

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

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 39 to the accounts.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 4 to the accounts.

Results and Dividend

The results of the Group for the year are set out in the consolidated profit and loss account on page 38.

The Directors propose to declare a final dividend of 1.0 HK cent (2003: nil) per share payable on or before 24th September, 2004 to shareholders whose names appear on the Company’s register of members on 27th August, 2004. No interim dividend has been paid in respect of the financial year ended 31st March, 2004 (2003: nil). Total dividend for the year amounted to 1.0 HK cent (2003: nil) per share.

Subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 39 to the accounts.

Fixed Assets

Movements in fixed assets during the year are set out in note 15 to the accounts.

Share Capital

Details of share capital of the Company are set out in note 27 to the accounts.

Donations

During the year, the Group made charitable donations amounting to HK\$1,140,000 (2003: HK\$7,193,000).

Report of the Directors

Pre-emptive Rights

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

Share Premium and Reserves

Movements in share premium and reserves during the year are set out in note 28 to the accounts.

Particulars of Principal Properties held by the Group

Particulars of principal properties held by the Group are set out on pages 87 to 91.

Group Financial Summary

A summary of the results, assets and liabilities of the Group for the five years ended 31st March, 2004 is shown on page 92.

Directors

The Directors during the year and at the date of this report are as follows:

Mr. Alan Chuang Shaw Swee

Mrs. Alice Siu Chuang Siu Suen

Mr. Bernard Ko Sheung Chi

Mr. Andrew Lui Lop Kay

Ms. So Kan Yiu (appointed on 7th June, 2004)

Ms. Cathy Chan Chung Shan (appointed on 7th June, 2004)

Dr. Peter Po Fun Chan

Mr. David Chris Lee Tsung Hei

Mr. Abraham Shek Lai Him (appointed on 28th May, 2004)

Mr. Kwong Tin Lap (resigned on 7th June, 2004)

At the forthcoming annual general meeting, Mr. Alan Chuang Shaw Swee, Ms. So Kan Yiu, Ms. Cathy Chan Chung Shan, Dr. Peter Po Fun Chan and Mr. Abraham Shek Lai Him will retire from office in accordance with the Company's Bye-laws and, being eligible, will offer themselves for re-election.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management as at the date of this report are set out on pages 4 to 6 of this annual report.

Directors' Rights to Acquire Shares or Debentures

Other than the share option schemes adopted by the Company and its subsidiary as detailed in the section headed "Share Option Schemes" on pages 32 to 33, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 of Hong Kong Limited (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 Issuers to be notified to the Company and the Stock Exchange were as follows:—

Name of Director	Number of shares	Interests in the Company	
		Capacity	Percentage of shareholding
Mr. Alan Chuang Shaw Swee ("Mr. Chuang")	626,534,630	<i>Note 1</i>	42.391
Mrs. Alice Siu Chuang Siu Suen ("Mrs. Siu")	309,808,538	<i>Note 2</i>	20.961
Mr. Andrew Lui Lop Kay ("Mr. Lui")	116,000	Beneficial owner	0.008
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.051

Note 1: Such interests comprised 384,734,006 shares in the Company owned by Evergain Holdings Limited, a company beneficially owned by Mr. Chuang, 79,468,000 shares in the Company owned by Chuang's Cutlery Holdings Limited, a company in which Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of this corporation, and the remaining interests arose as a result of Mr. Chuang being a discretionary object of a discretionary trust, the trustee of which held 162,332,624 shares in the Company.

Note 2: Such interests comprised 68,007,914 shares in the Company owned by Hilltop Assets Limited, a company beneficially owned by Mrs. Siu, 79,468,000 shares in the Company owned by Chuang's Cutlery Holdings Limited, a company in which Mrs. Siu is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of this corporation, and the remaining interests arose as a result of Mrs. Siu being a discretionary object of a discretionary trust, the trustee of which held 162,332,624 shares in the Company.

Report of the Directors

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

Name of Director	Number of shares	Capacity	Interests in Chuang's China Investments Limited ("Chuang's China")	
				Percentage of shareholding
Mr. Chuang	6,800,000	Beneficial owner		0.664
Mrs. Siu	1,600,000	Beneficial owner		0.156
Mr. Lui	10,000	Beneficial owner		0.001

Name of Director	Number of shares	Capacity	Interests in Midas International Holdings Limited	
				Percentage of shareholding
Mr. Abraham Shek Lai Him ("Mr. Shek") (<i>Note 3</i>)	10,000	Beneficial owner		0.002

Note 3: Mr. Shek was appointed an independent non-executive director of the Company on 28th May, 2004.

