

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, 2006.

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 19 and 20, respectively, to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 22.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 38 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

PROPERTIES

Details of the properties held by the Group at 31st March, 2006 are set out on pages 76 and 77 of the annual report.

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 who held office during the year and up to the date of this report were:

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 Chiu

Mr. Dennis Chiu

Mr. Duncan Chiu

Independent non-executive directors

Mr. Ip Shing Hing

Mr. Ng Wing Hang Patrick

Mr. Choy Wai Shek Raymond

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 76, 78 and 79 of the Company's Articles of Association, one-third of the Directors except Managing Director shall retire from office and, being eligible, offer themselves for re-election.

In view of good Corporate Governance Practices, Managing Director voluntarily retires from his office at the forthcoming annual general meeting of the Company. Accordingly, Mr. Deacon Te Ken Chiu, Mr. Derek Chiu, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considers the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the directors of the Group are set out on pages 3 to 6 of the annual report.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2006, 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 Futures 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 <i>(note 1)</i>	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	78,430,299 <i>(note 2)</i>	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 <i>(note 3)</i>	34,449,833	7.05%
Mr. David Chiu	3,144,627	–	3,144,627	0.64%
Ms. Margaret Chiu	676,240	5,000,000 <i>(note 4)</i>	5,676,240	1.16%
	41,067,091	214,608,384	255,675,475	52.30%

Notes:

- Of the 108,901,052 shares, (i) 100,939,842 shares were held by various private companies wholly owned 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.
- The 78,430,299 shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu.
- The 22,277,033 shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.
- The 5,000,000 shares were held by a private company wholly owned 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. Derek Chiu	Beneficial owner	1,000,000	1,000,000
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>18,150,000</u>	<u>18,150,000</u>

Save as disclosed above, as at 31st March, 2006, 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 47 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\$	Outstanding at 1.4.2005	Number of share options			Outstanding at 31.3.2006	Exercisable period
				Granted during the year	Exercised during the year	Expired 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. 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>5,590,000</u>	<u>18,150,000</u>	

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.

Save as disclosed above, no contracts of significance 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.

DIRECTORS' SERVICE CONTRACTS

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

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, 2006, 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 5% 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 (Note 1)	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. (Note 2)	Beneficial owner	78,430,299	16.04%

Notes:

1. Mr. Deacon Te Ken Chiu and Mr. Dennis Chiu are directors of Achiemax Limited;
2. Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

DIRECTORS' REPORT

Save as disclosed above, as at 31st March, 2006 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 5% 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.

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.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 20 of the annual report.

AUDIT COMMITTEE

The Company's audit committee comprises Independent Non-executive Directors and Non-executive Directors.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

EMOLUMENT POLICY

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there was not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st March, 2006.

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

18th July, 2006