

## 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, 2005.

### 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 17.

### PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property was revalued at 31st March, 2005. The increase arising on revaluation amounting to HK\$1,301,340 has been credited to the consolidated income statement.

Details of this 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 properties with an aggregate carrying value of HK\$26,950,000 and revalued all of the remaining investment properties at 31st March, 2005. The revaluation increase amounting to HK\$520,880 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' REPORT

---

### 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

Madam Chiu Ju Ching-lan

Mr. Dick Tat-sang Chiu

Mr. David Tat-cheong Chiu

Mr. Dennis Tat-shing Chiu

Mr. Duncan Chiu

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

(resigned on 28th September, 2004)

#### Independent non-executive directors

Mr. Ip Shing-hing

Mr. Ng Wing-hang

Mr. Choy Wai-shek

Mr. Ma Ho-fai

(appointed on 28th September, 2004)

(appointed on 28th September, 2004)

(resigned on 28th September, 2004)

#### Alternate directors

Mr. Chan Chi-hing (*Alternate to Mr. Deacon Te-ken Chiu*)

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

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. David Tat-cheong Chiu, Ms. Margaret Chiu, Mr. Desmond Chiu and Mr. Ip Shing-hing 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 and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association. The Managing Director shall not, whilst holding that office, be subject to retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2005, the interests and short positions of the directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:—

#### (a) Ordinary shares of HK\$1 each of the Company

Name of director	Personal interests	Corporate interests	Total	Approximate percentage of issued share capital of the Company
Mr. Deacon Te-ken Chiu	12,491,424	108,901,052 <sup>(Note 1)</sup>	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	78,430,299 <sup>(Note 2)</sup>	90,824,299	18.58%
Madam Chiu Ju Ching-lan	188,000	—	188,000	0.04%
Mr. Dick Tat-sang Chiu	12,172,800	22,277,033 <sup>(Note 3)</sup>	34,449,833	7.05%
Mr. David Tat-cheong Chiu	3,144,627	—	3,144,627	0.64%
Ms. Margaret Chiu	676,240	5,000,000 <sup>(Note 4)</sup>	5,676,240	1.16%
	41,067,091	214,608,384	255,675,475	52.30%

#### Notes:

- (1) Of the 108,901,052 shares, (i) 100,939,842 shares were held by various private companies controlled by Mr. Deacon Te-ken Chiu of which 72,182,400 shares were held by Achiemax Limited; (ii) 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited; and (iii) 7,666,000 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 78,430,299 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.

## DIRECTORS' REPORT

### (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. Tang Sung-ki	Beneficial owner	6,150,000	6,150,000
		<u>23,740,000</u>	<u>23,740,000</u>

Save as disclosed above, as at 31st March, 2005, none of the directors nor the Company's chief executives nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies.

### SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 39 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				Exercisable period
			Outstanding at 1.4.2004	Granted during the year	Exercised during the year	Outstanding at 31.3.2005	
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. Tang Sung-ki	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
			<u>23,740,000</u>	–	–	<u>23,740,000</u>	

## DIRECTORS' REPORT

### 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\$1,020,000 is registered in the name of the spouse of Mr. Derek Chiu as trustee for the Group.

Save as disclosed above and in notes 21, 24 and 38 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 under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 31st March, 2005, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in five per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:—

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital of the Company
Achiemax Limited ( <i>Note 1</i> )	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. ( <i>Note 2</i> )	Beneficial owner	78,430,299	16.04%

Notes:

1. Mr. Deacon Te-ken Chiu and Mr. Dennis Tat-shing Chiu are directors of Achiemax Limited;
2. Energy Overseas Ltd. is a company controlled by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 31st March, 2005 and so far as is known to the directors or chief executive of the Company, there was no other person (other than a director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in five per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

## DIRECTORS' REPORT

---

### 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.

### CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange which was in force prior to 1st April, 2005.

### MODEL CODE

The Company has adopted the Model Code of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31st March, 2005.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive directors, namely Mr. Ip Shing-hing, Mr. Ng Wing-hang and Mr. Choy Wai-shek, 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 Institution of Certified Public 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 audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the audited financial statements for the year ended 31st March, 2005 approved by the directors.

## DIRECTORS' REPORT

---

### SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float with the Listing Rules throughout the year.

### 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*

15th July, 2005