

Report of the Directors

The Directors present to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31st March, 2004.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its principal subsidiaries and associate are shown on pages 53 to 54 and note 13 to the financial statements respectively.

The Group's turnover and profit from operations for the year ended 31st March, 2004 analysed by business and geographical segments are set out in note 22 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 24. An interim dividend of HK2 cents per share was paid on Tuesday, 20th January, 2004. The Directors now recommend the payment of a final dividend of HK3 cents per share.

Share Capital

Movements in the Company's share capital during the year are set out in note 20 to the financial statements.

Share Option Scheme

Particulars of the share option scheme to subscribe for shares in the Company and the share options exercised during the year are set out in note 27 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 21 to the financial statements.

Investment Properties

Movements in investment properties during the year are set out in note 10 to the financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

Financial Summary

A financial summary of the Group is shown on page 2.

Major Customers and Suppliers

The five largest suppliers accounted for 91% of the Group's purchases for the year whereas the five largest customers accounted for 25% of the Group's sales for the year. The largest supplier and the largest customer accounted for 82% and 7% of the Group's purchases and sales respectively. None of the Directors, their associates nor any shareholder (whom to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or five largest customers.

Major Properties

Particulars of the major properties of the Group as at 31st March, 2004 are set out on page 9.

Employees and Remuneration Policies

As at 31st March, 2004, the Group employed approximately 600 full time staff globally. Total staff costs amounted to approximately HK\$80 million for the year ended 31st March, 2004. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, retirement schemes and employees' share option scheme.

Donations

During the year, the Group made donations of HK\$287,000 to charitable bodies.

Principal Subsidiaries and Associate

Particulars regarding the principal subsidiaries and associate of the Group are set out in pages 53 and 54 and note 13 to the financial statements respectively.

Report of the Directors

Pre-emptive Rights

There are no provision for pre-emptive rights under the Company's Bye-laws although there are no restriction against such rights under the laws in Bermuda where the Company is incorporated.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Directors

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

Executive Directors

Dr CHOW Yei Ching *(Chairman)*
Mr FUNG Pak Kwan *(Managing Director)*
Mr KUOK Hoi Sang
Mr KAN Ka Hon
Miss Lily CHOW

Independent Non-Executive Directors

Mr Shinichi YONEHARA
Mr WU King Cheong

In accordance with the Company's Bye-laws, Ms Lily CHOW shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election. The Independent Non-Executive Directors are subject to the same retirement requirements as the Executive Directors.

Directors' Interests in Contracts

Messrs CHOW Yei Ching, FUNG Pak Kwan, KUOK Hoi Sang and KAN Ka Hon are interested in certain contracts in that they are the Directors and/or have beneficial interests in Chevalier International Holdings Limited ("CIHL"). Details of these contracts are more fully disclosed in the section "Connected Transactions" below.

Save as aforementioned, no other contract of significance to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

During the year, none of the Directors have an interest in any business constituting a competing business to the Group.

Connected Transactions

The Group has from time to time conducted transactions with CIHL which is a "connected person" for the purposes of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Stock Exchange had granted a waiver on 2nd April, 1997 to the Company from strict compliance with the requirements stipulated in Chapter 14 of the Listing Rules on connected transactions. Pursuant to the waiver, details of the following connected transactions which have been entered into between certain subsidiaries of CIHL and the Group in the ordinary and usual course of business were not required to be disclosed by press notice and/or circular nor is the Company required to obtain prior independent shareholders' approval on each occasion when they arise:

The following properties were leased to the Group by the wholly-owned subsidiaries of CIHL at commercial rates:

Landlord	Renting of property (usage)	Rental for the year <i>HK\$'000</i>
Union Pearl Development Limited	Portion of Chevalier Commercial Centre (office)	111
Peak Gain Limited	Portion of Chevalier Engineering Service Centre (office/warehouse)	3,255
Well Stamp Limited	Portion of Jin Du Mansion (office)	28
Well Stamp Limited	Portion of Dongshan Plaza (office)	94

During the year, rentals amounting to approximately HK\$3.5 million was paid to CIHL Group.

