take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required to comply with other necessary formalities or legal requirements. Any such Asean Resources shareholders will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of that jurisdiction.

Cancellation of the share options

The cancellation of the 104,200,000 share options, being all the outstanding share options as at 21st February, 2003 granted to certain directors and full time employees of Asean Resources, to subscribe for an aggregate of 104,200,000 Asean Resources shares at an exercise price of HK\$0.68 per Asean Resources share, subject to adjustment, is a condition precedent to completion of the sale and purchase agreement. In order to facilitate the completion of the sale and purchase agreement, all optionholders had entered into the share option agreement on 18th March, 2003 and agreed to, amongst other things, the cancellation of all the 104,200,000 share options at a fee of HK\$0.32 per share option or an aggregate of approximately HK\$33 million. The cancellation of the 104,200,000 share options and payment of an aggregate of approximately HK\$33 million to the optionholders were approved by the independent shareholders of Asean Resources at the special general meeting held on 5th May, 2003. The cancellation fee of HK\$0.32 per share option or an aggregate of approximately HK\$33 million was fully paid in cash to the optionholders on 26th June, 2003 and the cancellation of share options was completed on 26th June, 2003.

Proposed new directors of Asean Resources

The board is currently made up of ten directors, comprising seven executive, one non-executive and two independent non-executive directors. The condition for the resignation of the directors, being the repayment by Mexan Group of the loan owing to United Goal Development in full under the loan facility agreement, is not relevant as Mexan Group did not utilise the loan facility under the loan facility agreement. Accordingly, all present executive directors, non-executive directors and independent non-executive directors will resign on the first closing date and three executive directors namely, Mr. Lau Kan Shan, Mr. Yuen Hiu Kwan and Ms. Ching Yung and two independent non-executive directors namely, Mr. Lau Wai and Mr. Cheng Chun Pong, Paul, will be nominated by Mexan Group immediately following the despatch of this composite document.

LETTER FROM THE BOARD

GENERAL

An independent board committee has been formed to advise the independent shareholders of Asean Resources in relation to the offer. Messrs. Chan Boon Ho, Peter, Cheng Kam Bui, Wilson, Lo Lin Shing, Simon and Lai Hing Chiu, Dominic are directors of United Goal Development. Messrs. Chan Chi On, Derek and To Hin Tsun, Gerald are directors of Tai Fook Securities Group Limited, of which Chow Tai Fook Enterprises Limited is a substantial shareholder. Chow Tai Fook Enterprises Limited is interested in 50% of the shareholdings in United Goal Development. Messrs. Wong Kam Cheong, Stanley and Lai Yu Ting are salaried directors. Messrs. Lai Hing Chiu, Dominic and Ng Wai Hung are partners of the legal advisers to United Goal Development and Asean Resources. Therefore, the directors mentioned above are not considered to be sufficiently independent for the purpose of advising the qualifying shareholders of Asean Resources in respect of the offer. Accordingly, the independent board committee only comprised Mr. Cheung Hon Kit, the remaining independent non-executive director, for the purpose of advising the qualifying shareholders of the fairness and reasonableness of the offer.

Somerley has been retained as the independent financial adviser to advise the independent board committee.

As at the latest practicable date, the directors had not indicated whether they would accept or reject the offer in respect of their beneficial shareholdings in Asean Resources.

RECOMMENDATION

Your attention is drawn to the respective letters from the independent board committee and Somerley set out on page 25 and pages 26 to 36 of this composite document containing their recommendations and advices in respect of the offer.

FURTHER INFORMATION

Your attention is also drawn to the letters from Kingston Securities and CSC Securities, the independent board committee and Somerley as well as appendix I to this composite document, which set out the terms, conditions and procedures for acceptance of the offer, and the other appendices to this composite document, which contain financial information on the Asean Resources group, the property valuation report prepared by DTZ and the information required to be given to recipients of the offer under the Takeovers Code.

Yours faithfully,
for and on behalf of the board
Chan Boon Ho, Peter
Chairman

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES



Kingston Securities Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong



CSC Securities (HK) Limited

28th Floor, Cosco Tower,
Grand Millennium Plaza
183 Queen's Road Central, Hong Kong

30th June, 2003

To the qualifying shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER MADE JOINTLY BY
KINGSTON SECURITIES AND CSC SECURITIES
ON BEHALF OF MEXAN GROUP
TO ACQUIRE ALL THE ISSUED SHARES OF
ASEAN RESOURCES
OTHER THAN THOSE ALREADY OWNED BY
MEXAN GROUP
OR PARTIES ACTING IN CONCERT WITH IT**

INTRODUCTION

On 21st February, 2003, the offeror, United Goal Development, Besteam and Asean Resources jointly announced, amongst other things, that the sale and purchase agreement was entered into between the offeror and United Goal Development pursuant to which the offeror conditionally agreed to acquire 955,970,289 Asean Resources shares at HK\$0.8784 per sale share from United Goal Development and Mr. Peter Chan for a total consideration of approximately HK\$839.7 million. Such sale shares represented approximately 74.3% of the entire issued share capital of Asean Resources as at 8th October, 2002.

The sale and purchase agreement was completed on 26th June, 2003 and as a result, the offeror became interested in an aggregate of 955,970,289 Asean Resources shares, representing approximately 74.3% of the voting rights in Asean Resources as at the latest practicable date. Under rule 26 of the Takeovers Code, the offeror is required to make an unconditional mandatory cash offer for all the outstanding issued Asean Resources shares other than those already owned by the offeror or parties acting in concert with it.

This letter, together with appendix I to this composite document and the form of acceptance, set out, amongst other things, the terms of the offer, procedures for acceptance of the offer, information on the offeror and the intention of the offeror regarding the future development of the Asean Resources group.

Qualifying shareholders are strongly advised to consider carefully the information contained in the letter from the board, the letter from the independent board committee to the independent shareholders of Asean Resources, and the letter from Somerley to the independent board committee set out in this composite document.

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

THE SALE AND PURCHASE AGREEMENT

Upon completion of the sale and purchase agreement on 26th June, 2003, United Goal Development and Mr. Peter Chan sold, and the offeror acquired, 955,970,289 Asean Resources shares, representing approximately 74.3% of the voting rights in Asean Resources as at the latest practicable date, for an aggregate consideration of approximately HK\$839.7 million, equivalent to HK\$0.8784 per sale share which was determined after taking into account the unaudited pro forma adjusted consolidated net tangible asset value of the Asean Resources group after completion of the group reorganisation. The offeror did not utilise the loan facility under the loan facility agreement for completion of the sale and purchase agreement.

THE OFFER

Under rule 26 of the Takeovers Code, Kingston Securities and CSC Securities, on behalf of the offeror, are making the offer, on the terms set out in this composite document and the form of acceptance, for all the outstanding issued Asean Resources shares not already owned by the offeror or parties acting in concert it on the following basis:

For each Asean Resources share HK\$0.8784 in cash

The offer is unconditional in all respects, including as to acceptances, and, unless extended pursuant to the Takeovers Code, will remain open for acceptance until 4:00 p.m. on Monday, 21st July, 2003. The procedures for acceptance and further terms of the offer are set out in appendix I to this composite document.

The Asean Resources shares acquired under the offer will be acquired free from all claims, equities, third party rights, liens, charges and encumbrances and together with all rights attaching thereto, including, in respect of the Asean Resources shares, the right to receive all dividends and distributions declared, paid or made after the close of the offer.

Comparisons of value

The price of HK\$0.8784 per Asean Resources share under the offer is equivalent to the consideration payable by the offeror for each sale share under the sale and purchase agreement. The offer price represents:

- (i) a premium of approximately 68.9% to the closing price of HK\$0.52 per Asean Resources share quoted on the Stock Exchange on 8th October, 2002, being the last trading day immediately prior to the suspension of trading of the Asean Resources shares;
- (ii) a premium of approximately 68.9% to the weighted average closing price of approximately HK\$0.52 per Asean Resources share quoted on the Stock Exchange for the ten consecutive trading days up to and including 8th October, 2002;
- (iii) a premium of approximately 68.9% to the weighted average closing price of approximately HK\$0.52 per Asean Resources share quoted on the Stock Exchange for the thirty consecutive trading days up to and including 8th October, 2002;
- (iv) a premium of approximately 48.9% to the weighted average closing price of approximately HK\$0.59 per Asean Resources share quoted on the Stock Exchange for the 180 consecutive trading days up to and including 8th October, 2002;

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

- (v) a discount of approximately 21.6% to the unaudited pro forma adjusted net tangible asset value per Asean Resources share of HK\$1.12; and
- (vi) a premium of approximately 2.1% to the closing price of HK\$0.86 per Asean Resources share as quoted on the Stock Exchange on the latest practicable date.

There were no warrants or securities convertible into Asean Resources shares as at the latest practicable date.

Highest and lowest closing price

During the six-month period immediately preceding the date of the announcement and the latest practicable date, the highest and lowest closing prices of the Asean Resources shares quoted on the Stock Exchange were respectively HK\$0.92 per Asean Resources share on 11th, 14th, 15th, 22nd and 23rd April, 2003 and HK\$0.51 per Asean Resources share on 21st August, 2002.

Consideration

The total consideration of the offer based on 330,512,547 Asean Resources shares, representing the number of Asean Resources shares in issue as at the latest practicable date, other than those Asean Resources shares already owned by the offeror or parties acting in concert with it, amounts to approximately HK\$290.3 million.

The offer is to be financed by the funding provided by the sole beneficial shareholder of the offeror, a credit facility made available to the offeror by Kingston Securities, a loan facility by Mr. Peter Chan and a financing arrangement with a securities house. Kingston Securities and CSC Securities will make the offer on behalf of the offeror and they confirm that they are satisfied that the offeror has sufficient financial resources available to satisfy full acceptance of the offer. The offeror confirm that the repayment of the interest on or the repayment of the aforesaid credit facilities, or security for any liability under the aforesaid credit facility would not be dependent on the business of Asean Resources.

Dealings in Asean Resources shares

Save for the acquisition of the sale shares, the offeror and its concert parties have not dealt in any Asean Resources shares during the past six months immediately preceding the date of the announcement and the latest practicable date.

Overseas Asean Resources shareholders

As the making of the offer to overseas Asean Resources shareholders may be affected by the laws of the relevant jurisdictions, overseas Asean Resources shareholders should inform themselves of and observe the relevant legal requirements.

It is the responsibility of any overseas Asean Resources shareholders whose addresses as stated in the register of members of Asean Resources are outside Hong Kong and who wish to accept the offer and take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required to comply with other necessary formalities or legal requirements. Any such overseas Asean Resources shareholders will

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of that jurisdiction and the offeror, Kingston Securities, CSC Securities and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such overseas Asean Resources shareholders for any such transfer or other taxes as such person may be required to pay.

Stamp duty

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable in respect of the Asean Resources shares being sold by such Asean Resources shareholder pursuant to the offer; and (ii) the value of the Asean Resources shares will be deducted from the consideration payable to the qualifying shareholders who accept the offer for the Asean Resources shares offered.

Latest time for acceptances

The latest time for acceptances is 4:00 p.m. on Monday, 21st July, 2003. The offeror does not intend to extend the time for acceptance of the offer but reserves the right to do so.

Compulsory acquisition

The offeror and parties acting in concert with it do not intend to exercise any right which may be available to it under the provisions of the Companies Act to acquire compulsorily any outstanding issued Asean Resources shares not acquired under the offer after it is closed but reserve the right to do so.

In addition, the offeror and parties acting in concert with it have no intention as to transferring the Asean Resources shares acquired under the offer to other persons.

INFORMATION ON THE OFFEROR

The offeror is a private investment holding company incorporated in the British Virgin Islands with limited liability and was formed for the purpose of entering into the sale and purchase agreement, holding the sale shares and making the offer. Since its incorporation, the offeror has not carried on any business other than entering into the sale and purchase agreement and making the offer. The entire issued share capital of the offeror is beneficially owned by Mr. Lau Kan Shan.

INTENTION OF THE OFFEROR REGARDING THE ASEAN RESOURCES GROUP

Pursuant to the sale and purchase agreement, Mexan Group had requested United Goal Development to procure the Asean Resources group to acquire from Mexan Group or its associates the entire interest in Mexan Holdings, for a total consideration of not more than HK\$700 million. The Stock Exchange considered that Asean Resources should be treated as a new listing applicant if the injection of assets into the Asean Resources group were to take place shortly after completion of the sale and purchase agreement. In view of the decision of the Stock Exchange, Asean Resources had appealed to the Stock Exchange for a review of the decision and on 30th April, 2003. Asean Resources was subsequently informed by the Stock Exchange of the review decision to treat Asean Resources as a new listing applicant should the asset injection be proceeded.

Following a review of Asean Resources' options by the board, including a further appeal to the Listing Appeal Committee of the Stock Exchange, the board has agreed with Mexan Group not

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

to seek a review of the decision by the Listing Appeal Committee. The asset injection agreement will not be entered into as agreed between Asean Resources and Mexan Group. Accordingly, the business of the Asean Resources group is not expected to have any material change immediately after completion of the offer.

The offeror intends to maintain the existing business, which is property investment, of the Asean Resources group. Moreover, the offeror intends to review the operation of the Asean Resources group including the utilisation of the cash balance retained with a view to enhancing its asset base and broadening its income stream by seeking further investments in synergetic or prospective business if there arises such opportunities, which the offeror may think fit and are allowed under relevant regulatory provisions. At present, the offeror has no current plans for any redeployment of fixed assets of the Asean Resources group. It is the intention of the offeror after reviewing the operation and business of the Asean Resources group that there will be a possible change in the continued employment of the management and employees of the Asean Resources group or to the terms or conditions of employment of the management and employees of the Asean Resources group.

The offeror intends to maintain the listing status of Asean Resources on the Stock Exchange.

The Stock Exchange has indicated that it will closely monitor trading in the securities of Asean Resources if, at the close of the offer, less than 25% of the securities of Asean Resources are held by the public.

If the Stock Exchange believes that:

- **a false market exists or may exist in the securities of Asean Resources; or**
- **there are too few securities of Asean Resources in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend trading in the securities of Asean Resources.

The Stock Exchange has also stated that it will closely monitor all future acquisitions or disposals of assets by Asean Resources. If the Asean Resources shares remain listed on the Stock Exchange, any acquisition or disposal of assets by Asean Resources will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require Asean Resources to issue an announcement and/or a circular to its shareholders where an acquisition or disposal of assets by Asean Resources is proposed, irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of Asean Resources. The Stock Exchange also has the power to aggregate a series of transactions of Asean Resources and any such transactions may result in Asean Resources being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the Listing Rules.

DIRECTORS AND MANAGEMENT OF THE ASEAN RESOURCES GROUP

The board is currently made up of ten directors, comprising seven executive, one non-executive and two independent non-executive directors. All present executive directors, non-executive director and independent non-executive directors will resign on the first closing date and the following directors will be nominated by the offeror immediately following the despatch of this composite document.

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

Proposed executive directors

Mr. Lau Kan Shan, aged 46, had worked in various trading companies in the PRC for approximately 8 years before he started his own trading business in Hong Kong in the 1980s. Mr. Lau is currently engaged in a wide variety of businesses including PRC highway investment, highway infrastructure construction and related business, real estate investment and financial services. Mr. Lau is a Hong Kong resident.

Mr. Yuen Hiu Kwan, aged 32, graduated from the 上海財經大學 (University of Finance in Shanghai) with a bachelor degree in finance in 1993 and obtained qualified certificates as Attorney-At-law, Accountant and Registered Tax Agent in the PRC. In early 1990's, he worked in the areas of securities settlement, renminbi loan business and foreign currency loan business in 中國農業銀行上海市信託投資公司 (The Agricultural Bank of China, Shanghai Trust and Investment Corporation). In 1999 Mr. Yuen was involved in leading various highway infrastructure projects. Mr. Yuen is a Hong Kong resident.

Ms. Ching Yung, aged 44, has worked in Mexan International Ltd as assistant to chairman, Mr. Lau Kan Shan since 1991, responsible for all affairs relating to the shipping department, sales department, accounts department and administrations department. Ms. Ching had been a teacher in Shanghai, the PRC for 7 years before joining Mexan International Ltd. Ms. Ching is a Hong Kong resident.

Proposed independent non-executive directors

Mr. Lau Wai, aged 28, is the director of Point Best International Limited, which is engaged in the trading of luxury automobiles in the PRC. Mr. Lau, after graduating from Hong Kong University of Science and Technology with a bachelor honours degree in 1997, worked for Epson Hong Kong Ltd. and PCCW Limited. Mr. Lau is a Hong Kong resident.

