

DIRECTORS' REPORT

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 March, 2004.

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 15 and 16, respectively, to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 15.

PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property was revalued at 31st March, 2004. The increase arising on revaluation amounting to HK\$2,010,459 has been credited to the consolidated income statement.

Details of these and other movements in property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group disposed of investment property with carrying value of HK\$910,000 and revalued all of the remaining investment properties at 31st March, 2004. The revaluation increase amounting to HK\$3,150,000 has been credited to the consolidated income statement.

Details of these and other movements in investment properties of the Group are set out in note 13 to the financial statements.

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 are:

Executive directors

Mr. Deacon Te-ken Chiu (*Chairman*)

Mr. Derek Chiu (*Managing Director and Chief Executive*)

Mr. Desmond Chiu (*Deputy Managing Director*)

Ms. Margaret Chiu

Non-executive directors

Mr. Daniel Tat-jung Chiu (*Vice Chairman*)

Madam Chiu Ju Ching-lan

Mr. Dick Tat-sang Chiu

Mr. David Tat-cheong Chiu

Mr. Dennis Tat-shing Chiu

Mr. Duncan Chiu

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Independent non-executive directors

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

Alternate directors

Mr. Chi-hing Chan (*Alternate to Mr. Deacon Te-ken Chiu*) (appointed on 17th May, 2003)
Mr. Sung-ki Tang (*Alternate to Mr. Desmond Chiu*)
Madam Janny Lin-chun Leung (*Alternate to Mr. Deacon Te-ken Chiu*) (resigned on 17th May, 2003)

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mrs. Chiu Ju Ching-lan, Mr. Dick Tat-sang Chiu, Mr. Daniel Tat-jung Chiu and Mr. Duncan Chiu shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and 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 pursuant to the Model Code for Securities Transactions by Directors of listed Companies, were as follows:

(a) Ordinary shares of HK\$1.00 each of the Company

Name of director	Personal interests	Corporate interests	Total	Percentage of issued share capital of the Company
Mr. Deacon Te-ken Chiu	12,491,424	111,901,052 ^(Note 1)	124,392,476	25%
Mr. Derek Chiu	394,000	108,430,299 ^(Note 2)	108,824,299	22%
Madam Chiu Ju Ching-lan	188,000	–	188,000	0%
Mr. Dick Tat-sang Chiu	12,172,800	22,277,033 ^(Note 3)	34,449,833	7%
Mr. David Tat-cheong Chiu	3,144,627	–	3,144,627	1%
Ms. Margaret Chiu	676,240	5,000,000 ^(Note 4)	5,676,240	1%
	29,067,091	247,608,384	276,675,475	56%

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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 108,430,299 shares were held by Energy Overseas Ltd, a company controlled by Mr. Derek Chiu.
- (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.

(b) Share options of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Deacon Te-ken Chiu	Beneficial owner	5,000,000	5,000,000
Mr. Derek Chiu	Beneficial owner	1,590,000	1,590,000
Madam Chiu Ju Ching-lan	Beneficial owner	4,000,000	4,000,000
Ms. Margaret Chiu	Beneficial owner	7,000,000	7,000,000
Mr. Sung-ki Tang	Beneficial owner	6,150,000	6,150,000
		23,740,000	23,740,000

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st March, 2004.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 37 to the financial statements.

A summary of the movements in share options during the year is as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options			Outstanding at 31.3.2004	Exercisable period
			Outstanding at 1.4.2003	Granted during the year	Exercised during the year		
Mr. Deacon Te-ken Chiu	15.11.1995	1.42	5,000,000	-	-	5,000,000	November 1995 – October 2005
Mr. Derek Chiu	16.10.1995	1.44	590,000	-	-	590,000	October 1995 – September 2005
	9.9.1997	3.01	1,000,000	-	-	1,000,000	September 1997 – August 2007
Madam Chiu Ju Ching-lan	11.4.1996	1.60	4,000,000	-	-	4,000,000	April 1996 – March 2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	-	-	7,000,000	November 1997 – October 2007
Mr. Sung-ki Tang	11.4.1996	1.60	150,000	-	-	150,000	April 1996 – March 2006
	29.1.2000	1.00	6,000,000	-	-	6,000,000	January 2000 – December 2009
			23,740,000	-	-	23,740,000	

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options 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.

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. In addition, an investment property with a carrying value of HK\$930,000 (2003: HK\$880,000) is registered in the name of the spouse of Mr. Derek Chiu as trustee for the Group.

Save as disclosed above and in notes 20, 24 and 36 to the financial statements, no contracts 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, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Save as the interests of certain directors disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 31st March, 2004.

MAJOR SUPPLIERS AND CUSTOMERS

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2004 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 an independent non-executive director, Mr. Shing-hing Ip, as Chairman and a 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.

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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

22nd July, 2004