Report of the Directors

Connected Transactions (Continued)

The Independent Non-Executive Directors of the Company confirm that the aforesaid connected transactions conducted by the Group during the year ended 31st March, 2004 were:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties;
- (iii) fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) within the relevant amounts as stipulated under the relevant waiver.

Directors' and Chief Executives' Interests in Securities

As at 31st March, 2004, the interests and short positions of the Directors and the chief executives of the Company in the share, 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 have been 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 taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

(a) Interests in the Company – Shares

Name of Director	Capacity	Number of ordinary shares			Approximate percentage of interest (%)
		Personal interests	Corporate interests	Total	
CHOW Yei Ching	Beneficial owner and Interest of controlled corporation	6,815,854	86,994,933*	93,810,787	54.75
FUNG Pak Kwan	Beneficial owner	2,580,000	–	2,580,000	1.5
KUOK Hoi Sang	Beneficial owner	2,400,000	–	2,400,000	1.4
KAN Ka Hon	Beneficial owner	451,200	–	451,200	0.26
Shinichi YONEHARA	Beneficial owner	600	–	600	0.00035

Directors' and Chief Executives' Interests in Securities (Continued)

(a) Interests in the Company – Shares (Continued)

* Dr CHOW Yei Ching has notified the Company that under the SFO, he was deemed to be interested in 86,994,933 shares of the Company which were held by CIHL as Dr Chow beneficiary owned 140,669,359 shares in CIHL, representing approximately 50.49% of the issued share capital of CIHL. Dr Chow was deemed to be interested in these shares under the SFO and these shares were same as those shares described in "Substantial Shareholders' Interests in Securities" below.

(b) Interests in Associated Corporations – Shares

Name of Director	Associated corporations	Capacity	Number of ordinary shares		Approximate percentage of interest (%)
			Personal interests	Total	
CHOW Yei Ching	CIHL	Beneficial owner	140,669,359	140,669,359	50.49
FUNG Pak Kwan	CIHL	Beneficial owner	93,479	93,479	0.03
KUOK Hoi Sang	CIHL	Beneficial owner	98,216	98,216	0.04
KAN Ka Hon	CIHL	Beneficial owner	29,040	29,040	0.01
Shinichi YONEHARA	CIHL	Beneficial owner	1,671	1,671	0.0006

Save as disclosed above and in "Share Option Schemes" below, as at 31st March, 2004, so far as is known to the Directors and the chief executives of the Company, no other person has interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

Share Option Schemes

The Company and CIHL have adopted share option schemes on 30th September, 1991 ("the Old CiTL Scheme and Old CIHL Scheme respectively"). These schemes have been expired on 29th September, 2001 and no further options may be granted under the Old CiTL Scheme and Old CIHL Scheme thereafter. Details of the outstanding options as at 31st March, 2004 which have been granted under the share option schemes of the Company and its associated corporation were as follows:

(a) Interests in the Company – Share Options

Name of Director	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$) (note)	Balance as at 1st April, 2003 (note)	Number of share options			Outstanding as at 31st March, 2004
					Exercised during the year	Cancelled during the year	Lapsed during the year (note)	
CHOW Yei Ching	17/12/1999	30/06/2000 – 29/06/2003	2.32	1,400,000	-	-	1,400,000	-
FUNG Pak Kwan	17/12/1999	30/06/2000 – 29/06/2003	2.32	1,310,000	-	-	1,310,000	-
KUOK Hoi Sang	17/12/1999	30/06/2000 – 29/06/2003	2.32	1,000,000	-	-	1,000,000	-
KAN Ka Hon	17/12/1999	30/06/2000 – 29/06/2003	2.32	1,000,000	1	-	999,999	-
Lily CHOW	17/12/1999	30/06/2000 – 29/06/2003	2.32	1,000,000	-	-	1,000,000	-

As at 31st March, 2004, all the outstanding options under the Old CiTL Scheme had been lapsed on 29th June, 2003.