Mr. Cheng Chun Pong, Paul, aged 46, graduated from 映像科 (Department of Visual & Film Production) from 日本工學院 (NIPPON ELECTRONIC COLLEGE). He was a director of 嘉聯娛樂有限公司 (Ka Luen Entertainment Co. Ltd.) and president of branch office of 日本藝神集團 (Japan Art Group). Movies in which Mr. Cheng has been involved include 孔雀王 (Peacock King – Japan), 阿修羅 (Ashuraya – Japan), 帝都大戰 (War in Imperial City – Japan), 星月童話 (Moonlight Express) (Hong Kong – Japan), 何日君再來 (Till the End of Time – Japan), 不夜城 (Sleepless City – Japan) and 霹靂火 (Thunderbolt). In the about 30 movies in which Mr. Cheng has been involved, he served in a number of positions such as vice director, producer, executive producer and movie planning. Mr. Cheng is a Hong Kong resident.

ACCEPTANCE AND SETTLEMENT

(a) Acceptance

An acceptance may not be counted towards fulfilling an acceptance condition unless:–

- (a) it is received by the registrar on or before the latest time for acceptance at 4:00 p.m. on 21st July, 2003 and the registrar has recorded that the acceptance has been so received; and

LETTER FROM KINGSTON SECURITIES AND CSC SECURITIES

- (b) the form of acceptance is duly completed and is:–
- (i) accompanied by share certificate(s) in respect of the relevant Asean Resources shares and, if those certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Asean Resources shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Asean Resources shares; or
 - (ii) from a registered holder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Asean Resources shares which are not taken into account under another sub-paragraph of this paragraph (b)).

If the form of acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

Your attention is drawn to the further details regarding the procedures for acceptance set out in appendix I to this composite document and the form of acceptance.

(b) Settlement

Provided that the relevant form(s) of acceptance and share certificate(s) and, or transfer receipt(s) and, or any document(s) of title (and, or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the registrar on or before 4:00 p.m. on Monday, 21st July, 2003, a cheque for the amount due to the accepting qualifying shareholders in respect of the Asean Resources shares tendered by them under the offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting qualifying shareholders by ordinary post at their own risk within 10 days following the day on which all the relevant documents are received by the registrar to render their acceptances complete and valid.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices which form part of this composite document. Qualifying shareholders are strongly advised to consider carefully the information contained in the letter from the board, the letter from the independent board committee to the independent shareholders of Asean Resources and the letter from Somerley to the independent board committee set out in this composite document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Nicholas Chu
Director

Yours faithfully,
For and on behalf of
CSC Securities (HK) Limited
Andrew Chiu
Managing director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ASEAN RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

30th June, 2003

To the independent shareholders of Asean Resources

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER MADE JOINTLY BY
KINGSTON SECURITIES AND CSC SECURITIES
ON BEHALF OF MEXAN GROUP
TO ACQUIRE ALL THE ISSUED SHARES IN
ASEAN RESOURCES OTHER THAN THOSE SHARES ALREADY OWNED
BY MEXAN GROUP OR PARTIES ACTING IN CONCERT WITH IT**

I have been appointed as the sole member of the independent board committee to advise you in connection with the offer, details of which are set out in the letter from the board in the composite document dated 30th June, 2003 (the “composite document”), of which this letter forms part. The terms used in this letter shall have the same meanings as given to them in the composite document unless the context otherwise requires.

Your attention is drawn to the “Letter from the board” and the “Letter from Kingston Securities and CSC Securities” set out on pages 8 to 17 and pages 18 to 24 respectively of the composite document and the “Letter from Somerley” concerning its advice to me regarding the offer as set out on pages 26 to 36 of the composite document. Having considered the advice given in its letter, I concur with Somerley’s advice and recommend the independent shareholders of Asean Resources to accept the offer.

Notwithstanding my recommendation, the Asean Resources shareholders should consider carefully the terms and conditions of the offer.

Yours faithfully,
for and on behalf of the independent board committee
Cheung Hon Kit
Independent non-executive director

LETTER FROM SOMERLEY



Somerley Limited
Suite 3108, One Exchange Square
8 Connaught Place
Central
Hong Kong

30th June, 2003

The Independent Board Committee
Asean Resources Holdings Limited
16th Floor
Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

Dear Sir,

MANDATORY UNCONDITIONAL CASH OFFER

INTRODUCTION

We refer to our appointment to advise the independent board committee in connection with the Asean Resources offer, details of which are contained in the offer document to the Asean Resources shareholders dated 30th June, 2003 (the “Document”), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as defined in the Document.

Messrs. Chan Boon Ho, Peter, Cheng Kam Biu, Wilson, Lo Lin Shing, Simon and Lai Hing Chiu, Dominic are directors of United Goal Development. Messrs. Chan Chi On, Derek and To Hin Tsun, Gerald are directors of Tai Fook Securities Group Limited, of which Chow Tai Fook Enterprises Limited (a 50% shareholder of United Goal Development) is a substantial shareholder. Messrs. Wong Kam Cheong, Stanley and Lai Yu Ting are salaried directors. Messrs. Lai Hing Chiu, Dominic and Ng Wai Hung are partners of the legal advisers to Asean Resources and United Goal Development. Accordingly, the remaining director, namely Mr. Cheung Hon Kit, has been appointed by the board as the independent board committee to make a recommendation to the independent shareholders of Asean Resources (the “Independent Shareholders”) regarding the Asean Resources offer.

We are not connected with United Goal Development, Mexan Group or Asean Resources or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice on the offer. Apart from normal professional fees payable to us in connection with this appointment and two other related matters, including the Besteam offer and the group reorganisation, no arrangement exists whereby we will receive any fees or benefits from United Goal Development, Mexan Group or Asean Resources and their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM SOMERLEY

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors, which we have assumed to be true, accurate and complete. We have reviewed the published information on Asean Resources, including its audited financial statements for the two years ended 31st March, 2002 and its interim report for the six months ended 30th September, 2002. We have also reviewed the unaudited pro forma financial information of the Asean Resources group and the management contract made between Winsworld, Verywell and Mr. Peter Chan (as guarantor of Verywell). We have discussed with DTZ the basis and assumptions for their valuation as at 31st March, 2003 of Elizabeth House which is contained in Appendix V to the Document. We have sought and received confirmation from the directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our relying on such information and we have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Asean Resources group. We have also assumed that all information and representations contained or referred to in the Document are accurate in all material aspects and will continue to be so up to the close of the offer.

We have not considered the tax implications for the Independent Shareholders arising from acceptances of the Asean Resources offer, which depend on the individual circumstances of each Independent Shareholder. In particular, Independent Shareholders who reside overseas or are subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

I. BACKGROUND

(a) The group reorganisation

Pursuant to the group reorganisation completed on 20th June, 2003, the companies which made up the Asean Resources group pre-group reorganisation were split into a listed group and an unlisted group. The commercial podium of Elizabeth House and its related debt and cash have been retained in Asean Resources, the shares of which continue to be listed on the Stock Exchange. The holding company for the unlisted group is Besteam and all the interests of the Asean Resources group pre-group reorganisation, other than those that remain in the listed group, have been grouped under Besteam. Besteam was spun-off to the Asean Resources shareholders through a distribution in specie of all the issued shares of Besteam on a 1-for-1 basis. The group reorganisation was a condition precedent to completion of the sale and purchase agreement.

(b) Sale and purchase agreement

On 20th December, 2002, United Goal Development and Mr. Peter Chan entered into a sale and purchase agreement whereby Mexan Group agreed, subject to fulfillment of certain conditions, to acquire from United Goal Development and Mr. Peter Chan in aggregate 955,970,289 Asean Resources shares at approximately HK\$839.7 million (HK\$0.8784 per Asean Resources share). The sale and purchase agreement was completed on 26th June, 2003.

LETTER FROM SOMERLEY

(c) The Asean Resources offer

Upon completion of the sale and purchase agreement on 26th June, 2003, Mexan Group owned 955,970,289 Asean Resources shares (approximately 74.3% of the entire issued share capital of Asean Resources as at the latest practicable date). Accordingly, Kingston Securities and CSC Securities are making, on behalf of the offeror, an unconditional cash offer to acquire all the issued Asean Resources shares, other than those already owned by the offeror and parties acting in concert with it, on the following terms:

For each Asean Resources share HK\$0.8784 in cash

The offer price of HK\$0.8784 per Asean Resources share is same as the purchase price paid by the offeror pursuant to the sale and purchase agreement. Based on 1,286,482,836 Asean Resources shares in issue, the offer values Asean Resources at approximately HK\$1,130 million.

Seller's ad valorem stamp duty in connection with the acceptances of the Asean Resources offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the greater of (i) the consideration payable in respect of the Asean Resources shares being sold by the accepting Asean Resources shareholders pursuant to the offer or (ii) the value of the Asean Resources shares will be payable by the accepting Asean Resources shareholders and will be deducted from the consideration payable on acceptances of the Asean Resources offer.

(d) Proposed asset injection

Pursuant to the sale and purchase agreement, the offeror requested United Goal Development to procure the Asean Resources group to enter into an asset injection agreement for the purchase by the Asean Resources group of Mexan Holdings at a consideration of not more than HK\$700 million. However, the Stock Exchange has made a ruling that Asean Resources will be treated as a new listing applicant following completion of such an agreement. In the circumstances, Mexan Group and the directors have decided not to proceed with the proposed asset injection.

LETTER FROM SOMERLEY

II. PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In reaching our opinion and advice to the independent board committee as regards the Asean Resources offer, we have taken the following principal factors into account:

1. Unaudited pro forma adjusted consolidated net tangible assets

After completion of the sale and purchase agreement, the unaudited pro forma adjusted consolidated net tangible assets of the Asean Resources group comprise:

	<i>HK\$ million</i>	Per share
Elizabeth House as valued by DTZ	1,530.0	
Cash (<i>Note 1</i>)	696.0	
	2,226.0	
<i>Less: mortgage (Note 1)</i>	(673.5)	
<i>other net items</i>	(111.4)	
	1,441.1	HK\$1.12
Gearing ratio (<i>Note 2</i>)	47%	
Gearing ratio (<i>Note 3</i>)	Nil	

Note:

1. Under the sale and purchase agreement, it was agreed that the Asean Resources group would retain cash of at least HK\$719 million, which amount is approximately equal to the outstanding balance of the mortgage on Elizabeth House of HK\$696.5 million as at the date of the sale and purchase agreement. The cash amount of HK\$719 million would be adjusted downwards by the same amount as any reduction in the mortgage in accordance with the sale and purchase agreement. Since the date of the sale and purchase agreement, HK\$23.0 million of the mortgage has been repaid, reducing the mortgage loan balance to HK\$673.5 million. Accordingly, the cash remaining in the Asean Resources group was adjusted to HK\$696.0 million.
2. Calculated by dividing the mortgage of HK\$673.5 million by the pro forma adjusted net tangible assets of HK\$1,441.1 million.
3. If gearing is calculated by offsetting cash against the mortgage, as is sometimes done, gearing would be nil.

The offer price represents a discount of about 22% to the pro forma adjusted net tangible assets per share of HK\$1.12 as shown above. The pro forma adjusted net tangible assets takes into account the independent professional valuation of the property by DTZ as at 31st March, 2003. Their valuation letter and certificate is set out in Appendix V to the Document. DTZ has valued the property by capitalising the net rental income derived from existing tenancies, and after taking into account reversionary income potential. We have discussed with DTZ the basis of their valuation and consider it appropriate.

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2. Comparison with similar listed companies

We have identified six property companies listed on the Stock Exchange which, although not directly comparable given each of them has a different property portfolio, are principally engaged in property investment in Hong Kong and have market capitalisation between HK\$500 million to HK\$2,000 million as at the latest practicable date.

The schedule below shows the percentage of discount of market price to net asset value of the selected property companies:

	Market capitalisation <i>HK\$ million</i>	Closing share price on the latest practicable date <i>HK\$</i>	Latest available audited consolidated net asset value per share <i>HK\$</i>	Percentage of discount of market price to net asset value %
Kowloon Development Company Limited	1,596.4	3.300	6.72 (as at 31/12/2002)	50.9
Liu Chong Hing Investment Limited	1,467.0	3.875	14.98 (as at 31/12/2002)	74.1
Allied Properties (H.K.) Limited	1,101.1	0.225	0.95 (as at 31/12/2002)	76.3
Oxford Property & Finance Limited	636.9	9.400	11.40 (as at 31/1/2003)	17.5
Melbourne Enterprises Limited	620.0	24.800	45.29 (as at 30/9/2002)	45.2

As shown in the above schedule, the percentage of discount of market price to net asset value of the above selected property companies ranges from 17.5% to 76.3%. Four out of the five companies' share price closed on the latest practicable date at over 40% discount to their respective net asset value. The simple average discount of all the comparables is approximately 52.8%. The offer price of HK\$0.8784 represents an about 22% discount to Asean Resources' pro forma adjusted net asset value per share of HK\$1.12, which is significantly lower than the average for the comparable companies as set out above.

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3. Business and earnings

(i) *Elizabeth House*

After the group reorganisation, the Asean Resources group's principal asset consists of the 7-storey commercial podium of Elizabeth House, Causeway Bay, including various advertising signages and 177 car parking spaces (the "Property") held through an indirect wholly owned subsidiary, Winsworld. Pursuant to the management contract entered into among Winsworld, Verywell and Mr. Peter Chan (as guarantor of Verywell) on 20th June, 2003, Winsworld is engaging Verywell to manage the Property for a term of 3 years commencing from 26th June, 2003, being the date of completion of the sale and purchase agreement. In return, Winsworld will receive from Verywell guaranteed rental income of HK\$78 million per annum, irrespective of the actual amount of rental received from the Property. HK\$78 million is a net sum after deducting all expenses directly or indirectly related to management of the Property, including staff costs and costs incurred for property maintenance, which will in effect be borne by Verywell.

(ii) *Prospects*

The prospects for the Asean Resources group's property rental business, particularly over the 3-year term covered by the management contract, are stable. With the guaranteed annual rental income of HK\$78 million, the yield on the Property based on the valuation of HK\$1,530 million is 5.1%. From this revenue, the Asean Resources group's major expenses would include : (i) interest cost on the outstanding mortgage of HK\$673.5 million, net of interest income on cash balances; and (ii) tax, corporate and administrative expenses incurred by Asean Resources as a listed company. On this basis, we expect Asean Resources will be able to pay dividends to the Asean Resources shareholders in the forthcoming years, unless it decides to preserve cash for other business pursuits. We are informed by the offeror directors that they have not yet formulated any specific policies, including dividend or otherwise, in respect of Asean Resources.

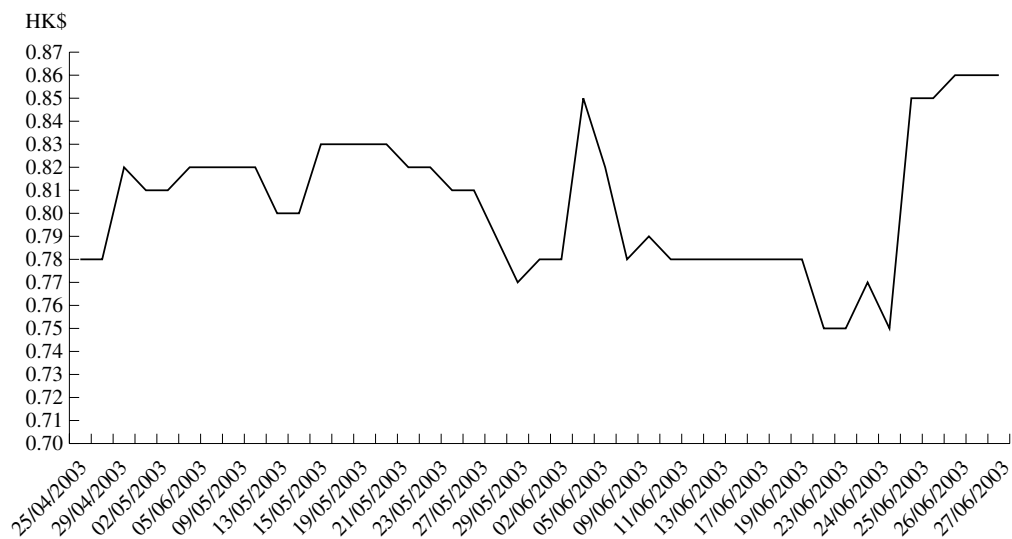
The present executive directors will resign on the closing date and new directors will be nominated by Mexan Group immediately following the despatch of the Document. The detailed background and credentials of the new executive directors and independent non-executive directors are set out in the letter from Kingston Securities and CSC Securities. Following completion of the Asean Resources offer, the then directors will conduct a review of the operation of the Asean Resources group, including the utilisation of the significant cash balance retained, with a view to enhancing its asset base and broadening its income stream by seeking further investments in synergistic or prospective business if such opportunities arise, which the offeror may think fit and are allowed under relevant regulatory provisions.

In these circumstances, it is not possible to calculate a price earnings multiple or dividend yield for the purpose of assessing the Asean Resources offer.

