

The board of directors (the “Board”) present the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2004.

### Principal Activities

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 15 to the financial statements.

Analysis of the Group’s turnover and contribution to profit/(loss) attributable to shareholders in respect of each activity and their geographical analysis are set out in note 35 to the financial statements.

### Results and Dividends

The results of the Group for the year ended 31st March, 2004 and the state of the Company’s and the Group’s affairs at that date are set out in the financial statements on page 28 to page 77.

The Board proposes to declare a final dividend of 1.0 HK cent per share (2003: 1.0 HK cent per share) payable on or before 10th September, 2004 to shareholders whose names appear on the Company’s register of members on 20th August, 2004. No interim dividend has been declared in respect of the current financial year (2003: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2003: 1.0 HK cent per share).

### Subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 15 to the financial statements.

### Reserves

Movements in reserves during the year are set out in note 30 to the financial statements.

### Fixed Assets

Movements in fixed assets during the year are set out in notes 12, 13 and 14 to the financial statements.

## Report of the Directors

### Particulars of Properties held by the Group

Particulars of investment properties, properties held for sale and properties held for/under development held by the Group are set out on page 78 to page 79.

### Share Capital

Movements in share capital during the year are set out in note 28 to the financial statements.

### Donations

Charitable donations made by the Group during the year amounted to HK\$1,127,290 (2003: HK\$6,692,063).

### Pre-emptive Rights

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

### Group Financial Statements Summary

A summary of the results, assets and liabilities of the Group for the five years ended 31st March, 2004 is shown on page 80.

### Directors

The directors of the Company during the year and up to the date of this report are as follows:

Dr. Hwang Jen

Mr. Chan Sheung Chiu

Miss Ann Li Mee Sum

Mr. Lee Sai Wai

Mr. Tang Wing Lun

Mr. Sunny Pang Chun Kit

Mr. David Chu Yu Lin

Dr. Peter Po Fun Chan (appointed on 7th June, 2004)

In accordance with the Company's Bye-laws, Dr. Hwang Jen and Mr. Lee Sai Wai will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme adopted by the Company as disclosed in note 29 to the financial statements, at no time during the year was the Company, any of its holding companies or its subsidiaries and fellow 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 and Short Positions in Shares, Underlying Shares and Debentures

As at 31st March, 2004, the interests and short positions of the directors and chief executive of the Company 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 ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:—

Name of director	Interests in the Company		Approximate % of shareholding
	Number of shares	Capacity	
Dr. Hwang Jen	523,923	Beneficial owner	0.05
Mr. Chan Sheung Chiu	4,000,000	Beneficial owner	0.39
Mr. Lee Sai Wai	1,600,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	500,000	Beneficial owner	0.05

### Interests in Chuang's Consortium International Limited ("CCIL")

Name of director	Number of shares	Capacity	Approximate % of shareholding
Mr. Chan Sheung Chiu	163,055,848	<i>Note 1</i>	11.03
Mr. Lee Sai Wai	163,055,848	<i>Note 2</i>	11.03
Dr. Peter Po Fun Chan ( <i>Note 3</i> )	751,187	Beneficial owner	0.05

## Report of the Directors

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

*Note 1:* Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.

*Note 2:* Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.

*Note 3:* Dr. Chan was appointed as an independent non-executive director of the Company on 7th June, 2004.

During the year, none of the directors of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

Other than as disclosed herein, as at 31st March, 2004, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

There was no contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year.

None of the directors has any service contract 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).

### Substantial Shareholders

So far as is known to any directors or chief executive of the Company and save as disclosed in the section headed “Directors’ interests and short positions in shares, underlying shares and debentures” above, as at 31st March, 2004, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

<b>Name of shareholder</b>	<b>Number of shares of the Company</b>	<b>Capacity</b>	<b>Approximate % of shareholding</b>
CCIL	615,695,645	Interest of controlled corporation	60.10
Profit Stability Investments Limited	615,695,645	Beneficial owner	60.10

Save as disclosed above, as at 31st March, 2004, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

### Controlling Shareholder’s Interests in Contracts

There was no contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries at the balance sheet date or at any time during the year and up to the date of this report.

### Group Borrowings

Bank loan of the Group is set out in note 24 to the financial statements.

## Report of the Directors

### Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

### Major Suppliers and Customers

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 19% and 44% respectively of the Group's total turnover for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers.

### Pension Schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for its qualifying employees. The Group contributes at the lower of HK\$1,000 or 5% of the relevant payroll costs to the MPF, which contribution is matched by employees.

The Group also operates a defined contribution pension scheme (the "Scheme") for all eligible employees. The benefits of the Scheme are funded by 5% contribution by employees and 5% contribution by the Group which contributions are based on the monthly salaries of employees. The Group's contribution will be increased to 7.5% after the relevant employees joining the Scheme for 10 years. The employees are entitled to the full benefit of the Group's contributions and accrued interest after joining the Scheme for 10 years, or at a reduced scale of between 30% and 90% after joining the Scheme from 3 to 9 years. The Group utilised the forfeited contributions of HK\$35,634 to reduce its contributions for the year ended 31st March, 2004. As at 31st March, 2004, there was no remaining amount of forfeited contributions which may be used to reduce the Group's future contributions.

The assets of both schemes are held in independently administered funds.

## Share Option Scheme

Pursuant to the ordinary resolution passed in the annual general meeting held on 26th August, 2002, a new share option scheme (“2002 Scheme”) has been adopted.

Summary of the 2002 Scheme is set out as follows:

1. Purpose: To give incentive to directors, employees or business consultants of the Group and any other party as approved under the 2002 Scheme
2. Participants: Including, inter alia, directors, employees or business consultants of the Group
3. Total number of shares available for issue under the 2002 Scheme and percentage of the issued share capital that it represents as at the date of the annual report: 102,443,969 shares are available for issue under the 2002 Scheme, representing 10% of the issued share capital as at 31st March, 2004
4. Maximum entitlement of each participant: 1% of the maximum aggregate number of shares that may be issued within 12 months pursuant to the 2002 Scheme
5. Period within which the securities must be taken up under an option: Not applicable. No share option has been granted since the adoption of the 2002 Scheme on 26th August, 2002
6. Amount payable on acceptance of an option and the period within which payments shall be made: HK\$1.00 payable to the Company upon acceptance of the option which should be taken up within 28 days from the date of offer for option (“Offer Date”) (which must be a trading day)
7. The basis of determining the exercise price: No less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) trading days immediately preceding the Offer Date; and (iii) the nominal value of a share
8. The remaining life of the 2002 Scheme: Valid until 25th August, 2012 unless otherwise terminated under the terms of the 2002 Scheme

## Report of the Directors

### Corporate Governance

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

An audit committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls. The audit committee has held meetings in accordance with the relevant requirements and reviewed the annual results for the year ended 31st March, 2004. Current members of the audit committee are the three independent non-executive directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules.

### Auditors

Messrs. Moores Rowland Mazars will retire and, will not offer themselves for re-appointment at the forthcoming annual general meeting of the Company. It was proposed that Messrs. PricewaterhouseCoopers be appointed as the new auditors of the Group to fill the vacancy left by the retirement of Messrs. Moores Rowland Mazars at the forthcoming annual general meeting of the Company to be held on 20th August, 2004.

On behalf of the Board of

**Chuang's China Investments Limited**

**Dr. Hwang Jen**

*Chairman*

Hong Kong, 29th June, 2004