Share Option Schemes (Continued)

(b) Interests in Associated Corporation – Share Options

Name of Director	Associated corporation	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$) (note)	Balance as at 1st April, 2003 (note)	Number of share options				Outstanding as at 31st March, 2004 (note)
						Exercised during the year	Cancelled during the year	Lapsed during the year	Disposed of during the year	
CHOW Yei Ching	CIHL	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,690,000	-	-	-	1,690,000	-
FUNG Pak Kwan	CIHL	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,070,000	-	-	-	1,070,000	-
KUOK Hoi Sang	CIHL	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,070,000	-	-	-	1,070,000	-
KAN Ka Hon	CIHL	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,000,000	-	-	-	1,000,000	-

As at 31st March, 2004, there is no share options outstanding under the Old CIHL Scheme.

Note: The exercise price per option and the numbers of share options of the Company and CIHL subject to the Old CiTL Scheme and the Old CIHL Scheme respectively have been adjusted for the five into one share consolidation which became effective on 6th June, 2003.

A share option scheme of the Company (“the CiTL Scheme”) was approved by the shareholders of CIHL and shareholders of the Company at their respective 2002 Annual General Meetings held on 20th September, 2002. Another share option scheme of CIHL (“the CIHL Scheme”) was also approved by the shareholders of CIHL at the 2002 Annual General Meeting of CIHL held on 20th September, 2002. The CiTL Scheme and the CIHL Scheme fully comply with Chapter 17 of the Listing Rules. As at 31st March, 2004, no share option was granted, exercised, cancelled or lapsed under the CiTL Scheme and the CIHL Scheme.

Directors’ Service Contracts

No Director offering for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Management Contracts

Apart from the management agreement entered into with CIHL Group as set out in note 29(a) to the financial statements, no other contract of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or subsisted during the year.

Directors' Biographies

Executive Directors

Dr CHOW Yei Ching, Chairman, aged 68, is the founder of Chevalier Group. Dr Chow is also the Chairman and Managing Director of CIHL, a public listed company in Hong Kong and a substantial shareholder of the Company. He is also a Non-Executive Director of Van Shung Chong Holdings Limited, Television Broadcasts Limited and Shaw Brothers (Hong Kong) Limited. In 1995, Dr Chow was awarded with an Honorary Doctor Degree in Business Administration by The Hong Kong Polytechnic University and an Honorary University Fellow by The University of Hong Kong. In 1996 and 1997, he was appointed as an Honorary Member of the Board of Directors by Nanjing University and was conferred an Honorary Degree of Doctor of Laws by The University of Hong Kong respectively. Dr Chow also serves actively in a number of educational advisory committees and gives substantial support to the aforementioned two Universities in Hong Kong and The Hong Kong University of Science & Technology in areas of researches and developments. He is also a Consultative Professor of Zhejiang University and a Lecture Professor of Sichuan Union University in the PRC. Dr Chow's enthusiasm in public services is evidenced in his appointment in 2001 as the Vice Patron of The Community Chest in Hong Kong. He was also appointed as the Honorary Consul of The Kingdom of Bahrain in Hong Kong in 2001. He also actively participates in various professional bodies and associations on fraternal and Chinese affairs. To name a few, he is a Standing Committee Member of the Chinese People's Political Consultative Conference, Shanghai, the President of The Japan Society of Hong Kong and the Permanent Honorary President of the National Taiwan University-HK Alumni Association, etc. In recognition of his contributions to local and overseas societies alike, Dr Chow was awarded honorable decorations from Britain, Belgium, France and Japan. Furthermore, Dr Chow was also awarded the Gold Bauhinia Star from the Government of the HKSAR in 2004. He is the father of Miss Lily Chow, the Executive Director of the Company. Dr Chow is a director of Chevalier (HK) Limited and Firstland Company Limited which are the wholly-owned subsidiaries of CIHL and the substantial shareholders of the Company. They have a discloseable interest in the capital of the Company under the SFO.

