
DIRECTORS' REPORT



The directors had pleasure in presenting their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are engaged in property development and investment, hotel operations, investment holding, securities trading 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, 2004 are set out in notes 49, 50 and 19 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 28.

The directors recommend a final dividend for the year of HK3 cents per share to shareholders whose names appear on the Company's Register of Members on 25th August, 2004 amounting to HK\$35,053,000. 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 25th August, 2004; 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 25th August, 2004. 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 2nd September, 2004. Dividends warrants or new shares certificates will be posted on or about 28th September, 2004.

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 11.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at an aggregate consideration of HK\$139,039,000 partly through acquisition of subsidiary.

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$49,172,000 on hotel properties.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

During the year, the Group spent HK\$205,732,000 on properties under development.

Details of these and other movements during the year in the properties under development of the Group are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2004 are set out on pages 90 to 99 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 33 to the financial statements.

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 31 and 32 to the financial statements, respectively.

Interest capitalised by the Group during the year amounted to HK\$14,031,000.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's obligations under finance leases and total bank and other borrowings as at 31st March, 2004 were approximately HK\$218,000 and HK\$1,666,668,000, respectively.

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. Craig Grenfell Williams

Mr. Dennis Chiu

Mr. Steven Ying Wai Kwan,

Managing Director

(retired on 1st March, 2004)

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

Mr. Jian Yin Jiang

(appointed on 27th July, 2004)

DIRECTORS' REPORT

DIRECTORS (continued)

In accordance with the provisions of the Company's Articles of Association, Dato' David Chiu, Mr. Dennis Chiu, Mr. David Kwok Kwei Lo and Mr. Jian Yin Jiang 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

At 31st March, 2004, the interests of the directors and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance (Chapter 371 of the Laws of Hong Kong) ("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\$0.1 each of the Company

Name of directors	Number of ordinary shares held			Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Total	
Deacon Te Ken Chiu	9,982,405	109,997,490 (Note i)	119,979,895	10.27%
David Chiu	607,248	298,460,209 (Note ii)	299,067,457	25.60%
Dennis Chiu	8,099	4,969,263 (Note iii)	4,977,362	0.43%
Ching Lan Ju Chiu	1,141,571	-	1,141,571	0.10%
Dick Tat Sang Chiu	794,037	-	794,037	0.07%
Daniel Tat Jung Chiu	37,347	3,877,218 (Note iv)	3,914,565	0.34%

DIRECTORS' INTERESTS IN SHARES (continued)

(a) Ordinary shares of HK\$0.1 each of the Company (continued)

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 and the lending of 70,000,000 shares.

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

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 35 to the financial statements.

DIRECTORS' INTERESTS IN SHARES (continued)

(c) Shares in associated corporations

At 31st March, 2004, 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	24,886,600 (Note i)
Ching Lan Ju Chiu	Far East Technology International Limited	6,110,000
David Chiu	Far East Technology International Limited	28,040,000 (Note ii)
David Chiu	Oi Tak Enterprises Limited	250,000
Dennis Chiu	Far East Technology International Limited	55,510,200 (Note iii)
Daniel Tat Jung Chiu	Far East Technology International Limited	83,400,200 (Note iii & iv)

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

Note ii: Shares held by Rocket High Investments Limited, a company controlled by Dato David Chiu.

Note iii: 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.

Note iv: Includes 42,000,200 shares held by Gorich Holdings Limited, a company controlled by Mr. Daniel Tat Jung Chiu.

Other than 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected Transactions" below, 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).

CONNECTED TRANSACTION

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, a wholly-owned subsidiary of the Company agreed to acquire the entire interests in Tang City Properties Pte. Ltd. ("TCP") from Far East Technology International Limited at a cash consideration of S\$1, and the Company agreed to procure the refinancing of the banking 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.

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 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Number of ordinary share held	Percentage of issued share capital of the Company
J.P. Morgan Chase & Co. ("JPMC")	93,838,908 (Note i)	8.03%
J.P. Morgan Chase Bank ("JPMCB")	42,314,908 (Note i)	3.62%
Deutsche Bank Aktiengesellschaft ("DBA")	93,677,735 (Note ii)	8.01%

Notes:

- (i) According to the notice to the Company from JPMC, as at 31st March, 2004, JPMC had interests of 93,838,908 shares in the Company as an investment manager and 35,676,561 shares held as a lending pool in other capacity. 42,314,908 Shares were held by JPMC's wholly owned subsidiary, JPMCB 51,524,000 shares were held by various subsidiaries of JPMC.

SUBSTANTIAL SHAREHOLDERS (continued)

- (ii) According to the notice to the Company from DBA, as at 31st March 2004, DBA had interest of 93,677,735 Shares in the Company and 56,066,220 shares were held in short position.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short provisions in the issued share capital of the Company at 31st March, 2004.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$676,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 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, 2004 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 48 to the financial statements.

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 Listing Rules.

DIRECTORS' REPORT

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

15th July, 2004