

## Directors' Report

The directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2003.

### **PRINCIPAL ACTIVITIES**

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

### **PRINCIPAL SUBSIDIARIES, ASSOCIATES AND A JOINTLY CONTROLLED ENTITY**

Details of the Company's principal subsidiaries, associates and a jointly controlled entity at 31st March, 2003 are set out in notes 50, 51 and 20 respectively to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 24.

The directors recommend a final dividend for the year ended 31st March, 2003 of 2 cents (2002: 2 cents) per share to shareholders whose names appear on the Company's Register of Members on 29th August, 2003 amounting to HK\$19,703,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 29th August, 2003; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 29th August, 2003. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 5th September, 2003. Dividends warrants or new shares certificates will be posted on or about 30th September, 2003.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 9.

## **INVESTMENT PROPERTIES**

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

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired hotel property at a consideration of HK\$256,992,000.

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

## **PROPERTIES UNDER DEVELOPMENT**

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

## **MAJOR PROPERTIES**

Details of the major properties of the Group at 31st March, 2003 are set out on pages 82 to 91 of the annual report.

## **SHARE CAPITAL**

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

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

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

## **BORROWINGS AND INTEREST CAPITALISED**

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

Interest capitalised by the Group during the year amounted to HK\$7,394,000.

### ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's total bank and other borrowings as at 31st March, 2003 were approximately HK\$1,594 million (2002: HK\$1,209 million).

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

### DIRECTORS

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

#### Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*

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

Mr. Steven Ying Wai Kwan, *Managing Director*

Mr. Craig Grenfell Williams

Mr. Dennis Chiu

#### Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Mr. Kohei Ogawa (resigned on 21st May, 2003)

#### Independent Non-executive Directors

Datuk Kee Leong Chee

Mr. David Kwok Kwei Lo

In accordance with the provisions of the Company's Articles of Association, Mr. Dick Tat Sang Chiu, Mr. Daniel Tat Jung Chiu and Mr. Craig Grenfell Williams shall retire by rotation and, being eligible, offer themselves for re-election.

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

## DIRECTORS' INTERESTS IN SHARES

### (a) Shares

At 31st March, 2003, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Directors	Number of ordinary shares held		Total
	Personal interests	Corporate interests	
Deacon Te Ken Chiu	9,688,973	106,764,126 (Note i)	116,453,099
David Chiu	589,399	296,426,439 (Note ii)	297,015,838
Dennis Chiu	7,862	4,937,163 (Note iii)	4,945,025
Ching Lan Ju Chiu	1,108,018	–	1,108,018
Dick Tat Sang Chiu	770,697	–	770,697
Daniel Tat Jung Chiu	36,250	3,877,218 (Note iv)	3,913,468

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

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

*Note iii:* These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

*Note iv:* These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

### (b) Options

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

The Company adopted a new share option scheme on 28th August, 2002 (the "New Share Option Scheme") and terminated the old share option scheme adopted on 28th September, 2000 (the "Old Scheme") in line with the amended Chapter 17 (Share Option Scheme) of 1st September, 2001 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No options were granted, exercised or lapsed under the Old Scheme during the year.

Pursuant to the New Share Option Scheme, the Company may grant options to any employees, executive or officers, directors (including executive and non-executive directors) of the Company or any of its subsidiaries and any business consultants, agents, financial or legal advisers of the Company or any of its subsidiaries subject to a maximum of 10% of the issued share capital of the Company from time to time. The Company has not granted any options under the New Share Option Scheme.

Details of the Company's option schemes are set out in note 36 to the financial statements.

### DIRECTORS' INTERESTS IN SHARES (continued)

#### (b) Options (continued)

##### (ii) *The option scheme of the Company's subsidiary*

New China Homes, Ltd. ("NCH") has adopted a 1999 Stock Option and Restricted Stock Purchase Plan (the "Option Plan"). It is intended that options to purchase an aggregate of 600,000 common shares in NCH ("NCH Shares") will be granted under the Option Plan. The Option Plan is administered by the compensation committee of the board of NCH. The compensation committee has complete discretion to determine which eligible individuals are to receive option grants, the number of shares subject to each such grant, the status of any granted option as either an incentive stock option or a non-statutory option, the vesting schedule to be in effect for the option grant and the maximum term of which any granted option is to remain outstanding. Each option granted under the Option Plan will have a maximum term of ten years, subject to earlier termination following the optionee's cessation of service with NCH. No options have been granted and exercised under the Option Plan since its adoption. The Company will comply with the requirements of the amended Chapter 17 of the Listing Rules if options under the Option Plan will continue to be granted.

#### (c) Shares in associated corporations

As at 31st March, 2003, the interests of the Directors in the share capital of the Company's associated corporations were as follows:

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

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

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

Other than disclosed above, none of the directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year as recorded in the register required to be kept under Section 29 of the SDI Ordinance or otherwise notified to the listed issuer and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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

## **MANAGEMENT AND SERVICE CONTRACTS OF DIRECTORS**

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

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed in "Directors' interests in shares" above, in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2003.

## **DONATIONS**

During the year, the Group made charitable donations amounting to HK\$554,000.

## **POST BALANCE SHEET EVENTS**

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

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of employees of the Group as at 31st March, 2003 was approximately 1,500.

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

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

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **AUDITORS**

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

## **PRE-EMPTIVE RIGHTS**

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

On behalf of the Board

**David Chiu**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 25th July, 2003