Mr FUNG Pak Kwan, Managing Director, aged 52, joined Chevalier Group in 1974 and is a Director of CIHL, a public listed company in Hong Kong and a substantial shareholder of the Company. He is the Advisor of the executive committee of the Guangdong Federation of Industry & Commerce and Guangdong Chamber of Commerce. Mr Fung is responsible for Chevalier Group's strategic planning and management of operations of subsidiaries which focus on a wide range of voice and data communication equipment and services, system integrated IT solutions as well as the sale of business machines, computer systems and equipment, telephone systems and relevant after-sales services. He also actively involves in the planning of investment and development projects, environmental engineering, automobile and hotel business in North America of the Group. Mr Fung is a director of Chevalier (HK) Limited and Firstland Company Limited which are the wholly-owned subsidiaries of CIHL and the substantial shareholders of the Company. They have a discloseable interest in the capital of the Company under the SFO.

Directors' Biographies (Continued)

Executive Directors (Continued)

Mr KUOK Hoi Sang, Director, aged 54, joined Chevalier Group in 1972 and is the Managing Director of CIHL, a public listed company in Hong Kong and a substantial shareholder of the Company. He is also the President of The Lift and Escalator Contractors Association in Hong Kong, the Vice-Chairman of the Hong Kong - China Branch of The International Association of Elevator Engineers and a Registered Lift and Escalator Engineer in Hong Kong. He is a member of Chinese People's Political Consultative Conference, Guangzhou. Mr Kuok has extensive experience in business development and is responsible for the strategic planning and management of the operations of lifts and escalators, building construction, building materials and supplies, aluminium works, electrical and mechanical services, civil engineering, property development as well as investment projects of the Group. Mr Kuok is a director of Chevalier (HK) Limited and Firstland Company Limited which are the wholly-owned subsidiaries of CIHL and the substantial shareholders of the Company. They have a discloseable interest in the capital of the Company under the SFO.

Mr KAN Ka Hon, Director and Company Secretary, aged 53, joined Chevalier Group in 1986 and is a Director and Company Secretary of CIHL, a public listed company in Hong Kong and a substantial shareholder of the Company. He is also a Non-Executive Director of Victory City International Holdings Limited and Asia Alliance Holdings Limited (formerly known as "i100 Limited"). He is responsible for management of the Chevalier Group's accounting and treasury, corporate finance, investment, pension fund and company secretarial activities. Mr Kan holds a Bachelor Degree in Science from The University of Hong Kong and is a fellow member of The Association of The Chartered Certified Accountants in the U.K. and a member of The Hong Kong Society of Accountants. Mr Kan is a director of Chevalier (HK) Limited and Firstland Company Limited which are the wholly-owned subsidiaries of CIHL and the substantial shareholders of the Company. They have a discloseable interest in the capital of the Company under the SFO.

Miss Lily CHOW, Director, aged 41, joined Chevalier Group in 1990. She is responsible for strategic planning and business development of the Group. She is also a member of Guangdong Provincial Committee of Chinese People's Consultative Conference, Committee of Taiwan, Hong Kong, Macau and Overseas of the Zhejiang Provincial Committee of Chinese People's Political Conference and Shanghai Women's Federation Committee. She holds a Bachelor Degree and is the daughter of Dr CHOW Yei Ching, the Chairman of the Company.

Directors' Biographies (Continued)

Independent Non-Executive Directors

Mr Shinichi YONEHARA, aged 53, was appointed to the Board in 2001. He is a graduate of Keio University, Japan. Mr Yonehara joined Mitsui & Co., Ltd in 1974 and retired in January 2001. He was appointed General Manager for Machinery Division of Mitsui & Company (Hong Kong) Limited from 1983 to 1992. Mr Yonehara is well-experienced in aircraft, telecommunications and IT businesses.

