

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2003.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, an associate and a jointly controlled entity are set out in notes 19 to 21 respectively to the financial statements.

## ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's bank and other loans repayable within one year less bank balances and cash at 31st December, 2003 were HK\$134 million (2002: HK\$138 million).

The directors consider that with the continuing support of its major shareholder, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

## RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 16.

## DIVIDENDS

No interim dividend was paid during the year and no final dividend was recommended by the directors.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$3 million on lifts, electrical and other equipment.

Details of this and other movements during the year in property, plant and equipment of the Group are set out in note 15 to the financial statements.

## INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31st December, 2003. The net revaluation decrease, net of minority interests, amounted to HK\$46 million, of which HK\$0.5 million has been charged to the investment property revaluation reserve and the remaining balance of HK\$45.5 million has been charged to income statement.

Details of movements during the year in investment properties of the Group are set out in note 16 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties held by the Group at 31st December, 2003 are set out on pages 59 to 60.

## PURCHASE, SALES 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.

## 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*

Mr. Duncan Chiu, *Managing Director and Chief Executive Officer*

Mr. Dennis Chiu

### Non-executive directors

Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Ms. Margaret Chiu

Mr. Chi Man Ma \*

Mr. Siu Hong Chow \*

\* *Independent non-executive directors*

In accordance with Articles 76, 79 and 80 of the Company's Articles of Association, all directors except Mr. Duncan Chiu shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election. Mr. Duncan Chiu remain in office.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the Senior Management of the Group are set out on pages 4 to 5 of the annual report.

**DIRECTORS' INTERESTS IN SHARES**

At 31st December, 2003, the interests of the directors and their associates in the shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of ordinary shares held			Total interests
	Personal interests	Family interests	Corporate interests	
Mr. Deacon Te Ken Chiu				
– The Company	5,048,000	6,110,000 (Note i)	99,768,800 (Note ii)	110,926,800
Mr. Dennis Chiu				
– The Company	16,610,200	–	30,400,000 (Note iii)	47,010,200
– Tang Dynasty City Pte. Ltd.	1,250,000	–	–	1,250,000
– Tang City Properties Pte. Ltd.	10,000	–	–	10,000
Mr. Daniel Tat Jung Chiu				
– The Company	11,000,000	–	30,400,000 (Note iii)	41,400,000
Mr. Derek Chiu				
– The Company	201,000	–	–	201,000
Ms. Margaret Chiu				
– The Company	5,000,000	–	–	5,000,000
Mr. Duncan Chiu				
– The Company	25,456,211	–	–	25,456,211

Notes:

- (i) The shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (ii) Of the shares, 93,540,200 shares are beneficially held by Far East Consortium International Limited ("FEC"). Mr. Deacon Te Ken Chiu beneficially held approximately 10.22% of the issued share capital in FEC.
- (iii) The shares are held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

**DIRECTORS' INTERESTS IN SHARES (Continued)**

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Dennis Chiu, Mr. Daniel Chiu and Mr. Duncan Chiu agreed to acquire from the subsidiaries of FEC 93,540,200 shares in the Company at an aggregate cash consideration of HK\$20.7 million. Subsequent to the balance sheet date, the transaction was completed.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or debentures or underlying shares of the Company or any of its associated corporations at 31st December, 2003.

**ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

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.

**DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed under the heading "Connected transactions" below, no contracts 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.

**DIRECTORS' SERVICE CONTRACTS**

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

## CONNECTED TRANSACTIONS

Details of discloseable connected transactions for the year are set out as follows:

- (a) On 25th March, 1996, Tang City Properties Pte. Ltd. ("TCP"), a company incorporated in Singapore in which the Company has a 90% interest and Mr. Dennis Chiu has a 10% interest, obtained a loan facility with a principal amount of up to S\$31 million (the "Facilities") from The Development Bank of Singapore Limited ("DBS") for the purpose of acquiring 60 units of offices at No.1, Marine Parade Central, Parkway Builders' Centre, Singapore and carrying out of renovation work on the property. As security for the Facilities, the Company and Mr. Dennis Chiu agreed to stand as guarantors and to give several guarantees to DBS guaranteeing 90% and 10%, respectively, of the liability of TCP under the facility agreement in proportion to their respective equity interest in TCP.

At 31st December, 2002, the Facilities utilised by TCP amounted to S\$25 million (equivalent to approximately HK\$112.5 million).

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu agreed to dispose of their entire interests in TCP to a wholly-owned subsidiary of FEC at a cash consideration of S\$1, and FEC agreed to procure the refinancing of the Facilities of S\$25 million (equivalent to approximately HK\$112.5 million) and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million (equivalent to approximately HK\$4.9 million). Subsequent to the balance sheet date, the transaction was completed.

- (b) During the year, the Company disposed of 10,000,000 shares in FEC to Far East Hotels & Entertainment Limited for a cash consideration of HK\$2,750,000. The Company has a 2.64% interest in FEC before the disposal and Mr. Deacon Te Ken Chiu and his associates have approximately 42.6% interest. The consideration was arrived at after arm's length negotiations. The Board including the independent non-executive directors considered the price to be fair and reasonable with reference to the market price of the shares of FEC as traded on the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS**

At 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors under the section headed "Directors' interests in shares", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Number of ordinary shares held</b>	<b>%</b>	<b>Notes</b>
FEC	93,540,200	28.2	(i)
Far East Consortium (B.V.I.) Limited ("FECBVIL")	93,540,200	28.2	(ii)
Far East Consortium Limited ("FECL")	65,208,200	19.7	(iii)
Tricom Cyberworld Holdings Limited	19,282,000	5.8	–
Singford Holdings Limited ("Singford")	28,332,000	8.5	(ii)
Ridon Investment Limited ("Ridon")	29,609,000	8.9	(iii)
Elliott Investment Corporation ("Elliott")	23,619,200	7.1	(iii)

Notes:

- (i) FEC was deemed to be interested in these shares by virtue of its 100% shareholding in FECBVIL. The shareholding beneficially held by FEC is entirely included in the shareholding stated in the corporate interest of Mr. Deacon Te Ken Chiu, the Chairman of the Company, as mentioned in section headed "Directors' interest in shares" above.
- (ii) FECBVIL was deemed to be interested in these shares by virtue of its controlling shareholding in FECL and Singford.
- (iii) FECL was deemed to be interested in these shares by virtue of its direct shareholding of 11,892,000 shares in the Company, and its 100% shareholding in three companies which directly held 53,316,200 shares in the Company in aggregate. The shareholding held by Ridon and Elliott is entirely included in the shareholding stated in FECL.

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Dennis Chiu, Mr. Daniel Chiu and Mr. Duncan Chiu agreed to acquire from the subsidiaries of FEC 93,540,200 shares in the Company at an aggregate cash consideration of HK\$20.7 million. Subsequent to the balance sheet date, the transaction was completed.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2003.

## MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest customers accounted for approximately 60% of total turnover, with the largest one accounting for 35% of total turnover.

Aggregate purchases of the Group's five largest suppliers accounted for approximately 31% of total purchases, with the largest one accounting for 10% of total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

## EMPLOYEES

The total number of employees of the Group at 31st December, 2003 was approximately 600.

Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme or share trading scheme for the employees during the year.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2003 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, except that the independent non-executive directors are not appointed for a specific term.

## AUDIT COMMITTEE

The Company's audit committee comprising independent non-executive directors and non-executive directors.

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

## POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 43 to the financial statements.

## 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

**Duncan Chiu**

*Managing Director and Chief Executive Officer*

Hong Kong, 21st April, 2004