Name of Director	Number of shares	Capacity	Interests in Treasure Auctioneer International Limited	
				Percentage of shareholding
Mr. Chuang	100,000	<i>Note 4</i>		10.000
Mrs. Siu	100,000	<i>Note 4</i>		10.000

Note 4: Such interests arose through the ownership of the shares by corporations that the relevant Director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of these corporations. The corporate interests of the relevant Directors relate to the same corporations.

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

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 Issuers to be notified to the Company and the Stock Exchange.

During the year, none of the Directors 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.

Directors' Interests in Contracts

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 subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

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).

Report of the Directors

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” on pages 27 to 29, 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:–

Name of Shareholder	Number of shares of the Company	Capacity	Percentage of shareholding
Evergain Holdings Limited	384,734,006	Beneficial owner, <i>Note 1</i>	26.031
Chuang’s Cutlery Holdings Limited	79,468,000	Beneficial owner, <i>Note 1</i>	5.377
Madam Chuang Shau Har (“Madam Chuang”)	163,055,848	<i>Note 2</i>	11.032
Mr. Lee Sai Wai (“Mr. Lee”)	163,055,848	<i>Note 3</i>	11.032
Mrs. Chong Ho Pik Yu	464,202,006	<i>Note 4</i>	31.407
Mr. Siu Hok Chung	147,475,914	<i>Note 4</i>	9.978
Value Partners Limited (“VPL”)	74,092,000	<i>Note 5</i>	5.013
Mr. Cheah Cheng Hye (“Mr. Cheah”)	74,092,000	<i>Note 5</i>	5.013

Note 1: Such interests have been mentioned in Notes 1 and 2 to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Note 2: Interests in 162,332,624 shares arose as a result of Madam Chuang being the trustee and a discretionary object of a discretionary trust which owned such shares in the Company. The remaining interests in 723,224 shares in the Company arose by attribution through her spouse, Mr. Lee.

Note 3: Interests in 162,332,624 shares arose by attribution through his spouse, Madam Chuang, whose interests have been mentioned in Note 2 above. The remaining interests in 723,224 shares in the Company was beneficially owned by Mr. Lee.

Note 4: Such interests arose by attribution through their respective spouses, Mr. Chuang and Mrs. Siu, whose interests have been mentioned in Notes 1 and 2 respectively to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Note 5: Such interests arose through the interests in the relevant shares owned by VPL, a fund management company, in which Mr. Cheah held approximately 31.82% shareholding interests.

Substantial Shareholders (Continued)

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 Shareholders' Interests in Contracts

There was no contract of significance between the Company (or any of its subsidiaries) and the controlling shareholders (or any of their subsidiaries) at the balance sheet date or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Group Borrowings and Interest Capitalised

Bank loans and other borrowings of the Group are set out in note 30 to the accounts. The amount of interest capitalised to properties during the year by the Group is set out in note 8 to the accounts.

Pledge of Assets

At the balance sheet date, the Group's borrowing facilities were secured by certain properties including investment properties, land and buildings and properties held for sale, with an aggregate net book value of HK\$2,706.3 million (2003: HK\$2,683.3 million).

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 shares during the year.

Major Suppliers and Customers

The five largest suppliers and customers accounted for less than 30% of the Group's purchases and turnover for the year respectively.

Report of the Directors

Retirement Schemes

Details of retirement schemes of the Group are set out in note 7 to the accounts.

Share Option Schemes

Pursuant to the ordinary resolutions passed in the annual general meeting of the Company held on 30th August, 2002, a new share option scheme of the Company (“2002 Scheme”) has been adopted and the new share option scheme adopted by Chuang’s China on 26th August, 2002 (“Chuang’s China 2002 Scheme”) has been approved.

A 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 they represent as at the date of this report: 132,800,615 shares are available for issue under the 2002 Scheme, representing approximately 9% of the issued share capital as at the date of this report
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 shares must be taken up under an option: Not applicable. No share option has been granted since the date of adoption of the 2002 Scheme on 30th 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 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 highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation 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 quotation sheets for the five trading days immediately preceding the Offer Date (which must be a trading day); and (iii) the nominal value of a share
8. The remaining life of the 2002 Scheme: Valid until 29th August, 2012 unless otherwise terminated under the terms of the 2002 Scheme

Share Option Schemes (Continued)

A summary of the Chuang's China 2002 Scheme is set out as follows:

1. Purpose: To give incentive to directors, employees or business consultants of Chuang's China and its subsidiaries (the "Chuang's China Group") and any other party as approved under the Chuang's China 2002 Scheme
2. Participants: Including, inter alia, directors, employees or business consultants of the Chuang's China Group
3. Total number of shares of Chuang's China available for issue under the Chuang's China 2002 Scheme and percentage of the issued share capital of Chuang's China that they represent as at the date of this report: 102,443,969 shares of Chuang's China are available for issue under the Chuang's China 2002 Scheme, representing 10% of the issued share capital of Chuang's China as at the date of this report
4. Maximum entitlement of each participant: 1% of the maximum aggregate number of shares of Chuang's China that may be issued within 12 months pursuant to the Chuang's China 2002 Scheme
5. Period within which the shares of Chuang's China must be taken up under an option: Not applicable. No share option has been granted by Chuang's China since the date of adoption of the Chuang's China 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 Chuang's China upon acceptance of 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 highest of (i) the closing price of the shares of Chuang's China as stated in the Stock Exchange's daily quotation sheet on the Offer Date (which must be a trading day); (ii) the average closing price of the shares of Chuang's China as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date (which must be a trading day); and (iii) the nominal value of a share of Chuang's China
8. The remaining life of the Chuang's China 2002 Scheme: Valid until 25th August, 2012 unless otherwise terminated under the terms of the Chuang's China 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 Rules Governing the Listing of Securities on the Stock Exchange (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. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei, and Mr. Abraham Shek Lai Him.

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

Connected Transactions

The followings are connected transactions of the Group conducted during the year:

1. The Group has granted loans to Fantasy Development Limited (“Fantasy”) for the purpose of financing Artiful Limited (“Artiful”), a company in which the Group and Fantasy hold 70% and 30% of its issued share capital respectively. The purpose of the loans was to allow Fantasy to on-lend such amounts to Artiful to meet its financing requirements for the development of a property project in Hong Kong. The parties agreed that the loans would bear interest at prevailing market interest rates and that Fantasy would repay the loans from the sales proceeds of the property. As at 31st March, 2004, the total amount of the loans plus interest outstanding was approximately HK\$9,735,000. The sole shareholder of Fantasy was a director of Artiful until his resignation on 30th April, 2004. Details of the transaction were announced by the Company on 16th July, 2002.
2. The Group has provided financial assistance, including advances and several guarantee for a mortgage loan, to Artiful to meet its financing requirements for the development of a property project in Hong Kong. The financial assistance was provided in proportion to the Group’s equity interest in Artiful and are unsecured, interest free and have no fixed terms of repayment. As at 31st March, 2004, the total amount of financial assistance provided was approximately HK\$88,846,000.

Disclosure Pursuant to Rules 13.20, 13.21 and 13.22 of the Listing Rules

1. The Group has entered into a loan agreement with a bank which required Mr. Chuang, Mrs. Siu and members of their family and family trust and/or companies beneficially owned by any of them to hold an aggregate shareholding of not less than 35% of the issued share capital of the Company throughout the tenure of the loan agreement. As at 31st March, 2004, the loan outstanding was HK\$245,000,000 and the last instalment of the loan is repayable on 30th September, 2007. The loan agreement still subsists as at the date of this report.

2. As at 31st March, 2004, the Group has granted loans to Dragon Pacific Development Limited (“Dragon Pacific”) amounting to approximately HK\$103,172,000. Dragon Pacific is an affiliated company of the Group in which the Group holds 30% of its issued share capital. The loans are for the purpose of financing the development of a property project in Hong Kong and were made in proportion to the Group’s shareholding in Dragon Pacific. The loans are unsecured, interest free and have no fixed terms of repayment.

3. As at 31st March, 2004, the Group has granted loans to certain affiliated companies (including Dragon Pacific mentioned above) amounting to HK\$105,576,000 in aggregate. The proforma combined balance sheet of and the Group’s attributable interest in these affiliated companies as at 31st March, 2004 are as follows:

	Combined	The Group’s
	<i>HK\$’000</i>	attributable
		interest
	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets	324,339	97,870
Current assets	17,128	6,340
Current liabilities	10,526	3,577
Net current assets	6,602	2,763
Total assets less current liabilities	330,941	100,633
Non-current liabilities	352,109	105,243
Net liabilities	(21,168)	(4,610)

Report of the Directors

Auditors

The accounts for the year were audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board of

Chuang's Consortium International Limited

Bernard Ko Sheung Chi

Managing Director

Hong Kong, 12th July, 2004