

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 14 and 15 respectively to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates are set out in notes 14 and 15 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 17.

The directors do not recommend the payment of any dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in Appendix II.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st March, 2001. The deficit arising on revaluation amounting to HK\$1,000,000 has been charged to the income statement. Details of the movement during the year are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property was revalued at 31st March, 2001. The surplus arising on revaluation amounting to HK\$157,781 has been credited to the income statement.

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Details of this and other movements in the property, plant and equipment of the Group and of the Company are set out in note 13 to the financial statements. Particulars of the major properties of the Group at 31st March, 2001 are set out in Appendix I.

SHARE CAPITAL

Details of share capital and share options of the Company are set out in notes 23 and 24 to the financial statements respectively.

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

BORROWINGS

The details of the Group's borrowings are set out in notes 20 to 21 to the financial statements. No interest was capitalised by the Group during the year.

DIRECTORS

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

Executive directors

Mr. Deacon Te-ken Chiu	<i>(Chairman)</i>
Mr. Derek Chiu	<i>(Managing Director and Chief Executive)</i>
Mr. Desmond Chiu	<i>(Deputy Managing Director)</i>
Ms. Margaret Chiu	

Non-executive directors

Mr. Daniel Tat-jung Chiu	<i>(Vice Chairman)</i>
Madam Chiu Ju Ching-lan	
Mr. Dick Tat-sang Chiu	
Mr. David Tat-cheong Chiu	
Mr. Dennis Tat-shing Chiu	
Mr. Duncan Chiu	

Independent non-executive directors

Mr. Ho-fai Ma
Mr. Shing-hing Ip

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Alternate directors

Madam Janny Lin-chun Leung (Alternate to Mr. Deacon Te-ken Chiu)

Mr. Sung-ki Tang (Alternate to Mr. Desmond Chiu)

In accordance with Article 78 of the Articles of Association of the Company, Messrs. Dick Tat-sang Chiu, Dennis Tat-shing Chiu, Daniel Tat-jung Chiu and Duncan Chiu shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

(i) Shares

At 31st March, 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Ordinary shares of HK\$1.00 each

Name of director	Personal interests	Family interests	Corporate interests	
Mr. Deacon Te-ken Chiu	12,491,424	–	111,901,052	(Note 1)
Mr. Derek Chiu	11,394,000	–	108,930,299	(Note 2)
Madam Chiu Ju Ching-lan	188,000	–	–	
Mr. Dick Tat-sang Chiu	12,172,800	–	22,277,033	(Note 3)
Mr. David Tat-cheong Chiu	3,144,627	–	–	
Ms. Margaret Chiu	676,240	–	5,000,000	(Note 4)

Notes:

(1) Of the 111,901,052 shares, 100,939,842 shares were held by various private companies controlled by Mr. Deacon Te-ken Chiu, 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, and 10,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Technology International Limited. Mr. Deacon Te-ken Chiu is a controlling shareholder of these companies.

(2) The 108,930,299 shares were held by Energy Overseas Ltd, a company controlled by Mr. Derek Chiu.

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(3) The 22,277,033 shares were held by various private companies controlled by Mr. Dick Tat-sang Chiu.

(4) The 5,000,000 shares were held by a private company controlled by Ms. Margaret Chiu.

(ii) Share options

The directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Date of grant	Subscription price per share (subject to adjustment)	Number of share options			
			Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Outstanding at 31.3.2001
		HK\$				
Mr. Derek Chiu	16/10/1995	1.44	590,000	–	–	590,000
	09/09/1997	3.01	1,000,000	–	–	1,000,000
Mr. Deacon Te-ken Chiu	15/11/1995	1.42	5,000,000	–	–	5,000,000
Madam Chiu Ju Ching-lan	11/04/1996	1.60	4,000,000	–	–	4,000,000
Mr. Sung-ki Tang	11/04/1996	1.60	150,000	–	–	150,000
	29/01/2000	1.00	6,000,000	–	–	6,000,000
Ms. Margaret Chiu	19/11/1997	1.74	7,000,000	–	–	7,000,000

Details of the Company's share option scheme are set out in note 24 to the financial statements.

Save as disclosed above, as at 31st March, 2001, none of the directors had any interests in the share capital of the Company or any associated corporation as defined in the SDI Ordinance, and none of the directors, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The title of certain leasehold land and buildings owned by a subsidiary is registered in the name of a company controlled by Mr. Deacon Te-ken Chiu and his family (the "Chiu Family") as trustee for the said subsidiary.

Apart from the foregoing and those transactions disclosed in note 29 to the financial statements, there were no other contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

SERVICE CONTRACTS OF DIRECTORS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2001.

MAJOR SUPPLIERS

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

MAJOR CUSTOMERS

The five largest customers of the Group accounted for less than 30% of the total sales of the Group in the year.

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

As at 31st March, 2001, the Group advanced a total of approximately HK\$187 million to an associate, Central More Limited. The balance due includes an amount in respect of land transferred of approximately HK\$136 million and accumulated accrued interest charged thereon of approximately HK\$51 million. The balance is interest bearing at the Hong Kong Prime Rate, unsecured and has no fixed repayment term.

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The Group also pledged its entire equity interests in this associate to secure the banking facilities for construction costs and related expenses of HK\$425 million granted to the associate.

Details of this associate are set out in note 15 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Company's audit committee comprises the independent non-executive director, Mr. Shing-hing Ip as Chairman and non-executive director, Mr. Duncan Chiu. The terms of reference for this committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

AUDITORS

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

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

13th July, 2001