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4. Share price and liquidity of Asean Resources shares

- (i) *Asean Resources share price performance from and including 25th April, 2003 up to and including the latest practicable date (the “Ex-entitlement Period”)*



As shown in the above chart, the closing price of Asean Resources shares was within the range HK\$0.78 to HK\$0.86 during the Ex-entitlement Period from 25th April, 2003 to the latest practicable date. In our opinion, this price is largely determined for the time being by the availability of the offer at HK\$0.8784 per share and is not likely to be representative of the market price once the offer has closed.

The number of Asean Resources shares traded during the Ex-entitlement Period was 4,847,803 shares, representing 0.38% of the total shares in issue and 1.47% of the public float.

- (ii) *Historical share price*

Pursuant to the group reorganisation which was completed on 20th June, 2003, apart from the Property, related liabilities and cash, all the other subsidiaries, associated companies, investment and assets/liabilities of the Asean Resources group prior to the group reorganisation were transferred to Besteam, the shares of which were distributed to the Asean Resources shareholders on a one for one basis. The Asean Resources shares were traded cum-entitlement to the Besteam shares until 24th April, 2003.

- (a) Asean Resources share price performance since 24 months preceding 8th October, 2002 (the “Last Trading Day”), being the last trading day on which Asean Resources shares were traded on the Stock Exchange prior to the release of the announcement up to and including 24th April, 2003 (the “Cum-entitlement Period”)

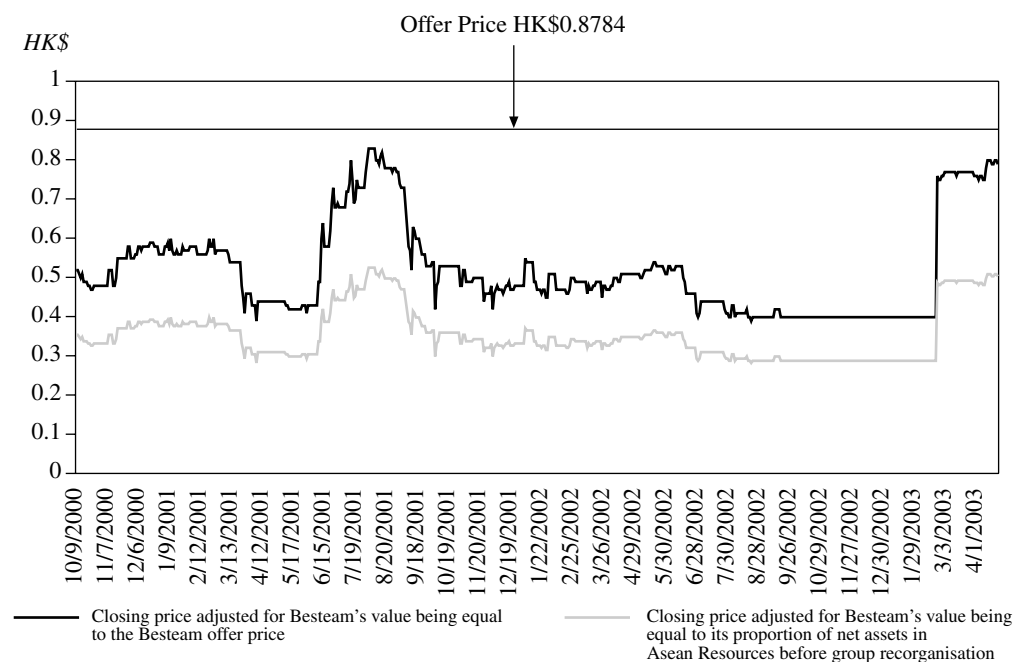
The offer price, which is based on the value of the Asean Resources group in its slimmed down form post-group reorganisation, is not directly comparable to the market price of Asean Resources shares up to and

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including 24th April, 2003, during which the Asean Resources shares were traded on the basis of the combined value of the Asean Resources group and the Besteam group. We have therefore adjusted the historical market price of the Asean Resources shares over the Cum-entitlement Period by deducting an assumed value of the Besteam shares. There is no open market value for the Besteam shares which are unlisted. However, the Besteam shares are subject to a separate unconditional voluntary offer at a cash consideration of HK\$0.1216 per Besteam share, which we have taken as the minimum value of the Besteam shares for adjustment purpose.

We have also calculated a market price of Besteam based on its proportion of approximately 55.2% of the Asean Resources group is net assets pre-group reorganisation. In our opinion, this is the maximum likely equivalent market value for Besteam shares.

Adjusted closing price of Asean Resources shares over the Cum-entitlement Period



Source: Bloomberg

As shown in the above chart, the closing price of Asean Resources shares would, after adjusting for Besteam offer price, be traded within the range of HK\$0.3884 to HK\$0.8284 and at most of the time below HK\$0.60. The adjusted closing price of Asean Resources shares was below the offer price of HK\$0.8784 over the entire period under review.

The adjusted closing price of Asean Resources shares rose to HK\$0.7584 on the first trading day after release of the announcement and remained at about that price up to 24th April, 2003.

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We have also included in the above chart a line which indicates the share price movements during the Cum-entitlement Period adjusted for Besteam's value being equal to its proportion of its net assets of the Asean Resources group pre-group reorganisation. The line shows that if adjusted on this basis, the Asean Resources share price would be traded in the range between HK\$0.2817 to HK\$0.5247. The price of the Asean Resources shares on this basis is consistently and substantially below the offer price.

Given the above, we are of the opinion that the Asean Resources offer has created for the Independent Shareholders an opportunity to realise their investment at a much more favourable price than has been available through the market prior to the announcement of the group reorganisation.

(iii) *Comparison of the offer price with the market price adjusted for the Besteam offer price and the market price on the latest practicable date.*

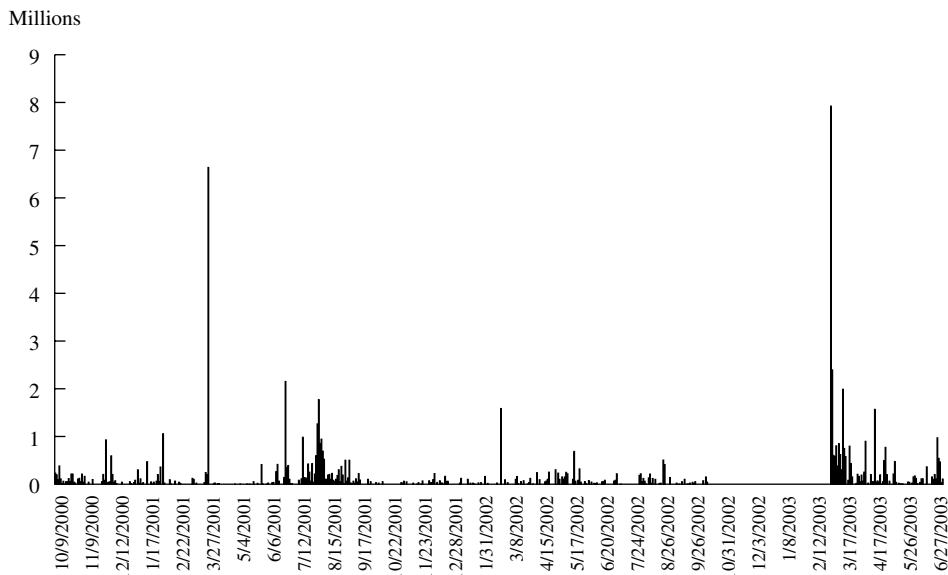
The offer price of HK\$0.8784 represents:

- a premium of approximately 120% to the adjusted closing price of HK\$0.3984 per Asean Resources share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 119% to the weighted average adjusted closing price (calculated on the basis of the daily closing prices which are weighted by the trading volume of the day) of approximately HK\$0.4014 per Asean Resources share as quoted on the Stock Exchange for 30 trading days up to and including the Last Trading Day;
- a premium of approximately 87% to the weighted average adjusted closing price of approximately HK\$0.4704 per Asean Resources share as quoted on the Stock Exchange for 180 trading days up to and including the Last Trading Day; and
- a premium of approximately 2% to the closing price of HK\$0.86 per Asean Resources share as quoted on the Stock Exchange on the latest practicable date.

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(iv) Liquidity

The following chart shows the daily trading volume of the Asean Resources shares for the 24 months preceding the Last Trading Day up to and including the latest practicable date:



Source: Bloomberg

As shown in the above chart, the trading of the Asean Resources shares has been very thin during the period under review and on many trading days was nil. Trading was suspended for a prolonged period (from 8th October, 2002 to 23rd February, 2003) pending the release of the announcement. The surge in volume during the end of the period under review was, in our view, due to the release of the announcement.

We believe that in the absence of the Asean Resources offer, the trading volume of Asean Resources shares is likely to return to the low levels experienced prior to the release of the announcement. Based on the above, in our opinion, the Asean Resources shares are normally relatively illiquid and it is unlikely that the Independent Shareholders as a body could sell significant numbers of their Asean Resources shares in the market or at all, or without causing downward pressure on the market price. The Asean Resources offer, on the other hand, provides the Independent Shareholders with an assured opportunity to sell their Asean Resources shares.

DISCUSSION AND CONCLUSION

Now that the group reorganisation has been implemented and the sale and purchase agreement has been completed, the former Asean Resources group has been split into two parts. The offer now being made to you is for the slimmed down Asean Resources group holding Elizabeth House, its associated debt and an amount of cash approximately equals to the debt. A separate offer is being made in respect of the Besteam shares distributed to the Asean Resources shareholders.

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Because of the group reorganisation, the cash amount of HK\$0.8784 available to you under the offer cannot be directly compared with the market price of Asean Resources prior to the group reorganisation. Although it can be compared to the price since the Asean Resources shares have traded “ex-entitlement” on 25th April, 2003, in our opinion, this price is principally determined by the availability of the offer and may not be representative of the price after the offer closes on 21st July, 2003. In our view, a fairer price comparison is that set out under section 4 of our letter, on which basis the offer represents a premium over the adjusted market price for the 180 trading days up to the Last Trading Day of approximately 87%. In our opinion, this premium is an attractive one.

Hong Kong listed property investment companies typically stand at a significant discount to their net asset value. Companies we consider comparable to Asean Resources stand at an average discount of approximately 53%. This compares with the discount of 22% at which the offer price stands as compared with the pro forma adjusted net asset value of Asean Resources. This suggests that the offer price is significantly higher than the price at which the shares could be expected to trade in the absence of the offer.

Prior to the implementation of the group reorganisation, the Asean Resources shares have been thinly traded during most periods. The Asean Resources offer presents the Independent Shareholders as a body with a good opportunity to realise their investment at a price we consider attractive.

The prospects for Asean Resources in the future depend very much on the new management to be appointed by Mexan Group. Mexan Group had previously described a possible injection of assets but following a ruling that this would result in Asean Resources being treated as a “new applicant for listing”, this asset injection will not proceed for the foreseeable future. Mexan Group has not formulated any specific alternative proposals for the time being. Consequently, it is not possible at this stage for us to assess whether acquisitions or other changes in policy to be introduced by Mexan Group may decrease the discount to net assets at which Asean Resources shares may be expected to stand or otherwise improve the historical rating of the Asean Resources shares.

RECOMMENDATION

Having taken into account the above factors and reasons, in particular the Asean Resources share price performance and liquidity before the announcement of the Asean Resources offer and the fact that the discount to pro forma adjusted net tangible assets represented by the offer price is much lower than that represented by the market prices of the comparable property companies, we consider that the terms of the Asean Resources offer are fair and reasonable so far as the Independent Shareholders are concerned and advise the independent board committee to recommend the Independent Shareholders to accept the Asean Resources offer.

Independent Shareholders who wish to accept the Asean Resources offer should monitor the Asean Resources share price performance during the Asean Resources offer period. Should the market price of the Asean Resources shares, net of transaction costs, exceed the offer price during the offer period, Independent Shareholders should not accept the Asean Resources offer but should instead sell their Asean Resources shares on the market.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

PROCEDURES FOR ACCEPTANCE

The number of the Asean Resources shares to which you are entitled to tender under the offer is set out in the form of acceptance enclosed with this composite document. To accept the offer, you should complete the form of acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the offer.

The completed form of acceptance in respect of the offer should then be forwarded, together with the relevant share certificate(s) and, or transfer receipt(s) and, or other document(s) of title (and, or any satisfactory indemnity or indemnities required in respect thereof) in respect of the whole of your Asean Resources shares or the number of Asean Resources shares in respect of which you accept the offer, by post or by hand to Tengis Limited at **Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong** marked "Asean Resources offer" on the envelope, as soon as practicable after receipt of the form of acceptance and in any event **not later than by 4:00 p.m. on Monday, 21st July, 2003** or such later time and, or date as the offeror may determine and announce.

No acknowledgement of receipt of any form of acceptance, share certificate(s) and, or transfer receipt(s) and, or other document(s) of title will be given.

If your Asean Resources shares have been lodged with your broker or custodian bank through CCASS, you should instruct your broker or custodian bank to authorise HKSCC Nominees Limited to accept the offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on 18th July, 2003 which is one business day before the latest date on which acceptances of the offer must be received by the registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker or custodian bank for the timing on processing of your instruction, and submit your instruction to your broker or custodian bank as required by them.

If your Asean Resources shares have been lodged with your Investor Participant Account with CCASS, you should authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one business day before the latest date on which acceptances of the offer must be received by the registrar, which is 18th July, 2003 in this case.

An acceptance may not be counted towards fulfilling an acceptance condition unless:–

- (a) it is received by the registrar on or before the latest time for acceptance at 4:00 p.m. on 21st July, 2003 and the registrar has recorded that the acceptance has been so received; and
- (b) the form of acceptance is duly completed and is:–
 - (i) accompanied by share certificate(s) in respect of the relevant Asean Resources shares and, if those certificate(s) is, are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Asean Resources shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Asean Resources shares; or
 - (ii) from a registered holder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Asean Resources shares which are not taken into account under another sub-paragraph of this paragraph (b)); or
 - (iii) certified by the registrar.

If the form of acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the form of acceptance.

SETTLEMENT

Provided that the relevant form of acceptance and the relevant share certificate(s) and, or transfer receipt(s) and, or any document(s) of title (and, or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the registrar not later than by 4:00 p.m. on Monday, 21st July, 2003, a cheque for the amount representing the cash consideration due to you in respect of the Asean Resources shares tendered by you under the offer, less seller's ad valorem stamp duty payable by you will be despatched to you by ordinary post at your own risk within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the registrar.

Settlement of the consideration to which any accepting qualifying shareholder is entitled under the offer will be implemented in full in accordance with the terms of the offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the offeror may otherwise be, or claim to be, entitled against such accepting qualifying shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all qualifying shareholders, those qualifying shareholders who hold the Asean Resources shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Asean Resources shares, whose investments are registered in nominees' names, to accept the offer, it is essential that they provide instructions to their nominees of their intentions with regard to the offer.

The completed form of acceptance in respect of the offer, together with the relevant share certificate(s) and, or transfer receipt(s) and, or other document(s) of title (and, or any satisfactory indemnity or indemnities required in respect thereof) and remittances sent by or to the qualifying shareholders through ordinary post will be sent by or to them at their own risk. All such documents and remittances will be sent to them at their addresses as appear in the register of members of Asean Resources, or in the case of joint qualifying shareholders, to the qualifying shareholder whose name stands first in the register of members of Asean Resources.

All such documents and remittances will be sent at the risk of the qualifying shareholders and none of the offeror, Asean Resources, Kingston Securities, CSC Securities, any of their respective directors and any other persons involved in the offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ACCEPTANCE PERIOD AND REVISIONS

The offeror reserves the right, subject to the Takeovers Code, to extend the offer after the despatch of this composite document or to revise it, either in its terms and conditions or in the value or nature of the consideration offered or otherwise.

Unless the offer has previously been extended or revised, the offer will close at 4:00 p.m. on Monday, 21st July, 2003.

If the offer is extended or revised, a teletext announcement of such extension or revision will be issued by the offeror through the Stock Exchange by 7:00 p.m. on the closing date which either states the next closing date or the offer will remain open until further notice. If the offer is extended or revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those qualifying shareholders who have not accepted the offer and, unless previously extended or revised, shall be closed at 4:00 p.m. on the subsequent closing date. The benefit of any revision of the offer will be available to any qualifying shareholders who have previously accepted the offer. The execution by or on behalf of any qualifying shareholders who have previously accepted the offer of any form of acceptance shall be deemed to constitute acceptance of the revised offer.

In order to be valid, acceptances must be received by the registrar, Tengis Limited at **Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong** in accordance with the instructions printed on the form of acceptance by 4:00 p.m. on Monday, 21st July, 2003, unless the offer is extended or revised on or before the closing date.

If the closing date is not a business day, the closing date shall be deemed to fall on the next day which is a business day and, any announcement required to be given on a closing date shall be properly given if made on the next following business day.

The offeror may introduce new conditions to be attached to any revision to the offer, or any subsequent revision thereof but only to the extent necessary to implement the revised offer and subject to the consent of the Executive.

If the closing date is extended, any reference in this composite document and in the form of acceptance shall, except where the context otherwise requires, be deemed to refer to the closing date of the offer so extended.