Mr WU King Cheong, aged 53, was appointed to the Board in October, 2002. He is an Executive Director of Lee Cheong Gold Dealers Limited. He is also a Councillor of the Legislative Council of the HKSAR (Financial Services Constituency) and the Eastern District Council of the HKSAR, Vice Chairman of the Chinese General Chamber of Commerce, Member of the Hong Kong Housing Authority and Lord Wilson Heritage Trust - Board of Trustees as well as the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Hong Kong Stockbrokers Association.

Retirement Schemes

The Company and its Hong Kong subsidiaries were participating companies in the Chevalier Group Staff Provident Fund Scheme ("the Scheme") as defined in the Occupational Retirement Schemes Ordinance which is a defined contribution retirement scheme. The Scheme was granted exemption from Mandatory Provident Fund regulations by the Mandatory Provident Fund Scheme Authority and shall not open to new members starting from 1st December, 2000. Certain of the Company's overseas subsidiaries contribute to their local government's central pension plans for their employees. Contributions to the Scheme are made by both the employers and the employees at the rate of 3.5% to 16% on the employees' salaries.

Pursuant to Government legislation, Bank Consortium Trust Company Limited was selected by the Group as an alternative Mandatory Provident Fund ("MPF") service provider for employees of the Group who join the Group from 1st December, 2000. The MPF is available to the employees aged 18 to 65 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income at a maximum of HK\$20,000 per month. The benefits are required by law to be preserved until the retirement age of 65.

The Group's total contributions to these schemes charged to the consolidated income statement during the year amounted to HK\$3,682,000 against which the forfeited contributions amounting to HK\$569,000 have been deducted. There were forfeited contributions amounting to HK\$13,000 available at the year end date for the reduction of future employer's contributions.

Substantial Shareholders' Interests in Securities

As at 31 March 2004, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Substantial Shareholder	Number of shares held	Approximate percentage of interest (%)
CHOW Yei Ching (Notes 1 and 3)	93,810,787	54.75
MIYAKAWA Michiko (Notes 2 and 3)	93,810,787	54.75
CIHL (Note 3)	86,994,933	50.77
Chevalier (HK) Limited ("CHK") (Note 3)	13,471,200	7.86
Firstland Company Limited ("Firstland") (Note 3)	13,471,200	7.86

Notes:

1. These shares were held by Dr Chow as (i) personal interests of 6,815,854, (ii) corporate interests of 86,994,933 in which Dr Chow was deemed to be interested in (ii) under the SFO.
2. These shares were held by Dr Chow. Ms Miyakawa Michiko, the spouse of Dr Chow, is deemed to be interested in the same parcel of 93,810,787 shares under Part XV of the SFO.
3. These shares of 13,471,200 were held by Firstland, a company incorporated in Hong Kong and a wholly-owned subsidiary of CHK. CHK is a company incorporated in Hong Kong and a wholly-owned subsidiary of CIHL. CIHL is a company incorporated in Bermuda. CHK, CIHL, Dr. Chow and his spouse were deemed to be interested in 13,471,200 shares under Part XV of the SFO.

Save as disclosed above, as at 31 March, 2004, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, or, were, 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 meetings of the Company.

Report of the Directors

Arrangement for Acquisition of Shares or Debentures

Except for the share option schemes adopted by the Company and its associated corporations and the share options granted to certain Directors, at no time during the year was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement 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.

Audit Committee

The Audit Committee, which was established pursuant to the requirements of the Listing Rules, comprising Messrs Shinichi YONEHARA and WU King Cheong, both the Independent Non-Executive Directors of the Company, met twice in the year. During the meetings, the Audit Committee has reviewed with the Management the Connected Transactions, interim and annual reports of the Group, the accounting principles and practices adopted by the Group, the auditing, internal controls and financial reporting matters.

Corporate Governance

In the opinion of the Directors, the Company has complied throughout the year with the guidelines for the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, the percentage of the Company's share which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditors

The financial statements for the year have been audited by Messrs Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

CHOW Yei Ching

Chairman

Hong Kong, 15th July, 2004