

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March, 2003.

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 14 and 15 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 16.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of HK\$32,208,702 and revalued all of its investment properties at 31st March, 2003. The decrease arising on revaluation amounting to HK\$9,888,702 has been charged to the consolidated income statement. Details of the valuation and the investment properties at 31st March, 2003 are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's hotel property was revalued at 31st March, 2003. The decrease arising on revaluation amounting to HK\$6,297,782 has been charged to the consolidated income statement.

Details of the movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements. Particulars of the major properties of the Group as at 31st March, 2003 are set out in Appendix I.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 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.

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

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 Article 78 of the Articles of Association of the Company, Mr. Deacon Te-ken Chiu, Ms. Margaret Chiu, Mr. Dennis Tat-shing Chiu and Mr. Ho-fai Ma 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 Group 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 Articles of Association of the Company.

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Ordinary shares of HK\$1.00 each

Name of director	Personal interests	Family interests	Corporate interests	
Mr. Deacon Te-ken Chiu	12,491,424	–	111,901,052	(Note 1)
Mr. Derek Chiu	11,394,000	–	108,430,299	(Note 2)
Madam Chiu Ju Ching-lan	188,000	–	–	
Mr. Dick Tat-sang Chiu	12,172,800	–	22,277,033	(Note 3)
Mr. David Tat-cheong Chiu	3,144,627	–	–	
Ms. Margaret Chiu	676,240	–	5,000,000	(Note 4)

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.

Save as disclosed above, at 31st March, 2003, none of the directors nor any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 33 to the financial statements.

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

Name of director	Exercisable period	Date of grant	Exercise price HK\$	Number of share options			
				Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Outstanding at 31.3.2003
Mr. Derek Chiu	October 1995 to September 2005	16/10/1995	1.44	590,000	–	–	590,000
	September 1997 to August 2007	09/09/1997	3.01	1,000,000	–	–	1,000,000
Mr. Deacon Te-ken Chiu	November 1995 to October 2005	15/11/1995	1.42	5,000,000	–	–	5,000,000
Madam Chiu Ju Ching-lan	April 1996 to March 2006	11/04/1996	1.60	4,000,000	–	–	4,000,000
Mr. Sung-ki Tang	April 1996 to March 2006	11/04/1996	1.60	150,000	–	–	150,000
	January 2000 to December 2009	29/01/2000	1.00	6,000,000	–	–	6,000,000
Ms. Margaret Chiu	November 1997 to October 2007	19/11/1997	1.74	7,000,000	–	–	7,000,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as 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.

Apart from the foregoing and those transactions disclosed in note 29 to the financial statements, there were no other contract 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

Other than the interests of certain directors disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2003.

MAJOR SUPPLIERS

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

MAJOR CUSTOMERS

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, 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.

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.

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, 2003