ANNOUNCEMENTS

By 6:00 p.m. on the closing date, or such later time and, or date as the Executive agrees, the offeror shall inform the Executive and the Stock Exchange of its intentions in relation to the extension, or expiry of the offer. The offeror shall publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the closing date stating whether the offer has been revised or extended. Such announcement will be republished in accordance with the Takeovers Code on the next business day thereafter, which shall state the total number of Asean Resources shares:

- (i) for which acceptances of the offer have been received;
- (ii) held, controlled or directed before the date of commencement of the offer period; and
- (iii) acquired or agreed to be acquired during the offer period by the offeror or any persons acting in concert with it.

The announcement shall include the details of voting rights, rights over shares, derivatives and arrangements as required by Rules 3.5(c), (d) and (f) of the Takeovers Code. The announcement shall also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

In computing the number of Asean Resources shares represented by acceptances, there may be included or excluded, for announcement purposes, acceptances which are not in all respects in order or are subject to verification.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the offer in respect of which the Executive and, if applicable, the Stock Exchange have confirmed that they have no further comments, must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

RIGHT OF WITHDRAWAL

Acceptances to the offer tendered by the qualifying shareholders shall be irrevocable and cannot be withdrawn.

If the offeror is unable to comply with the announcements requirements set out in this appendix I, the Executive may require that the acceptors be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that paragraph are met.

GENERAL

- (a) Acceptance of the offer by any person will be deemed to constitute a warranty by such person to the offeror and Asean Resources that the Asean Resources shares sold under the offer are sold or tendered by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant Asean Resources shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the acceptance of the offer.
- (b) All communications, notices, forms of acceptance together with the relevant share certificate(s) and, or transfer receipt(s) and, or other document(s) of title (and, or any satisfactory indemnity or indemnities required in respect thereof), remittances to settle the consideration payable under the offer to be delivered by or sent to or from the accepting qualifying shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risks, and none of the offeror, Asean Resources, Kingston Securities, CSC Securities and any of their respective directors accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (c) The provisions set out in the form of acceptance form part of the terms of the offer.
- (d) The accidental omission to despatch this composite document, the form of acceptance or any of them to any person to whom the offer is made will not invalidate the offer in any way.
- (e) The offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the laws of Hong Kong.
- (f) References to the offer in this composite document and in the form of acceptance shall include any revision or extension thereof.
- (g) Due execution of the form of acceptance will constitute an irrevocable authority to any director of the offeror or Kingston Securities or CSC Securities or such person or persons as any of the offeror or Kingston Securities or CSC Securities may direct to complete and execute, on behalf of the person accepting the offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in the offeror, or such other person(s) as the offeror shall direct the Asean Resources shares which are the subject to such acceptance.
- (h) The English text of this composite document and the form of acceptance shall prevail over their respective Chinese texts.

FINANCIAL SUMMARY

The following is a summary of the audited consolidated profit and loss account and consolidated balance sheet of the Asean Resources group for the three years ended 31st March, 2000, 31st March, 2001 and 31st March, 2002 extracted from the relevant annual reports of Asean Resources.

	Year ended 31st March,		
	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RESULTS			
Turnover	<u>615,055</u>	<u>686,788</u>	<u>372,145</u>
(Loss)/profit before taxation	(164,532)	(191,291)	103,882
Taxation	<u>(1,998)</u>	<u>(4,731)</u>	<u>(20,456)</u>
(Loss)/profit after taxation	(166,530)	(196,022)	83,426
Minority interests	<u>(16,928)</u>	<u>(78,721)</u>	<u>39</u>
(Loss)/profit attributable to shareholders	(183,458)	(274,743)	83,465
Dividend	<u>–</u>	<u>–</u>	<u>(12,865)</u>
(Loss)/profit for the year retained	<u>(183,458)</u>	<u>(274,743)</u>	<u>70,600</u>
Dividend per share	<u>–</u>	<u>–</u>	<u>1.00 cent</u>
(Loss)/earnings per share			
– Basic	<u>(14.26 cents)</u>	<u>(21.36 cents)</u>	<u>6.49 cents</u>
ASSETS AND LIABILITIES			
Total assets	4,306,575	4,837,657	5,301,714
Total liabilities	(887,521)	(1,010,989)	(983,466)
Minority interests	<u>(114,844)</u>	<u>(231,491)</u>	<u>(152,953)</u>
Shareholders' funds	<u>3,304,210</u>	<u>3,595,177</u>	<u>4,165,295</u>

FINANCIAL STATEMENTS

The following is a summary of the audited consolidated accounts of the Asean Resources group for the two years ended 31st March, 2001 and 31st March, 2002 as extracted from the relevant annual report of Asean Resources.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	615,055	686,788
Cost of sales		<u>(711,276)</u>	<u>(430,353)</u>
		(96,221)	256,435
Other revenues	2	17,677	11,255
Administrative expenses		<u>(57,476)</u>	<u>(56,990)</u>
(Loss)/profit from operations	3	(136,020)	210,700
Finance costs	4	(31,556)	(50,117)
Share of results of associated companies		3,044	(18,204)
Write down in value of listed securities		<u>–</u>	<u>(333,670)</u>
Loss before taxation		(164,532)	(191,291)
Taxation	5	<u>(1,998)</u>	<u>(4,731)</u>
Loss after taxation		(166,530)	(196,022)
Minority interests		<u>(16,928)</u>	<u>(78,721)</u>
Loss attributable to shareholders	<i>6 & 21</i>	<u><u>(183,458)</u></u>	<u><u>(274,743)</u></u>
Loss per share	8		
– Basic		<u><u>(14.26 cents)</u></u>	<u><u>(21.36 cents)</u></u>

CONSOLIDATED BALANCE SHEET*As at 31st March, 2002*

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fixed assets	<i>10</i>	1,932,936	1,939,032
Investments in associated companies	<i>12</i>	1,027,265	1,212,280
Properties held for/under development	<i>13</i>	240,135	726,779
Long term investments	<i>14</i>	3,001	3,424
Long term receivable	<i>15</i>	6,774	–
Current assets			
Accounts and other receivables, deposits and prepayments	<i>16</i>	159,054	460,152
Properties held for sale	<i>17</i>	229,541	371,734
Other investments	<i>18</i>	3,847	65,151
Tax recoverable		–	2
Cash and bank balances		704,022	59,103
		1,096,464	956,142
Current liabilities			
Accounts payable, deposits received and accrued charges	<i>19</i>	65,072	91,422
Taxation		5,723	5,723
Dividend payable		481	762
Bank overdrafts	<i>22</i>	–	14,875
Bank loans, unsecured	<i>22</i>	–	60,000
Bank loans, secured	<i>22</i>	44,851	354,939
		116,127	527,721
Net current assets		980,337	428,421
Total assets less current liabilities		<u>4,190,448</u>	<u>4,309,936</u>
Financed by:			
Share capital	<i>20</i>	128,648	128,648
Reserves	<i>21</i>	3,175,562	3,466,529
Shareholders' funds		3,304,210	3,595,177
Minority interests		114,844	231,491
Bank loans, secured	<i>22</i>	771,394	483,268
		<u>4,190,448</u>	<u>4,309,936</u>

APPENDIX II FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP

BALANCE SHEET

As at 31st March, 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Investments in subsidiaries	<i>11</i>	2,283,945	1,976,779
Current assets			
Accounts and other receivables, deposits and prepayments		16	8
Cash and bank balances		1,292	1,295
		1,308	1,303
Current liabilities			
Accounts payable, deposits received and accrued charges		473	887
Dividend payable		481	762
Bank loans, unsecured	<i>22</i>	–	60,000
		954	61,649
Net current assets/(liabilities)		354	(60,346)
Total assets less current liabilities		2,284,299	1,916,433
Financed by:			
Share capital	<i>20</i>	128,648	128,648
Reserves	<i>21</i>	2,155,651	1,787,785
Shareholders' funds		2,284,299	1,916,433

APPENDIX II	FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP
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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net cash inflow from operating activities	<i>24(a)</i>	452,757	142,446
Returns on investments and servicing of finance			
Interest received		8,823	5,177
Interest paid		(35,647)	(84,051)
Dividends received from an associated company		–	1,979
Dividends received from quoted investments		2,145	253
Dividends paid		(3)	(12,786)
Net cash outflow from returns on investments and servicing of finance		(24,682)	(89,428)
Taxation			
Hong Kong profits tax refunded		2	24
Overseas tax paid		–	(377)
Total tax refunded/(paid)		2	(353)
Investing activities			
Purchase of fixed assets, properties held for/under development and long term investments		(11,815)	(125,344)
Purchase of subsidiaries, net of cash and cash equivalents acquired		–	(670)
Proceeds from disposal of interests in subsidiaries	<i>24(b)</i>	291,748	29,400
Decrease in investments in associated companies		–	57,224
Net amounts repaid from/(advanced to) associated companies		100,389	(78,949)
Proceeds from capital repayment of long term investments		1,035	–
Proceeds from disposal of fixed assets		1,885	1,900
Net cash inflow/(outflow) from investing activities		383,242	(116,439)
Net cash inflow/(outflow) before financing		811,319	(63,774)

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Financing			
Bank loans raised	<i>24(c)</i>	248,000	112,248
Repayment of bank loans	<i>24(c)</i>	(329,962)	(124,580)
Decrease in bank deposits pledged for banking facilities	<i>24(c)</i>	–	56,225
(Repayment of loans)/contributions from minority shareholders	<i>24(c)</i>	(125,550)	26,414
Net cash (outflow)/inflow from financing		<u>(207,512)</u>	<u>70,307</u>
Increase in cash and cash equivalents		603,807	6,533
Cash and cash equivalents at the beginning of the year		107,862	105,154
Effect of foreign exchange rate changes		<u>(3,800)</u>	<u>(3,825)</u>
Cash and cash equivalent at the end of the year		<u><u>707,869</u></u>	<u><u>107,862</u></u>
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		704,022	59,103
Quoted investments		3,847	63,634
Bank overdrafts		–	(14,875)
		<u><u>707,869</u></u>	<u><u>107,862</u></u>

APPENDIX II	FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP
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CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st March, 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Revaluation deficit on investment properties	21	(7,845)	(102,580)
Exchange differences arising on translation of a subsidiary	21	(3,800)	(3,825)
Share of post-acquisition reserve movements of associated companies	21	(85,672)	(10,831)
Reserves released upon reclassification of an associated company	21	–	(132,467)
Net losses not recognised in the consolidated profit and loss account		(97,317)	(249,703)
Loss attributable to shareholders	21	(183,458)	(274,743)
<i>Less: Revaluation reserves realised upon disposal of properties</i>	21	(11,170)	(32,557)
Total recognised losses		(291,945)	(557,003)
Goodwill arising on acquisition of subsidiaries	21	–	(250)
Reserve released upon disposal of a subsidiary	21	978	–
		(290,967)	(557,253)

NOTES TO THE ACCOUNTS

For the year ended 31st March, 2002

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new SSAPs does not have any material effect on the result for the year ended 31st March, 2001.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. A subsidiary is a company in which the Company, directly or indirectly, controls the composition of the board of directors, or controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulative amortisation) on acquisition.

In arriving at the Group's share of results and net asset value of the associated companies, the hotel properties owned by the associated companies were valued based on their open market value. In addition, no depreciation is provided on hotel properties held on leases of more than 20 years as the directors consider that the value of the hotel properties would not materially diminish over time due to the fact that hotel properties would be maintained in a continuous state of proper repair and improvements would be made thereto from time to time.

The Group's share of revaluation surplus of the hotel properties owned by associated companies is accounted for as other properties revaluation reserve in the consolidated accounts of the Group. Subsequent decreases in valuation are first set off against surplus from earlier valuations and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

Certain associated companies have their financial year ended on 31st December which are not co-terminous with that of the Company. Accordingly, these companies have been equity accounted for based on the audited results for the nine months up to 31st December and the management accounts for the remaining period.

(c) **Fixed assets**

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations of an investment property is released from the revaluation reserve to the profit and loss account.

(ii) *Other tangible fixed assets*

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of other tangible fixed assets is calculated to write off their costs less accumulated impairment losses on a straight line basis over their estimated useful lives to the Group. The principal annual rates of depreciation are as follows:

Furniture, fixtures and equipment	10% – 20%
Motor vehicles and others	10% – 20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

The gain or loss on disposal of other tangible fixed assets are the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that other tangible fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(d) Properties held for/under development

Properties held for/under development comprise land at cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification, and development costs including construction expenditure and attributable interest and professional charges capitalised during the development period, less incidental rental income.

(e) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies at the date of acquisition.

Goodwill on acquisition occurring on or after 1st April, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st April, 2001 was written off against reserves and has not been restated as is allowed under the transitional provision in SSAP 30. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1st April, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisition prior to 1st April, 2001, negative goodwill was taken directly to reserves on acquisition and has not been restated as is allowed by the transitional provision in SSAP 30.

(f) Investments

Long term investments are stated at cost less any provision made to the extent that the directors consider significant permanent diminution in value has taken place. The carrying amounts of these investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

Quoted and unquoted investments held for trading purposes are carried at fair value on a portfolio basis. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of these investments are recognised in the profit and loss account. Profits or losses on disposal of these investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the acquisition cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) Taxation

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

(m) Revenue recognition

Revenues from the sale of property interests and securities trading are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from pre-sale of properties are recognised by reference to the stage of completion of construction work, which is measured by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion with due allowance for contingent.

Operating lease rental income is recognised on a straight line basis.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Retirement benefit costs

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund (“MPF”) service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to the profit and loss account.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be readied for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

The Group has determined that business segments be presented as the primary reporting format. No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated segment assets are attributable to markets outside Hong Kong.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property assets and exclude items such as other receivables and cash and bank balance. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to investment properties.

(q) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are taken directly to the exchange reserve.

(r) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. REVENUE AND TURNOVER

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the year are as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of property interests	472,280	–
Pre-sale of property interests	–	591,210
Rental income	91,754	92,759
Proceeds from securities trading	48,876	2,566
Dividend income from quoted investments	2,145	253
	<u>615,055</u>	<u>686,788</u>
Turnover		
Interest income	12,311	5,177
Other income	5,366	6,078
	<u>17,677</u>	<u>11,255</u>
Other revenues		
Total revenues	<u><u>632,732</u></u>	<u><u>698,043</u></u>

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

- Property rental
- Property development and investment
- Securities investment and trading

Other operations of the Group comprise investments in associated companies, whose principal activity is hotel ownership.

There are no sales or other transactions between the business segments.

APPENDIX II

FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP

	Property rental 2002 HK\$'000	Property development and investment 2002 HK\$'000	Securities investment and trading 2002 HK\$'000	Other operations 2002 HK\$'000	Consolidated 2002 HK\$'000
Turnover	<u>91,754</u>	<u>472,280</u>	<u>51,021</u>	<u>–</u>	<u>615,055</u>
Segment result	<u>86,646</u>	<u>(171,025)</u>	<u>(11,842)</u>	<u>–</u>	<u>(96,221)</u>
Unallocated corporate expenses (net)					<u>(52,110)</u>
Interest income					(148,331)
Finance costs					12,311
Share of results of associated companies	–	(29,237)	–	32,281	<u>3,044</u>
Loss before taxation					(164,532)
Taxation					<u>(1,998)</u>
Loss after taxation					(166,530)
Minority interests					<u>(16,928)</u>
Loss attributable to shareholders					<u>(183,458)</u>
Segment assets	1,936,777	484,459	4,350	–	2,425,586
Investments in associated companies	–	50,340	–	976,925	1,027,265
Unallocated corporate assets					<u>853,724</u>
Consolidated total assets					<u>4,306,575</u>
Segment liabilities	23,167	31,499	–	–	54,666
Unallocated corporate liabilities					<u>832,855</u>
Consolidated total liabilities					<u>887,521</u>
Capital expenditure	5,345	–	–	–	

APPENDIX II

FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP

	Property rental 2001 HK\$'000	Property development and investment 2001 HK\$'000	Securities investment and trading 2001 HK\$'000	Other operations 2001 HK\$'000	Consolidated 2001 HK\$'000
Turnover	<u>92,759</u>	<u>591,210</u>	<u>2,819</u>	<u>–</u>	<u>686,788</u>
Segment result	<u>87,381</u>	<u>175,139</u>	<u>(6,085)</u>	<u>–</u>	<u>256,435</u>
Unallocated corporate expenses (net)					<u>(50,912)</u>
					<u>205,523</u>
Write down in value of listed securities					<u>(333,670)</u>
Interest income					<u>5,177</u>
Finance costs					<u>(50,117)</u>
Share of results of associated companies	–	(27)	–	(18,177)	<u>(18,204)</u>
Loss before taxation					<u>(191,291)</u>
Taxation					<u>(4,731)</u>
Loss after taxation					<u>(196,022)</u>
Minority interests					<u>(78,721)</u>
Loss attributable to shareholders					<u>(274,743)</u>
Segment assets	1,940,147	1,516,232	66,615	–	3,522,994
Investments in associated companies	–	77,578	–	1,134,702	1,212,280
Unallocated corporate assets					<u>102,383</u>
Consolidated total assets					<u>4,837,657</u>
Segment liabilities	28,664	52,452	–	–	81,116
Unallocated corporate liabilities					<u>929,873</u>
Consolidated total liabilities					<u>1,010,989</u>

- (b) No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated (loss)/profit from operations of the Group are attributable to markets outside Hong Kong.

3. (LOSS)/PROFIT FROM OPERATIONS

	2002 HK\$'000	Group 2001 HK\$'000
(Loss)/profit from operations is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	91,754	92,759
<i>Less: outgoings</i>	(1,220)	(3,260)
Net rental income from investment properties	90,534	89,499
Gain on disposal of fixed assets	752	–
	<u>752</u>	<u>–</u>
Charging		
Auditors' remuneration		
– current year	993	1,072
– underprovision in previous year	55	159
	<u>1,048</u>	<u>1,231</u>
Operating leases of land and buildings	2,576	977
Depreciation of fixed assets	1,763	6,156
Bad debts written off	20,954	2,293
Staff costs	19,677	23,555
Realised and unrealised losses on quoted investments	12,952	6,338
Loss on disposal of fixed assets	–	4,770
	<u>–</u>	<u>4,770</u>

4. FINANCE COSTS

Finance costs comprise the following:

	2002 HK\$'000	Group 2001 HK\$'000
Interest on bank loans and overdrafts		
– wholly payable within five years	7,588	53,706
– not wholly payable within five years	28,059	30,304
Interest on other loans		
– wholly payable within five years	33	41
	<u>33</u>	<u>41</u>
Total borrowing costs incurred	35,680	84,051
<i>Less: amounts capitalised in properties held for/under development (note 13)</i>	(4,497)	(35,597)
	<u>(4,497)</u>	<u>(35,597)</u>
Bank facilities arrangement fee	31,183	48,454
	373	1,663
	<u>31,556</u>	<u>50,117</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
– current	–	–
Overseas taxation		
– current	–	30
– under provision in prior years	–	347
	<hr/>	<hr/>
	–	377
Share of taxation attributable to associated companies	1,998	4,354
	<hr/>	<hr/>
	1,998	4,731
	<hr/> <u>1,998</u>	<hr/> <u>4,731</u>

Deferred taxation charge/(credit) for the year has not been provided in respect of the following:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated depreciation allowance	258	28
Other timing differences	2,547	(2,365)
	<hr/>	<hr/>
	2,805	(2,337)
	<hr/> <u>2,805</u>	<hr/> <u>(2,337)</u>

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss attributable to shareholders is a profit of HK\$367,866,000 (2001: HK\$3,881,000) which is dealt with in the Company's own accounts.

7. RETIREMENT BENEFIT COSTS

Pursuant to the MPF Schemes Ordinance which became effective on 1st December, 2000, all employees of the Group in Hong Kong aged between 18 and 65 are enrolled in a MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers according to the MPF Schemes Ordinance (the "MPF contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31st December, 2000 if their relevant income is more than HK\$4,000 per month. The MPF contribution are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

The MPF contribution made by the Group during the year amounted to HK\$342,000 (2001: HK\$140,000) of which HK\$28,000 (2001: HK\$33,000) remains payable as at 31st March, 2002.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$183,458,000 (2001: HK\$274,743,000) and on 1,286,482,836 shares (2001: 1,286,482,836 shares) in issue during the year.

For the year ended 31st March, 2002 and 2001, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

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9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	120	96
Salaries, allowances and benefits in kind	7,573	9,652
MPF contribution	36	16
	7,729	9,764
	7,729	9,764

Directors' fees include HK\$24,000 (2001: HK\$36,000) paid to the independent non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
<i>HK\$</i>		
0 – 1,000,000	7	5
1,000,001 – 1,500,000	1	2
2,000,001 – 2,500,000	1	1
3,500,001 – 4,000,000	1	–
4,000,001 – 4,500,000	–	1

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31st March, 2002 and 31st March, 2001.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: four) directors whose emoluments are reflected in the analysis presented in note 9(a) above. The emoluments payable to the remaining two (2001: one) individuals during the year are as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,189	1,527
MPF contribution	24	4
	2,213	1,531
	2,213	1,531

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
<i>HK\$</i>		
0 – 1,000,000	1	–
1,000,001 – 1,500,000	1	–
1,500,001 – 2,000,000	–	1

10. FIXED ASSETS – Group

	Investment properties <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation				
At 1st April, 2001	1,932,000	8,974	16,105	1,957,079
Additions	5,345	207	414	5,966
Adjustment on revaluation (<i>note 21</i>)	(7,845)	–	–	(7,845)
Disposals	(2,230)	(286)	(5,793)	(8,309)
Disposal of subsidiaries	–	–	(4,116)	(4,116)
	<u>1,927,270</u>	<u>8,895</u>	<u>6,610</u>	<u>1,942,775</u>
Accumulated depreciation				
At 1st April, 2001	–	3,018	15,029	18,047
Charge for the year	–	1,373	390	1,763
Disposals	–	(268)	(5,587)	(5,855)
Disposal of subsidiaries	–	–	(4,116)	(4,116)
	<u>–</u>	<u>4,123</u>	<u>5,716</u>	<u>9,839</u>
Net book value				
At 31st March, 2002	<u>1,927,270</u>	<u>4,772</u>	<u>894</u>	<u>1,932,936</u>
At 31st March, 2001	<u>1,932,000</u>	<u>5,956</u>	<u>1,076</u>	<u>1,939,032</u>

The analysis of the cost or valuation of the above assets at 31st March, 2002 is as follows:

	Investment properties <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	–	8,895	6,610	15,505
At 2002 professional valuation	<u>1,927,270</u>	<u>–</u>	<u>–</u>	<u>1,927,270</u>
	<u>1,927,270</u>	<u>8,895</u>	<u>6,610</u>	<u>1,942,775</u>

The analysis of the cost or valuation of the above assets at 31st March, 2001 is as follows:

	Investment properties <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	–	8,974	16,105	25,079
At 2001 professional valuation	<u>1,932,000</u>	<u>–</u>	<u>–</u>	<u>1,932,000</u>
	<u>1,932,000</u>	<u>8,974</u>	<u>16,105</u>	<u>1,957,079</u>

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The Group's interests in investment properties are analysed as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on leases of over 50 years	1,920,020	1,924,100
Outside Hong Kong, held on leases of over 50 years	7,250	7,900
	1,927,270	1,932,000

Investment properties were revalued at 31st March, 2002 on the basis of their open market value by independent property valuers, DTZ Debenham Tie Leung Limited.

At 31st March, 2002, the carrying value of investment properties pledged as securities for banking facilities granted to the Group (note 22) amounted to HK\$1,912,300,000 (2001: HK\$1,912,800,000).

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares at cost	1	938,181
Amounts due from subsidiaries	2,283,944	1,038,598
	2,283,945	1,976,779

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 29 to the accounts.

STATEMENT PURSUANT TO PARAGRAPH 25 OF THE TENTH SCHEDULE OF THE COMPANIES ORDINANCE

The following subsidiary's financial year is not co-terminous with that of Company:

	Accounting date of subsidiary	Length of accounting period of subsidiary	Reason for using different accounting date
南華投資股份有限公司	31st December	12 months	Compliance with local regulations

12. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	604,261	688,887
Amounts due from associated companies	423,045	523,444
Amounts due to associated companies	(41)	(51)
	1,027,265	1,212,280

Particulars of principal associated companies are set out in note 30 to the accounts.

The amounts due from and due to associated companies are unsecured, non-interest bearing and have no fixed terms of repayment.

Information on material associated companies

The principal activity of the Group's material associated company, New Unity Holdings Ltd., through its subsidiaries, is the ownership of hotels in Hong Kong. The financial information of New Unity Holdings Ltd., whose results and financial position are material in the context of the Group's accounts, is summarised below.

The financial year ends for the principal subsidiaries of New Unity Holdings Ltd. are not co-terminous with that of the Company, and the information set out below is compiled based on information extracted from the audited consolidated accounts for the year ended 31st December, 2001 and the unaudited consolidated management accounts for the three month period to 31st March, 2002, adjusted to comply with the Group's accounting policies.

	New Unity Holdings Ltd.	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit and loss account		
– Year ended 31st March		
Turnover	725,658	823,124
Profit before taxation	64,575	70,640
Profit after taxation and minority interests	<u>60,580</u>	<u>66,388</u>
Profit attributable to the Group	<u>30,290</u>	<u>33,194</u>
Balance sheet – As at 31st March		
Long term assets	4,447,321	4,668,630
Current assets	243,481	226,713
Current liabilities	<u>(190,165)</u>	<u>(319,882)</u>
Net current assets/(liabilities)	----- 53,316	----- (93,169)
Long term liabilities	(2,869,416)	(2,805,025)
Minority interests	<u>(346,997)</u>	<u>(375,450)</u>
	----- (3,216,413)	----- (3,180,475)
Shareholders' funds	<u>1,284,224</u>	<u>1,394,986</u>
Net assets attributable to the Group	<u>642,112</u>	<u>697,493</u>

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13. PROPERTIES HELD FOR/UNDER DEVELOPMENT

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
Cost		
Balance brought forward	726,779	1,303,696
Additions	20,346	258,546
Disposals	(506,990)	(463,729)
	240,135	1,098,513
Transfer to properties held for sale	–	(371,734)
	240,135	726,779
	240,135	726,779
Held on:		
Leases of over 50 years	213,167	205,856
Leases of between 10 to 50 years	26,968	520,923
	240,135	726,779
	240,135	726,779

All the properties held for/under development are situated in Hong Kong.

Included in additions during the year is interest capitalised of HK\$4,497,000 (2001: HK\$35,597,000).

14. LONG TERM INVESTMENTS

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
Unquoted investments, at cost net of provision	3,001	3,424
	3,001	3,424
	3,001	3,424

15. LONG TERM RECEIVABLE

Long term receivable carry interest at 1.75% above the Hong Kong dollar prime lending rate with an interest free period of 2 years from the respective dates when the amounts were drawn. Repayment will commence after the expiry of the interest free period and will be by instalments over a period of 18 years thereafter.

16. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in accounts and other receivables is an amount of HK\$105,000,000 which represents a loan to a listed company in Hong Kong. The loan is unsecured, interest bearing at 1% above the Hong Kong dollar prime lending rate and repayable in full in November 2002.

At 31st March, 2002, rental receivable including related interests amounted to HK\$8,444,000 (2001: HK\$8,147,000) and the ageing analysis was as follows:

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
Current	3,348	4,120
31 – 60 days	2,461	537
61 – 90 days	1,618	539
Over 90 days	1,017	2,951
	8,444	8,147
	8,444	8,147

17. PROPERTIES HELD FOR SALE

All properties held for sale are situated in Hong Kong.

18. OTHER INVESTMENTS

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Quoted investments, at fair value		
– Hong Kong	3,773	63,560
– Overseas	74	74
	<u>3,847</u>	<u>63,634</u>
Unquoted investments, at fair value		
– Overseas	–	1,517
	<u>3,847</u>	<u>65,151</u>

19. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the accounts payable, deposits received and accrued charges are rental deposits, construction costs payable and accruals.

Rental deposits amounting to HK\$21,764,000 (2001: HK\$24,479,000) are repayable when the tenancy contracts lapse.

At 31st March, 2002, the ageing analysis of the construction costs payable were as follows:

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Current	224	2,128
31 – 60 days	–	53
61 – 90 days	26	–
	<u>250</u>	<u>2,181</u>

Construction cost accruals, including retention money, amounted to HK\$16,576,000 (2001: HK\$48,273,000) and are payable in accordance with the terms of the construction contracts.

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Value	
	2002	2001	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<i>Authorised:</i>				
Balance brought forward and carried forward	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>				
Balance brought forward and carried forward	<u>1,286,482,836</u>	<u>1,286,482,836</u>	<u>128,648</u>	<u>128,648</u>

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

Under the share option scheme adopted by the Company on 8th September, 1998 and expired after 7th September, 2001, 79,682,000 and 24,518,000 share options were granted to certain directors of the Company and employees of the Group respectively during the year ended 31st March, 2000. These share options are exercisable during the period from 21st March, 2000 to 20th March, 2003 and entitle the holders thereof to subscribe for ordinary shares of HK\$0.10 each of the Company at a subscription price of HK\$0.68 per share (subject to adjustment). None of these share options has been exercised, lapsed or cancelled since the date of grant and no other share options were granted during the year.

21. RESERVES

Group

	Special reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve – investment properties HK\$'000	Revaluation reserve – held for/ under development properties HK\$'000	Revaluation reserve – other properties HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2000	435,421	929,824	129	1,402,035	58,305	433,867	215,125	(5,358)	554,434	4,023,782
Deficit arising on revaluation	-	-	-	(102,580)	-	-	-	-	-	(102,580)
Revaluation reserve realised upon disposal of properties	-	-	-	-	(32,557)	-	-	-	-	(32,557)
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	(3,825)	-	(3,825)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	-	-	(250)	-	-	(250)
Reserves released upon reclassification of an associated company	-	-	-	-	-	-	(138,973)	6,506	-	(132,467)
Share of post-acquisition reserve movements of an associated company	-	-	-	-	-	-	(1,749)	(9,082)	-	(10,831)
Loss for the year	-	-	-	-	-	-	-	-	(274,743)	(274,743)
At 31st March, 2001	<u>435,421</u>	<u>929,824</u>	<u>129</u>	<u>1,299,455</u>	<u>25,748</u>	<u>433,867</u>	<u>74,153</u>	<u>(11,759)</u>	<u>279,691</u>	<u>3,466,529</u>
Retained by:										
Company and subsidiaries	435,421	929,824	129	1,299,455	25,748	-	(2,265)	(11,759)	101,089	2,777,642
Associated companies	-	-	-	-	-	433,867	76,418	-	178,602	688,887
	<u>435,421</u>	<u>929,824</u>	<u>129</u>	<u>1,299,455</u>	<u>25,748</u>	<u>433,867</u>	<u>74,153</u>	<u>(11,759)</u>	<u>279,691</u>	<u>3,466,529</u>
At 1st April, 2001	435,421	929,824	129	1,299,455	25,748	433,867	74,153	(11,759)	279,691	3,466,529
Deficit arising on revaluation (note 10)	-	-	-	(7,845)	-	-	-	-	-	(7,845)
Revaluation reserves realised upon disposal of properties	-	-	-	(1,321)	(9,849)	-	-	-	-	(11,170)
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	(3,800)	-	(3,800)
Reserve released upon disposal of a subsidiary	978	-	-	-	-	-	-	-	-	978
Share of post-acquisition reserve movements of associated companies	-	-	-	-	-	(85,672)	-	-	-	(85,672)
Transfer of reserves	(436,399)	-	-	-	-	-	(4,161)	-	440,560	-
Loss for the year	-	-	-	-	-	-	-	-	(183,458)	(183,458)
At 31st March, 2002	<u>-</u>	<u>929,824</u>	<u>129</u>	<u>1,290,289</u>	<u>15,899</u>	<u>348,195</u>	<u>69,992</u>	<u>(15,559)</u>	<u>536,793</u>	<u>3,175,562</u>
Retained by:										
Company and subsidiaries	-	929,824	129	1,290,289	15,899	-	(6,426)	(15,559)	357,145	2,571,301
Associated companies	-	-	-	-	-	348,195	76,418	-	179,648	604,261
	<u>-</u>	<u>929,824</u>	<u>129</u>	<u>1,290,289</u>	<u>15,899</u>	<u>348,195</u>	<u>69,992</u>	<u>(15,559)</u>	<u>536,793</u>	<u>3,175,562</u>

Company

	Special reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	795,885	929,824	129	58,066	1,783,904
Profit for the year	—	—	—	3,881	3,881
At 31st March, 2001	795,885	929,824	129	61,947	1,787,785
Transfer of reserves (795,885)	(795,885)	—	—	795,885	—
Profit for the year	—	—	—	367,866	367,866
At 31st March, 2002	<u>—</u>	<u>929,824</u>	<u>129</u>	<u>1,225,698</u>	<u>2,155,651</u>

The special reserve arose from the scheme of arrangement which became effective on 12th May, 1992 and is distributable under the Companies Act 1981 of Bermuda.

As at 31st March, 2002, the reserves of the Company available for distribution amounted to HK\$1,225,698,000 (2001: HK\$857,832,000).

22. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Secured bank overdrafts	—	14,875	—	—
Secured bank loans				
– current portion	44,851	354,939	—	—
– long term portion	771,394	483,268	—	—
Unsecured bank loans				
– current portion	—	60,000	—	60,000
	<u>816,245</u>	<u>913,082</u>	<u>—</u>	<u>60,000</u>

The analysis of the above is as follows:

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Bank loans and overdrafts				
Wholly repayable within five years	81,936	379,131	—	60,000
Not wholly repayable within five years	734,309	533,951	—	—
	<u>816,245</u>	<u>913,082</u>	<u>—</u>	<u>60,000</u>
Current portion	<u>44,851</u>	<u>429,814</u>	<u>—</u>	<u>60,000</u>
	<u>771,394</u>	<u>483,268</u>	<u>—</u>	<u>—</u>

At 31st March, 2002, the Group's bank loans and overdrafts were repayable as follows:

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
On demand or within one year	44,851	429,814
More than one year but not exceeding two years	49,877	54,752
More than two years but not exceeding five years	275,798	206,734
Over five years	445,719	221,782
	<u>816,245</u>	<u>913,082</u>

The above bank loans and overdrafts were secured by first charges on certain investment properties of the Group, other specified assets of the Group and corporate guarantee from the Company.

23. DEFERRED TAXATION

The potential deferred tax (asset)/liability not provided for in the accounts amounted to:

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
Accelerated depreciation allowances	454	196
Tax losses	(14,146)	(16,693)
	<u>(13,692)</u>	<u>(16,497)</u>

No recognition for deferred taxation has been made in the accounts as it is uncertain that the deferred tax asset will crystallise in the foreseeable future.

The revaluation of investment properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash inflow from operating activities

	2002	Group
	<i>HK\$'000</i>	2001
		<i>HK\$'000</i>
Loss before taxation	(164,532)	(191,291)
Share of results of associated companies	(3,044)	18,204
Loss on disposal of interests in subsidiaries	211,755	27
Write down in value of listed securities	–	333,670
Revaluation reserve realised upon disposal of properties	(17,907)	(59,195)
Interest income	(12,311)	(5,177)
Interest expenses	31,183	48,454
Dividends received from quoted investments	(2,145)	(253)
Unclaimed dividends forfeited	(278)	(276)
Write back of provision for permanent diminution in value of long term investments	(1,035)	–
Depreciation of fixed assets	1,763	6,156
(Gain)/loss on disposal of fixed assets	(752)	4,770
Decrease in properties held for/under development	–	835,463
Increase in long term receivable	(6,774)	–
Decrease/(increase) in accounts and other receivables, deposits and prepayments	309,452	(469,907)
Decrease/(increase) in properties held for sale	142,193	(371,734)
Decrease in unquoted investment	1,517	121
Decrease in accounts payable, deposits received and accrued charges	(36,328)	(6,586)
	<u>452,757</u>	<u>142,446</u>
Net cash inflow from operating activities		

(b) Disposal of subsidiaries

	2002 HK\$'000	Group 2001 HK\$'000
Fixed assets	–	29,427
Properties held for/under development	506,990	–
Long term investments	423	–
Accounts and receivables, deposits and prepayments	3,134	–
Accounts payable, deposits received and accrued charges	(22)	–
	<hr/>	<hr/>
Net assets disposed of	510,525	29,427
Goodwill	978	–
Loss on disposal	(211,755)	(27)
	<hr/>	<hr/>
Consideration	299,748	29,400
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	291,748	29,400
Accounts receivable	8,000	–
	<hr/>	<hr/>
	299,748	29,400
	<hr/> <hr/>	<hr/> <hr/>

(c) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000	Bank deposits pledged for banking facilities HK\$'000	Total HK\$'000
At 1st April, 2000	1,058,472	910,539	152,953	56,225	2,178,189
Bank loans raised	–	112,248	–	–	112,248
Repayment of bank loans	–	(124,580)	–	–	(124,580)
Contributions from minority shareholders	–	–	26,414	–	26,414
Interest due to minority shareholders*	–	–	41	–	41
Revaluation reserve attributable to minority shareholders realised upon disposal of properties*	–	–	(26,638)	–	(26,638)
Decrease in bank deposits pledged	–	–	–	(56,225)	(56,225)
Profit for the year attributable to minority shareholders*	–	–	78,721	–	78,721
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	1,058,472	898,207	231,491	–	2,188,170
Bank loans raised	–	248,000	–	–	248,000
Repayment of bank loans	–	(329,962)	–	–	(329,962)
Repayment of loans from minority shareholders	–	–	(125,550)	–	(125,550)
Interest due to minority shareholders*	–	–	33	–	33
Revaluation reserve attributable to minority shareholders realised upon disposal of properties*	–	–	(8,058)	–	(8,058)
Profit for the year attributable to minority shareholders*	–	–	16,928	–	16,928
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	1,058,472	816,245	114,844	–	1,989,561
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* representing non cash transactions.

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25. CONTINGENT LIABILITIES

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities granted to associated companies	–	492,300	–	492,300
Guarantees given to banks in respect of banking facilities granted to subsidiaries	–	–	287,245	783,003
	<u>–</u>	<u>–</u>	<u>287,245</u>	<u>783,003</u>

26. COMMITMENTS

(a) Capital commitments for fixed assets, properties held for/under development and long term investments

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Contracted but not provided	20,223	10,148
	<u>20,223</u>	<u>10,148</u>

(b) Operating leases

(i) At 31st March, 2002, the Group has future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	2,576	2,576
Later than one year and not later than five years	1,174	3,750
	<u>3,750</u>	<u>6,326</u>

(ii) At 31st March, 2002, the Group has future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	65,378	68,341
Later than one year and not later than five years	84,576	37,690
Later than five years	7,245	–
	<u>157,199</u>	<u>106,031</u>

27. RELATED PARTY TRANSACTION

During the year, the Group disposed of its entire interest in a subsidiary to its associated company for a total consideration of approximately HK\$300 million, which is arrived at after arm's length negotiations. The associated company is 20% owned by the Group and the remaining 80% interest owned equally by one of the Company's substantial shareholders and a company controlled by that substantial shareholder.

The Group realised a net loss of approximately HK\$211 million on this transaction. In accordance with the sale and purchase agreement, the consideration of the transaction is subject to an upward adjustment of up to HK\$200 million and the Group's interest in the associated company could be increased from 20% to 25% if certain conditions are fulfilled in future. Such amount is not accounted for in the current year profit and loss account as the fulfilment of the relevant conditions is not certain.

28. ULTIMATE HOLDING COMPANY

The directors regard United Goal Development Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31st March, 2002 are set out below:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2002	2001	
<i>Shares held directly:</i>					
Asean Resources Limited	Hong Kong	5,000 ordinary shares of HK\$0.2 each	100	100	Investment holding
<i>Shares held indirectly:</i>					
15691 Yukon Inc.	Canada	1 common share of C\$1	100	100	Investment holding
Asean Resources Finance Limited	Hong Kong	100,000 ordinary shares of HK\$1,000 each	100	100	Provision of financial services
Billion Venture Limited	Hong Kong	100 ordinary shares of HK\$1 each	100	100	Property investment
Broadtrade Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Champion Worldwide Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Chesta Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Cityroy (IOM) Limited	Isle of Man	2 ordinary shares of GBP 1 each	100	100	Yacht investment
Cityroy Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding

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Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2002	2001	
Cityscope Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property development
Conington Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing
Fitmond Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Golden Union Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Goldyne Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Grands Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Holding of club debenture
Grandwoods Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Renting property
Hin Kei Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	100	Property development
Lipro Prosper Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
南華投資股份有限公司	Taiwan	1,000,000 ordinary shares of NT\$100 each	100	100	Investment holding in Taiwan
Regal Trophy Limited	British Virgin Islands	20 ordinary shares of US\$1 each	55	55	Investment holding
Starward Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Sunshine Tower Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	100	Property investment
United Prosper Limited	Hong Kong	2 ordinary shares of HK\$1 each	55	–	Provision of loan to property purchasers
Verywell Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Provision of management services

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Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2002	2001	
Winning Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding
Winsworld Properties Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	100	Property investment
Wisdom Profit Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	–	Investment holding
Wise Step International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	–	Operation of car park
Wiseson Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Wonderlite Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing
World Glory Properties Limited	Hong Kong	2 ordinary shares of HK\$1 each	55	55	Property development

Except 南華投資股份有限公司, all the above subsidiaries operate in Hong Kong and are audited by PricewaterhouseCoopers, Hong Kong. The net assets of subsidiary not audited by PricewaterhouseCoopers, Hong Kong amounted to approximately 0.1% of the Group's net assets.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

30. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES

The principal associated companies of the Company as at 31st March, 2002 are set out below:

Name of associated company	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2002	2001	
<i>Shares held indirectly:</i>					
Broad Reach Company Limited	Hong Kong	100 ordinary shares of HK\$1 each	50	50	Property development
Chishore Enterprise Inc.	British Virgin Islands	100 ordinary shares of US\$1 each	31	31	Investment holding
Ferguson Hotel Holdings Limited	Hong Kong	27,500,000 ordinary shares of HK\$10 each	47.7	47.7	Investment holding

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Name of associated company	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2002	2001	
Gold Return Resources Ltd.	British Virgin Islands	10 ordinary shares of US\$1 each	20	20	Investment holding
Hotel Nikko Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	47.7	47.7	Hotel ownership
New Unity Holdings Ltd.	British Virgin Islands	2 ordinary shares of US\$1 each	50	50	Investment holding
Queensway Hotel Holdings Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Investment holding
Queensway Hotel Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Hotel ownership
Wise Come Development Limited	Hong Kong	30 ordinary shares of HK\$1 each	20	–	Investment holding

All the above associated companies operate principally in Hong Kong and are audited by PricewaterhouseCoopers, Hong Kong.

The above table includes the associated companies of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17th July, 2002.

UNAUDITED INTERIM RESULTS

The following is the unaudited consolidated results of the Asean Resources group for the six months ended 30th September, 2002 extracted from the relevant interim report of Asean Resources.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September, 2002

	Note	Unaudited	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	156,158	204,068
Cost of sales		<u>(90,266)</u>	<u>(140,993)</u>
		65,892	63,075
Other revenues	2	12,675	7,965
Administrative expenses		<u>(19,195)</u>	<u>(20,433)</u>
Profit from operations	3	59,372	50,607
Finance costs		(11,775)	(19,147)
Share of results of associated companies		<u>(1,586)</u>	<u>6,277</u>
Profit before taxation		46,011	37,737
Taxation	4	<u>(2,144)</u>	<u>(264)</u>
Profit after taxation		43,867	37,473
Minority interests		<u>(12,533)</u>	<u>(17,346)</u>
Profit attributable to shareholders		<u><u>31,334</u></u>	<u><u>20,127</u></u>
Earnings per share	5		
– Basic		<u><u>2.436 cents</u></u>	<u><u>1.565 cents</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>1.558 cents</u></u>

APPENDIX II	FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP
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CONSOLIDATED BALANCE SHEET

As at 30th September, 2002

		Unaudited 30th September, 2002 <i>HK\$'000</i>	Audited 31st March, 2002 <i>HK\$'000</i>
Fixed assets		1,932,158	1,932,936
Investments in associated companies		1,024,791	1,027,265
Properties held for/under development		287,868	240,135
Long term investments		3,001	3,001
Long term receivable		6,758	6,774
Current assets			
Accounts and other receivables, deposits and prepayments	6	161,828	159,054
Properties held for sale		133,237	229,541
Other investments		2,405	3,847
Cash and bank balances		807,097	704,022
		1,104,567	1,096,464
Current liabilities			
Accounts payable, deposits received and accrued charges	7	60,996	65,072
Taxation		6,923	5,723
Dividend payable		481	481
Bank loans, secured	8	46,849	44,851
		115,249	116,127
Net current assets		989,318	980,337
Total assets less current liabilities		4,243,894	4,190,448
Financed by:			
Share capital	9	128,648	128,648
Reserves		3,199,351	3,175,562
Shareholders' funds		3,327,999	3,304,210
Minority interests		26,351	114,844
Bank loans, secured	8	889,544	771,394
		4,243,894	4,190,448

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	Unaudited	
	Six months ended	
	30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	128,823	544,308
Net cash (outflow)/inflow from investing activities	(36,749)	50,262
Net cash inflow/(outflow) from financing	11,001	(207,926)
Increase in cash and cash equivalents	103,075	386,644
Cash and cash equivalents at the beginning of the period	704,022	44,228
Cash and cash equivalents at the end of the period	<u>807,097</u>	<u>430,872</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	807,097	440,652
Bank overdrafts	–	(9,780)
	<u>807,097</u>	<u>430,872</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Unaudited										
	Share capital HK\$'000	Special reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve – investment properties HK\$'000	Revaluation reserve – properties held for/under development HK\$'000	Revaluation reserve – other properties HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2002	128,648	-	929,824	129	1,290,289	15,899	348,195	69,992	(15,359)	536,793	3,304,210
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	-	(875)	-	(875)
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	-	-	-	-	-	(875)	-	(875)
Revaluation reserve realised upon disposal of properties	-	-	-	-	-	(6,670)	-	-	-	-	(6,670)
Profit for the period	-	-	-	-	-	-	-	-	-	31,334	31,334
At 30th September, 2002	<u>128,648</u>	<u>-</u>	<u>929,824</u>	<u>129</u>	<u>1,290,289</u>	<u>9,229</u>	<u>348,195</u>	<u>69,992</u>	<u>(16,434)</u>	<u>568,127</u>	<u>3,327,999</u>

	Unaudited										
	Share capital HK\$'000	Special reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve – investment properties HK\$'000	Revaluation reserve – properties held for/under development HK\$'000	Revaluation reserve – other properties HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2001	128,648	435,421	929,824	129	1,299,455	25,748	433,867	74,153	(11,759)	279,691	3,595,177
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	-	(3,800)	-	(3,800)
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	-	-	-	-	-	(3,800)	-	(3,800)
Revaluation reserve realised upon disposal of properties	-	-	-	-	-	(8,838)	-	-	-	-	(8,838)
Reserve released upon disposal of a subsidiary	-	980	-	-	-	-	-	-	-	-	980
Profit for the period	-	-	-	-	-	-	-	-	-	20,127	20,127
At 30th September, 2001	<u>128,648</u>	<u>436,401</u>	<u>929,824</u>	<u>129</u>	<u>1,299,455</u>	<u>16,910</u>	<u>433,867</u>	<u>74,153</u>	<u>(15,559)</u>	<u>299,818</u>	<u>3,603,646</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March, 2002 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

Except for the change in presentation resulting for the adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 25 (revised), the adoption of the above standards does not have a material effect on the Group’s account.

2. Revenue and turnover

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the period are as follows:

	Six months ended 30th September,	
	2002	2001
	<i>HK\$’000</i>	<i>HK\$’000</i>
Sale of property interests	115,490	158,230
Rental income	39,931	45,804
Proceeds from securities trading	737	–
Dividend income from quoted investments	–	34
	<hr/>	<hr/>
Turnover	156,158	204,068
	<hr/>	<hr/>
Interest income	9,278	4,474
Other income	3,397	3,491
	<hr/>	<hr/>
Other revenues	12,675	7,965
	<hr/>	<hr/>
Total revenues	168,833	212,033
	<hr/> <hr/>	<hr/> <hr/>

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

- Property rental
- Property development and investment
- Securities investment and trading

Other operations of the Group comprise mainly hotel ownership which is undertaken by certain associated companies.

There are no sales or other transactions between the business segments.

	Six months ended 30th September, 2002				Consolidated HK\$'000
	Property rental HK\$'000	Property development and investment HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	
Turnover	39,931	115,490	737	–	156,158
Segment result	39,099	27,498	(705)	–	65,892
Unallocated corporate expenses (net)					(15,798)
Interest income					50,094
Finance costs					9,278
Share of results of associated companies	–	(17,514)	–	15,928	(11,775)
Profit before taxation					46,011
Taxation					(2,144)
Profit after taxation					43,867
Minority interests					(12,533)
Profit attributable to shareholders					31,334
	Six months ended 30th September, 2001				Consolidated HK\$'000
	Property rental HK\$'000	Property development and investment HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	
Turnover	45,804	158,230	34	–	204,068
Segment result	43,126	40,228	(20,279)	–	63,075
Unallocated corporate expenses (net)					(16,942)
Interest income					46,133
Finance costs					4,474
Share of results of associated companies	–	(12)	–	6,289	(19,147)
Profit before taxation					37,737
Taxation					(264)
Profit after taxation					37,473
Minority interests					(17,346)
Profit attributable to shareholders					20,127

- (b) No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated profit from operations of the Group are attributable to markets outside Hong Kong.

3. Profit from operations

Profit from operations is stated after crediting and charging the following:

	Six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Crediting</u>		
Gain on disposal of fixed assets	–	215
	<u>–</u>	<u>215</u>
<u>Charging</u>		
Staff costs	7,774	9,099
Depreciation of fixed assets	854	897
Loss on disposal of fixed assets	27	–
	<u>8,655</u>	<u>10,293</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
– current	1,200	–
Overseas taxation		
– under provision in prior years	61	–
	<u>1,261</u>	<u>–</u>
Share of taxation attributable to associated companies	883	264
	<u>2,144</u>	<u>264</u>

Deferred taxation for the period has not been provided as the effect of the timing differences is immaterial to the Group.

5. Earnings per share

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of the calculation of basic and diluted earnings per share	31,334	20,127
	<u>31,334</u>	<u>20,127</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	1,286,482,836	1,286,482,836
Effect of dilutive potential ordinary shares		
– share options	–	5,169,951
	<u>–</u>	<u>5,169,951</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	1,286,482,836	1,291,652,787
	<u>1,286,482,836</u>	<u>1,291,652,787</u>

6. Accounts and other receivables, deposits and prepayments

Included in accounts and other receivables is an amount of HK\$105,000,000 which represents a loan to a listed company ("Listco") in Hong Kong. The loan is unsecured, interest bearing at 1% above Hong Kong dollar prime rate and repayable in full in November 2002. Subsequent to the period end date, the Group entered into a supplemental loan agreement with Listco whereby Listco pledged its entire interest in a subsidiary as security for the loan, and the loan repayment is extended to May 2003. This subsidiary, through its subsidiaries and associated companies, is engaged in property development and investment.

At 30th September, 2002, rental receivable including related interests amounted to HK\$7,062,000 (31st March, 2002: HK\$8,444,000) and the ageing analysis was as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	3,046	3,348
31 – 60 days	2,026	2,461
61 – 90 days	1,803	1,618
Over 90 days	187	1,017
	<u>7,062</u>	<u>8,444</u>

7. Accounts payable, deposits received and accrued charges

Included in the accounts payable, deposits received and accrued charges are rental deposits, construction costs payable and accruals.

Rental deposits amounting to HK\$17,907,000 (31st March, 2002: HK\$21,764,000) are repayable when the tenancy contracts lapse.

At 30th September, 2002, the ageing analysis of the construction costs payable were as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	3	224
31 – 60 days	9	–
61 – 90 days	4	26
	<u>16</u>	<u>250</u>

Construction cost accruals, including retention money, amounted to HK\$16,934,000 (31st March, 2002: HK\$16,576,000) and are payable in accordance with the terms of the construction contracts.

8. Bank loans

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans		
– current portion	46,849	44,851
– long term portion	889,544	771,394
	<u>936,393</u>	<u>816,245</u>

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At 30th September, 2002, the Group's bank loans were repayable as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	46,849	44,851
More than one year but not exceeding two years	140,806	49,877
More than two years but not exceeding five years	342,328	275,798
Over five years	406,410	445,719
	<u>936,393</u>	<u>816,245</u>

The above bank loans were secured by first charges on certain investment properties, properties held for/under development, properties held for sale, other specified assets of the Group and corporate guarantee from the Company.

9. Share capital

	Number of ordinary shares of HK\$0.10 each	Value <i>HK'000</i>
<i>Authorised:</i>		
At 1st April, 2002 and 30th September, 2002	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1st April, 2002 and 30th September, 2002	<u>1,286,482,836</u>	<u>128,648</u>

10. Commitments

Capital commitments for fixed assets, properties held for/under development and long term investments

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided	<u>15,541</u>	<u>20,223</u>

STATEMENT OF INDEBTEDNESS

As at the close of business on 31st March, 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this composite document, the Asean Resources group had outstanding secured bank loans of approximately HK\$894 million.

The Asean Resources group's current banking facilities are secured by legal charges on certain investment properties, properties held for/under development and properties held for sale and other specified assets of the Asean Resources group. The value of the pledged properties according to the valuation by DTZ as at 31st March, 2003 amounted to approximately HK\$1,876 million.

Save for the aforesaid, the Asean Resources group did not have, at the close of business on 31st March, 2003 any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans or other similar indebtedness, or any hire purchase commitments, or any guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31st March, 2003.

Save for the group reorganisation, the directors have confirmed that there has been no material change in the indebtedness or contingent liabilities of the Asean Resources group since 31st March, 2003.

MATERIAL CHANGE

Save for the group reorganisation, the unaudited financial information disclosed in the section headed "Unaudited pro forma statement of adjusted consolidated net tangible assets of the Asean Resources group" and the management contract dated 20th June, 2003, details of which are set out in the circular, the directors are not aware of any material change in the financial or trading position or prospects of the Asean Resources group since 31st March, 2002, being the date to which the latest audited consolidated financial statements of Asean Resources were made up.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ASEAN RESOURCES GROUP

The following is a statement of the unaudited pro forma adjusted consolidated net tangible assets of the Asean Resources group based on the audited consolidated balance sheet of the Asean Resources group as at 31st March, 2002 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net asset value of the Asean Resources group as per its consolidated financial statements as at 31st March, 2002	3,304,210
<i>Less:</i> Diminution in the consolidated net tangible asset value of the Asean Resources group upon completion of the group reorganisation (<i>note 1</i>)	<u>(1,479,160)</u>
Unaudited pro forma net tangible asset value of the Asean Resources group as at 31st March, 2002 after completion of the group reorganisation	1,825,050
<i>Add:</i> Unaudited interim results of the Asean Resources group for the six months ended 30th September, 2002	31,334
<i>Less:</i> Revaluation reserve realised upon disposal of properties during the six months ended 30th September, 2002 (<i>note 2</i>)	(6,670)
Movement in exchange reserve during the six months ended 30th September, 2002 (<i>note 3</i>)	<u>(875)</u>
	1,848,839
<i>Less:</i> Deficit arising from the revaluation of property interests (<i>note 4</i>)	(374,393)
<i>Less:</i> Consideration for cancellation of share options (<i>note 5</i>)	<u>(33,344)</u>
Unaudited pro forma adjusted consolidated net tangible asset value	<u><u>1,441,102</u></u>
Unaudited pro forma adjusted consolidated net tangible asset value per Asean Resources share (<i>note 6</i>)	<u><u>HK\$1.12</u></u>

Notes:

1. This represents the unaudited pro forma net asset value of the Besteam group as at 31st March, 2002, which were distributed in specie to the Asean Resources shareholders, as set out in appendix III to the circular of Asean Resources dated 10th April, 2003.
2. The amount represents the revaluation reserve attributable to the properties which had been recognised as profits upon the disposal of such properties during the six months ended 30th September, 2002.
3. This represents the exchange difference arising from the translation of the financial statements of a foreign subsidiary as at 30th September, 2002.

4. The deficit arising from the revaluation of property interests is based on the valuation carried out by independent property valuers, DTZ, on the properties of the Asean Resources group as at 31st March, 2003, assuming the group reorganisation had taken place, on an open market value basis. The valuation report from DTZ on the properties of the Asean Resources group as at 31st March, 2003 is set out in appendix V to this composite document.

There is no tax liability arising from the disposal of the properties at the valuation amount as set out in appendix V to this composite document since there is no profits tax on capital gains/losses arising from the disposal of the investment properties.

5. The amount is arrived at based on a cancellation fee of HK\$0.32 per share option and 104,200,000 share options outstanding as at 21st February, 2003.
6. The unaudited pro forma adjusted consolidated net tangible asset value per Asean Resources share is arrived at based on 1,286,482,836 Asean Resources shares in issue as at the latest practicable date.

Working capital

The directors are of the opinion that, based on available banking and other facilities and internal resources of the Asean Resources group, the Asean Resources group has sufficient working capital for its present requirement.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ASEAN RESOURCES GROUP

The unaudited pro forma financial information on the Asean Resources group has been prepared as if the group reorganisation had taken place but before the cash dividend of approximately HK\$0.5053 per Asean Resources share, which may or may not be declared. The group reorganisation involved, amongst other things, Besteam acquiring a number of intermediate holding companies from Asean Resources, the payment of cash by Besteam to Asean Resources based on the cash position as at the date of completion of the group reorganisation as partial repayment of intercompany balance, and the capitalisation of the remaining intercompany loan balance by issuance of 1,286,482,836 Besteam shares. This has been reflected in the unaudited pro forma financial information as follows:

1. Besteam was assumed to have been incorporated and have completed the acquisition of the intermediate holding companies from Asean Resources prior to the earliest period presented;
2. a cash balance of HK\$625,309,000 in the Besteam group was deemed to have been transferred to the Asean Resources group at 31st March, 2002 as partial repayment of the intercompany loan balance due from Besteam to Asean Resources. This balance represents the maximum amount that could be transferred from the Besteam group as at 31st March, 2002;
3. the capitalisation of the remaining intercompany loan balance of HK\$429,485,000 was assumed to have taken place prior to the earliest period presented. The amount deemed to have been capitalised in the unaudited pro forma financial information represents the remaining balance due from Besteam to Asean Resources after taking into account the partial repayment by cash as mentioned in note 2 above, which amounted to HK\$429,485,000 as at 31st March, 2002; and
4. it is also assumed that the distribution in specie of Besteam shares to the Asean Resources shareholders has taken place prior to the earliest period presented.

In addition, for presentational purposes only, dividends of HK\$1,300 million and HK\$10 million in respect of the years ended 31st March, 2002 and 31st March, 2001 respectively which were declared and paid by a wholly-owned subsidiary of Besteam to Asean Resources were deemed to have been paid prior to the earliest period presented in the unaudited pro forma financial information.

The unaudited pro forma financial information as stated in this appendix is provided for information only and should not be construed as being indicative of the results or financial position of the Asean Resources group for any future period or at any future date. In particular, the amount of cash repayment from the Besteam group and hence capitalisation of the intercompany loan balance at the date of completion of the group reorganisation will be different from the amounts referred to in notes 2 and 3 above. This will in turn affect the value of the distribution in specie of Besteam shares as referred to in note 4 above and the net asset value of the Asean Resources group.

UNAUDITED PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Six months ended 30th September,		Year ended 31st March,	
		2002 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	2	39,173	90,789	91,403	87,039
Cost of sales		(549)	(3,696)	(5,196)	(3,005)
		38,624	87,093	86,207	84,034
Other revenues	2	1,138	4,243	5,377	6,683
Administrative expenses		(6,433)	(14,989)	(14,152)	(20,547)
Profit from operations		33,329	76,347	77,432	70,170
Finance costs		(10,944)	(29,326)	(47,373)	(43,122)
Profit before taxation	3	22,385	47,021	30,059	27,048
Taxation		(1,200)	–	–	–
Profit attributable to Asean Resources Shareholders		<u>21,185</u>	<u>47,021</u>	<u>30,059</u>	<u>27,048</u>
Exceptional item		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Extraordinary item		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per Asean Resources share based on 1,286,482,836 Asean Resources shares in issue	4	<u>1.65 cents</u>	<u>3.66 cents</u>	<u>2.34 cents</u>	<u>2.10 cents</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ASEAN RESOURCES GROUP**
UNAUDITED PRO FORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES

	<i>Note</i>	As at 31st March,	
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fixed assets	5	1,900,014	1,900,016
Current assets			
Accounts and other receivables, deposits and prepayments		16,233	10,895
Amount due from Besteam		–	459,333
Cash and bank balances		663,212	30,629
		679,445	500,857
Current liabilities			
Accounts payable, deposits received and accrued charges		24,928	31,416
Dividend payable		481	762
Bank loans, unsecured	6	–	60,000
Bank loans, secured	6	44,000	50,000
		69,409	142,178
Net current assets		610,036	358,679
Total assets less current liabilities		2,510,050	2,258,695
Long term liabilities			
Bank loans, secured	6	685,000	476,000
Unaudited pro forma net assets		<u>1,825,050</u>	<u>1,782,695</u>

The unaudited pro forma financial information of the Asean Resources group reflect certain transactions or balances which were not previously reflected in the unaudited interim report for the six months ended 30th September, 2002 and audited financial statements for the year ended 31st March, 2002, of Asean Resources as they were previously eliminated on consolidation. These include, the following:

- Rental income charged by the Asean Resources group to the Besteam group of HK\$4,503,000 for the six months ended 30th September, 2002 and for the year ended 31st March, 2002 (years ended 31st March, 2001 and 31st March, 2000: Nil) with corresponding trade balance receivable by the Asean Resources group of HK\$1,503,000 as at 31st March, 2002 (as at 31st March, 2001 and 2000: Nil). The amount was subsequently settled.
- An amount of HK\$3,522,000 as at 31st March, 2002 (as at 31st March, 2001: HK\$2,580,000, as at 31st March, 2000: HK\$6,086,000) being amount of deficit arising from revaluation of the investment properties of the Besteam group is charged to the unaudited pro forma combined profit and loss account of the Besteam group whereas there were sufficient surpluses, on a portfolio basis, in the audited consolidated financial statements of the Asean Resources group to offset such deficit.

UNAUDITED PRO FORMA CONDENSED CASH FLOW STATEMENT

	Year ended 31st March,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	62,570	73,791
Net cash outflow from returns on investments and servicing of finance	(27,648)	(56,309)
Net cash inflow/(outflow) from investing activities	<u>454,661</u>	<u>(80,173)</u>
Net cash inflow/(outflow) before financing	489,583	(62,691)
Net cash inflow from financing	<u>143,000</u>	<u>31,000</u>
Increase/(decrease) in cash and cash equivalents	632,583	(31,691)
Cash and cash equivalents at the beginning of the year	<u>30,629</u>	<u>62,320</u>
Cash and cash equivalents at the end of the year	<u><u>663,212</u></u>	<u><u>30,629</u></u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u><u>663,212</u></u>	<u><u>30,629</u></u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Principal accounting policies

The accounting policies adopted in the preparation of these pro forma financial statements is consistent with those adopted in the financial statements of Asean Resources for the year ended 31st March, 2002 as set out in appendix II to this composite document.

2. Revenue and turnover

	Six months ended 30th September, 2002	Year ended 31st March,		
	2002	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Rental income	39,173	90,789	91,403	87,039
Other revenues				
Interest income	566	1,351	2,592	3,848
Other income	572	2,892	2,785	2,835
	1,138	4,243	5,377	6,683
Total revenues	40,311	95,032	96,780	93,722

3. Profit before taxation

	Six months ended 30th September, 2002	Year ended 31st March,		
	2002	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation is stated after charging the following:				
Charging				
Bad debts written off	–	2,722	2,103	2,058
Depreciation of fixed assets	4	8	8	8
Operating leases of land and buildings	966	1,932	733	–
Outgoings in respect of investment properties	549	973	3,093	948
Staff costs	–	120	96	96

4. Earnings per share

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$21,185,000 for the six months ended 30th September, 2002 (year ended 31st March, 2002: HK\$47,021,000, year ended 31st March, 2001: HK\$30,059,000, year ended 31st March, 2000: HK\$27,048,000) and 1,286,482,836 Asean Resources shares in issue throughout the periods presented.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ASEAN RESOURCES GROUP**
5. Fixed assets

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st April, 2001	1,900,000	37	1,900,037
Additions	4,666	6	4,672
Adjustment on revaluation	(4,666)	–	(4,666)
	<u>1,900,000</u>	<u>43</u>	<u>1,900,043</u>
At 31st March, 2002	----- 1,900,000	----- 43	----- 1,900,043
Accumulated depreciation			
At 1st April, 2001	–	21	21
Charge for the year	–	8	8
	<u>–</u>	<u>29</u>	<u>29</u>
At 31st March, 2002	----- –	----- 29	----- 29
Net book value			
At 31st March, 2002	<u>1,900,000</u>	<u>14</u>	<u>1,900,014</u>
At 31st March, 2001	<u>1,900,000</u>	<u>16</u>	<u>1,900,016</u>

6. Bank loans

	As at 31st March,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans		
– current portion	44,000	50,000
– long term portion	685,000	476,000
Unsecured bank loans		
– current portion	–	60,000
	<u>729,000</u>	<u>586,000</u>

The analysis of the above is as follows:

	As at 31st March,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
Wholly repayable within five years	–	60,000
Not wholly repayable within five years	729,000	526,000
	<u>729,000</u>	<u>586,000</u>
Current portion	(44,000)	(110,000)
	<u>685,000</u>	<u>476,000</u>



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

The directors
Asean Resources Holdings Limited
16th Floor
Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

30th June, 2003

Dear Sirs,

We have performed the procedures below in connection with the financial information under the heading "Unaudited pro forma financial information on the Asean Resources group" (the "Financial Information") as set out on pages 84 to 89 of the composite document dated 30th June, 2003 on "Unconditional mandatory cash offer made jointly by Kingston Securities Limited and CSC Securities (HK) Limited on behalf of Mexan Group Limited to acquire all the issued shares in Asean Resources Holdings Limited other than those shares already owned by Mexan Group Limited or parties acting in concert with it". The Financial Information comprises the unaudited pro forma combined profit and loss account, unaudited pro forma combined statement of assets and liabilities, unaudited pro forma condensed cash flow statement and notes to the unaudited pro forma financial information of the Asean Resources group upon the implementation of the group reorganisation.

The preparation of the Financial Information is solely the responsibility of the directors of Asean Resources Holdings Limited (the "Directors"). Our responsibility is to report on the results of our procedures.

Our procedures consisted of the following:

- (a) enquiries of the Directors as to the accounting policies based on which the Financial Information have been prepared;
- (b) a comparison of the accounting policies based on which the Financial Information has been prepared with those adopted in the preparation of the audited financial statements of Asean Resources Holdings Limited and its subsidiaries (the "Group") for the year ended 31st March, 2002; and
- (c) a check of the arithmetic calculation relating to the financial figures based on which the Financial Information is prepared.

The above procedures do not constitute an audit or a review performed in accordance with auditing standards generally accepted in Hong Kong and, accordingly, we do not express an audit or a review opinion on the Financial Information.

Based on our procedures, so far as the accounting policies and calculations are concerned, the Financial Information has been compiled on a basis consistent, in all material respects, with accounting policies adopted by the Group as set out in the audited financial statements of the Group for the year ended 31st March, 2002.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

美高
財務顧問有限公司

The directors
Asean Resources Holdings Limited
Hong Kong

30th June, 2003

Dear Sirs,

We refer to the unaudited financial information of Asean Resources Holdings Limited and its subsidiaries contained in the appendix III headed "Unaudited pro forma financial information on the Asean Resources group" of this composite document dated 30th June, 2003 of which this letter forms part.

We have discussed with you the basis upon which the unaudited pro forma financial information have been made. We have also considered the letter dated 30th June, 2003 addressed to the directors of Asean Resources Holdings Limited from PricewaterhouseCoopers relating to the accounting policies and calculations upon which the unaudited pro forma financial information have been made.

On the basis adopted by you and the procedures performed by PricewaterhouseCoopers, we are of the opinion that the unaudited pro forma financial information for which the directors of Asean Resources Holdings Limited are solely responsible, have been prepared after due and careful consideration.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Stephen Clark
Managing Director

Set out below are the texts of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, independent property valuers, in connection with their valuation as at 31st March, 2003 of the property interest of Asean Resources excluding Besteam group (on pro forma basis).



30th June, 2003

The Directors
Asean Resources Holdings Limited
16th Floor
Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Re: The Non-Domestic Accommodation on the Ground to 6th Floors of the Podium and the Outer Walls and Canopies of the Podium, Multi-Storey Car Park including all spaces therein, the Roof and Walls thereof, Elizabeth House, 250-254 Gloucester Road, Causeway Bay, Hong Kong.

We refer to your instructions for us to value the captioned property interest in which Asean Resources Holdings Limited (the “Company”) has interest. 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, 2003 (the “date 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:–

- (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 the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with the special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

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.

The property has been valued on the basis of capitalisation of the net rental incomes derived from existing tenancies with due provision for the reversionary income potential of the property.

We have relied to a considerable extent on the information provided by you and have accepted advice given to us on such matters as statutory notices, easements, town planning provisions, tenure, identification of property, particulars of occupancy, lettings, rentals, floor plans, floor areas, number of parking spaces and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by you which are material to the valuations. We were also advised by you that no material facts have been omitted from the information supplied.

We have not been provided with copies of the title documents relating to the property but we 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.

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.

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.

Our valuation certificate is attached.

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

Note: Mr. K.B. Wong is a chartered surveyor who has over 18 years' experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2003
<p>The Non-Domestic Accommodation on the Ground to 6th Floors of the Podium and the Outer Walls and Canopies of the Podium, Multi-Storey Car Park including all spaces therein, the Roof and Walls thereof, Elizabeth House, 250-254 Gloucester Road, Causeway Bay, Hong Kong</p> <p>4552/11616th shares of and in the Remaining Portion of Section A of Inland Lot No. 2833, the Remaining Portion of Section B and Section D of Inland Lot No. 2835 and the Remaining Portion of Inland Lot No. 6303</p>	<p>The property comprises the 7-storey commercial podium, various advertising signages on the exterior walls, roof and canopies of the podium plus 177 car parking spaces. The development was completed in 1978.</p> <p>The property has a total gross floor area of approximately 21,803.42 sq.m. (234,692 sq.ft.) excluding the car parking spaces, advertising signages, roof and canopies areas.</p> <p>The property is held from the Government for respective terms of 99 years renewable for further terms of 99 years commencing from 15th April, 1929 and 25th May, 1929 in respect of Inland Lot Nos. 2833 and 2835 respectively and 75 years renewable for a further term of 75 years commencing from 18th October, 1947 in respect of Inland Lot No. 6303. The current aggregate Government rent payable for the whole lots is HK\$1,744 per annum.</p>	<p>As at the date of valuation, except Units G25, G32, G33, G34, G39, G40, 5th Floor and 602 having a total gross floor area of approximately 4,103.12 sq.m. (44,166 sq.ft.) which were vacant, the remainder of the shopping arcade and all the signages was let to various tenants for various terms with the latest term due to expire in April 2008 at a total monthly rent of about HK\$5,970,000, exclusive of rates and management fees.</p> <p>The car parking spaces were let for a term of 2 years from 1st October, 2001 to 30th September, 2003 at a monthly rent of HK\$750,000.</p>	HK\$1,530,000,000

Notes:

- (1) The registered owner of the property is Winsworld Properties Limited, an indirect wholly-owned subsidiary of the Company.
- (2) The property is subject to a mortgage and an assignment of rentals both in favour of The Hongkong and Shanghai Banking Corporation Limited.

RESPONSIBILITY STATEMENT

This composite document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Asean Resources group. The directors of Asean Resources jointly and severally accept full responsibility for the accuracy of the information contained in this composite document other than those relating to United Goal Development, the Besteam group, Mexan Group and Mexan Holdings, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this composite document other than those relating to United Goal Development, the Besteam group, Mexan Group and Mexan Holdings, have been arrived at after due and careful consideration and there are no other facts not contained in this composite document, the omission of which would make any statement in this composite document misleading.

The directors of Mexan Group jointly and severally accept full responsibility for the accuracy of the information contained in this composite document other than those relating to the Asean Resources group, the Besteam group and United Goal Development, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this composite document other than those relating to the Asean Resources group, the Besteam group and United Goal Development, have been arrived at after due and careful consideration and there are no other facts not contained in this composite document, the omission of which would make any statement in this composite document misleading.

The directors of United Goal Development jointly and severally accept full responsibility for the accuracy of the information contained in this composite document other than those relating to the Asean Resources group, Mexan Group and Mexan Holdings, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this composite document, other than those relating to the Asean Resources group, Mexan Group and Mexan Holdings, have been arrived at after due and careful consideration and there are no other facts not contained in this composite document, the omission of which would make any statement in this composite document misleading.

CORPORATE INFORMATION OF THE OFFEROR

The offeror was incorporated in the British Virgin Islands with limited liability on 16th September, 2002. The directors of the offeror are Mr. Lau Kan Shan and Ms. Ha Ming Kuen, being Mr. Lau's wife. The registered office of the offeror is at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and the correspondence address of the offeror in Hong Kong is 16th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong. As at the latest practicable date, the offeror was beneficially and wholly owned by Mr. Lau Kan Shan. Both Mr. Lau Kan Shan and Ms. Ha Ming Kuen are the principal members of the offeror concert group. As at the latest practicable date, the offeror was interested in 955,970,289 Asean Resources shares, representing approximately 74.3% of the entire issued share capital of Asean Resources.

CORPORATE INFORMATION OF ASEAN RESOURCES

Asean Resources was incorporated in Bermuda with limited liability on 1st November, 1991.

- The registered office of Asean Resources is at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal place of business of Asean Resources in

Hong Kong is at 16th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong. The Hong Kong branch share registrars of Asean Resources is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

- The company secretary of Asean Resources is Ms. Yuen Lai Sheung who is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.

Authorised and issued share capital

The authorised and issued share capital of Asean Resources as at the latest practicable date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Asean Resources shares	<u>200,000,000</u>
<i>Issued and fully paid:</i>		
<u>1,286,482,836</u>	Asean Resources shares	<u>128,648,284</u>

All the existing issued Asean Resources shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. There has been no change in the authorised and issued share capital of Asean Resources since the last financial year ended 31st March, 2002.

As at the latest practicable date, the Asean Resources group did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for the Asean Resources shares.

DISCLOSURE OF INTERESTS

(a) Directors' interests in the securities of Asean Resources

The interests of the directors in the securities of Asean Resources, as at the latest practicable date, were as follows:

Interests in Asean Resources shares:

Name of director	Capacity	Number of Asean Resources shares	Approximate shareholding percentage (%)
Wong Kam Cheong, Stanley	Beneficial owner	981,570	0.08
Lai Yu Ting	Beneficial owner	130,000	0.01

Save as the aforesaid, none of the directors had any interests in the securities of Asean Resources as at the latest practicable date.

(b) Offeror's interests in the securities of Asean Resources

As at the latest practicable date, the interests of the offeror in the securities of Asean Resources were as follows:

Interests in the Asean Resources shares:

Name	Capacity	Number of Asean Resources Shares	Approximate shareholding percentage (%)
Mexan Group	Beneficial owner	955,970,289	74.3

Save as the aforesaid, the offeror did not have any interests in the securities of Asean Resources as at the latest practicable date.

- (c) Save for the 955,970,289 Asean Resources shares which each of Mr. Lau Kan Shan and Ms. Ha Ming Kuen is deemed to be interested in under the SFO, none of the offeror directors or any person acting in concert with the offeror or Mr. Lau Kan Shan have any interest in the securities of Asean Resources during the period beginning six months prior to the commencement of the offer period and ending with the latest practicable date.
- (d) Neither Asean Resources nor any director had any interest in the securities of the offeror during the period beginning six months prior to the offer period and ending with the latest practicable date.
- (e) As at the latest practicable date, the Asean Resources group had no pension fund schemes.
- (f) None of the subsidiaries of Asean Resources had any interest or any dealings in the securities of Asean Resources beginning six months prior to the commencement of the offer period and ending with the latest practicable date.
- (g) As at the latest practicable date, none of Kingston Securities, Kingston Corporate Finance, CSC Asia, CSC Securities, Anglo Chinese, Somerley, PricewaterhouseCoopers, DTZ or any other adviser to Asean Resources or the offeror had any interest in the securities of Asean Resources.
- (h) As at the latest practicable date, no Asean Resources shares were managed on a discretionary basis by fund managers connected with Asean Resources.

DEALINGS IN SECURITIES

Save as disclosed in the paragraphs headed “Disclosure of interests” in this appendix and the acquisition of the sale shares by Mexan Group from United Goal Development and Mr. Peter Chan pursuant to the sale and purchase agreement:

- (a) save for the group reorganisation, none of the directors, including their respective spouses, children under the age of 18, related trusts and companies controlled by them, had dealt for value in the securities of Asean Resources during the period beginning 6 months prior to the commencement of the offer period and ending with the latest practicable date; and
- (b) no fund manager connected with Asean Resources had dealt for value in any securities of Asean Resources during the offer period and ending with the latest practicable date.

MARKET PRICES

The table below shows the closing prices of the Asean Resources shares on the Stock Exchange on the last day on which trading took place in each of the six calendar months immediately preceding the date of the announcement, and the latest practicable date:

	HK\$ per Asean Resources share
28th August, 2002	0.52
24th September, 2002	0.52
8th October, 2002	0.52
30th November, 2002	Not applicable
31st December, 2002	Not applicable
31st January, 2003	Not applicable
Latest practicable date	0.86

The trading of the Asean Resources shares was suspended from 9th October, 2002 to 21st February, 2003. The highest and lowest closing prices of each Asean Resources share recorded on the Stock Exchange between 21st August, 2002, being the date six months prior to the date of the announcement, and the latest practicable date were HK\$0.51 on 21st August, 2002, and HK\$0.92 on 11th, 14th, 15th, 22nd and 23rd April, 2003 respectively.

SERVICE CONTRACTS

There are no directors’ service agreements in force with any member of the Asean Resources group or any associated company of Asean Resources which have more than 12 months to run from the latest practicable date nor had any director entered into or amended any service contract with any member of the Asean Resources group or any associated company of Asean Resources within the six months preceding 21st February, 2003, being the commencement date of the offer period, as defined under the Takeovers Code.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have provided their advice, reports and valuations, as the case may be, which are contained in this composite document:

Name	Qualifications
Anglo Chinese	a deemed licensed corporation under the SFO for the regulated activities of dealing in securities, advising on securities, advising on corporate finance and asset management and the financial adviser to Asean Resources
Kingston Corporate Finance	a deemed licensed corporation under the SFO
Kingston Securities	a deemed licensed corporation under the SFO
CSC Asia	a deemed licensed corporation under the SFO
CSC Securities	a deemed licensed corporation under the SFO
Somerley	a licensed corporation under the SFO
PricewaterhouseCoopers	certified public accountants
DTZ	professional property valuers

Kingston Securities, CSC Securities, Anglo Chinese, Somerley, PricewaterhouseCoopers and DTZ have given and have not withdrawn their respective written consents to the issue of this composite document with the inclusion of their respective letters and the references to their respective names in the form and context in which they respectively appear.

Kingston Corporate Finance and CSC Asia have given and have not withdrawn their respective written consents to the issue of this composite document with the references to their respective names in the form and context in which they respectively appear.

As at the latest practicable date, Kingston Corporate Finance, Kingston Securities, CSC Asia, CSC Securities, Anglo Chinese, Somerley, PricewaterhouseCoopers and DTZ were not interested beneficially or otherwise in any Asean Resources shares or shares in any of its subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Asean Resources shares or shares in any of its subsidiaries or associated companies nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of Asean Resources were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Asean Resources group.

LITIGATION

Save and except for the legal proceedings relating to the claims for arrears of rent, licence fee, management fee and other outgoings under or other matters relating to the tenancies and licences in respect of the Elizabeth House, the financial effect arising therefrom, if any, will be reflected in the audited report of the Asean Resources group for the financial year ended 31st March, 2003, so far as the directors are aware, as at the latest practicable date, none of the

members of the Asean Resources group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration proceeding or claim of material importance known to the directors to be pending or threatened against any members of the Asean Resources group.

MATERIAL CONTRACTS

As at the latest practicable date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by members of the Asean Resources group within the two years immediately preceding the date of this composite document and are, or may be, material:

- loan agreement in relation to loan facility of HK\$105 million entered into between a company whose securities are listed on the Stock Exchange as borrower and Asean Resources Limited, a then member of the Asean Resources group, as lender on 2nd November, 2001 (the “loan agreement”);
- supplemental agreement to the loan agreement dated 6th November, 2002 and second supplemental agreement to the loan agreement dated 6th May, 2003 (collectively the “supplemental agreement”) which were entered into between the company referred to above and Asean Resources Limited for the extension of the expiry date of the loan agreement;
- share mortgage under the supplemental agreement dated 6th November, 2002; and
- the share option agreement.

MISCELLANEOUS

- (a) No benefit will be given to any director as compensation for loss of office or otherwise in connection with the offer.
- (b) As at the latest practicable date, there was no agreement, arrangement or understanding existing between the offeror or any persons acting in concert with it and any of the directors, recent directors, Asean Resources shareholders or recent Asean Resources shareholders which is conditional on or dependent upon the outcome of the offer or otherwise connected therewith.
- (c) Save as disclosed in the paragraph headed “Material contracts” in this appendix and the sale and purchase agreement and the loan facility provided by Mr. Peter Chan to the offeror, as at the latest practicable date, there was no material contract to which the offeror is a party in which any director has a material personal interest.
- (d) As at the latest practicable date, no person had any arrangement of the kind referred to in note 8 to rule 22 of the Takeovers Code with (i) Asean Resources; (ii) any person who is an associate of Asean Resources by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code; (iii) the offeror; or (iv) any person acting in concert with the offeror.
- (e) The English texts of this composite document and form of acceptance shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the offices of Iu, Lai & Li, the legal advisers to Asean Resources as to Hong Kong law at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong during normal business hours from the date of this composite document up to the closing date of the Asean Resources offer:

- the memorandum of association and bye-laws of Asean Resources;
- the memorandum and articles of association of Mexan Group;
- the management contract;
- the letter from the independent board committee to the independent shareholders of Asean Resources, the text of which is set out on page 25 of this composite document;
- the letter of advice from Somerley dated 30th June, 2003 to the independent board committee, the text of which is set out on pages 26 to 36 of this composite document;
- the letters of consent referred to in section headed “Experts and consents” in this appendix;
- the annual reports of Asean Resources for the two years ended 31st March, 2002 and the interim report of Asean Resources for the six months ended 30th September, 2002;
- the material contracts referred to in the section headed “Material contracts” in this appendix;
- the unaudited pro forma financial information on the Asean Resources group upon the implementation of the group reorganisation as contained in appendix III to this composite document;
- the comfort letters dated 30th June, 2003 from each of PricewaterhouseCoopers and Anglo Chinese in respect of the unaudited pro forma financial information on the Asean Resources group, the texts of which are set out in appendix IV to this composite document;
- the letter and valuation certificate from DTZ, the texts of which are set out in appendix V to this composite document; and
- the facility letter dated 4th November, 2002 and the supplemental facility letters thereto entered into between Mexan Group and Kingston Securities.