



**Chuang's China Investments Limited**  
**(莊士中國投資有限公司)**

*(incorporated in Bermuda with limited liability)*

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED**  
**30TH SEPTEMBER, 2002**

## RESULTS

The directors of Chuang's China Investments Limited ("Company" and together with its subsidiaries, the "Group"), announce that the unaudited consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2002 together with their comparative figures for the corresponding period in the previous year and the unaudited consolidated balance sheet as at 30th September, 2002 together with the audited comparative figures as at 31st March, 2002 were as follows:

### Condensed Consolidated Income Statement

*For the six months ended 30th September, 2002*

		(Unaudited)	
		Six months ended	
		30th September,	
		2002	2001
	Note	HK\$'000	HK\$'000
Turnover	2	37,176	36,568
Cost of sales		<u>(19,671)</u>	<u>(18,398)</u>
Gross profit		17,505	18,170
Other income		3,349	2,259
Distribution costs		(96)	(307)
Administrative expenses		(15,040)	(19,190)
Other operating expenses		<u>(10,580)</u>	<u>(3,170)</u>
Loss from operations		(4,862)	(2,238)
Finance costs		(4,351)	(8,636)
Share of results of associates		<u>2,446</u>	<u>744</u>
Loss from ordinary activities			
before taxation	3	(6,767)	(10,130)
Taxation	4	<u>(165)</u>	<u>(216)</u>
Loss after taxation		(6,932)	(10,346)
Minority interests		<u>67</u>	<u>257</u>
Loss attributable to shareholders		<u><u>(6,865)</u></u>	<u><u>(10,089)</u></u>
Transfer to statutory reserve		<u>6</u>	<u>17</u>
Loss per share	5		
Basic		<u><u>HK (0.67) cents</u></u>	<u><u>HK (1.05) cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

## Condensed Consolidated Balance Sheet

As at 30th September, 2002

		(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	6	454,400	454,400
Property, plant and equipment	6	42,318	31,450
Properties held for/under development		1,175,060	1,175,056
Interests in associates		300,614	305,986
Interests in investment securities		5,445	5,445
		<u>1,977,837</u>	<u>1,972,337</u>
<b>Current assets</b>			
Other investments		1,097	823
Inventories		4,894	5,296
Properties held for sale		23,403	24,741
Trade and other receivables	7	28,799	21,493
Bank balances and cash		196,869	230,674
		<u>255,062</u>	<u>283,027</u>
<b>Current liabilities</b>			
Trade and other payables	8	31,766	29,744
Current portion of interest-bearing borrowings	9	5,132	5,132
Provision for taxation		15,435	15,435
Provisions	10	21,141	23,250
		<u>73,474</u>	<u>73,561</u>
<b>Net current assets</b>		<u>181,588</u>	<u>209,466</u>
<b>Total assets less current liabilities</b>		<u>2,159,425</u>	<u>2,181,803</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	9	245,077	250,143
Provisions	10	30,994	30,994
		<u>276,071</u>	<u>281,137</u>
<b>Minority interests</b>		<u>100,534</u>	<u>100,732</u>
<b>NET ASSETS</b>		<u>1,782,820</u>	<u>1,799,934</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	51,222	51,222
Reserves		1,731,598	1,748,712
		<u>1,782,820</u>	<u>1,799,934</u>

## Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2002

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(4,904)	(9,094)
Net cash used in investing activities	(9,350)	(3,810)
Net cash (used in) from financing activities	(19,737)	649
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(33,991)	(12,255)
Cash and cash equivalents at 1st April	218,337	278,061
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<b>184,346</b>	265,806
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	9,150	27,648
Fixed deposits	175,196	238,158
	<hr/>	<hr/>
	<b>184,346</b>	265,806
	<hr/> <hr/>	<hr/> <hr/>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2002

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
At 1st April	1,799,934	1,769,690
Issue of shares	–	8,500
Premium arising from issue of shares	–	37,359
Surplus on revaluation of properties	–	139
Exchange differences on translation of the financial statements of foreign subsidiaries	(5)	15
Net loss attributable to shareholders	(6,865)	(10,089)
Dividend	<u>(10,244)</u>	<u>(10,244)</u>
At 30th September	<u><b>1,782,820</b></u>	<u><b>1,795,370</b></u>

*Notes:*

## **1. Principal accounting policies**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (SSAP) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

These adoptions have no significant impact on the Group’s financial statements.

## 2. Turnover

The Group is principally engaged in property investment and development, manufacturing and sales of watch components, securities investments and trading, and the provision of information technology services.

Analysis of the Group's turnover and contribution to the loss attributable to shareholders in respect of each activity and their geographical analysis are as follows:

### a. By activity

	Six months ended 30th September, 2002						Consolidated total HK\$'000
	Property HK\$'000	Manufacturing HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	
External sales	8,907	22,679	351	-	-	5,239	37,176
Inter-segment sales	24	-	-	-	(24)	-	-
Total revenue	<u>8,931</u>	<u>22,679</u>	<u>351</u>	<u>-</u>	<u>(24)</u>	<u>5,239</u>	<u>37,176</u>
Contribution to profit (loss) from operations	(780)	3,418	106	(271)	-	(7,335)	(4,862)
Finance costs							(4,351)
Share of results of associates		2,570	(124)				<u>2,446</u>
Loss from ordinary activities before taxation							(6,767)
Taxation							<u>(165)</u>
Loss after taxation							(6,932)
Minority interests							<u>67</u>
Loss attributable to shareholders							<u>(6,865)</u>

## Six months ended 30th September, 2001

	Property HK\$'000	Manufacturing HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
External sales	10,895	17,383	1,408	925	-	5,957	36,568
Inter-segment sales	558	-	-	-	(558)	-	-
Total revenue	<u>11,453</u>	<u>17,383</u>	<u>1,408</u>	<u>925</u>	<u>(558)</u>	<u>5,957</u>	<u>36,568</u>
Contribution to profit (loss) from operations	2,652	1,336	(3,272)	(344)	-	(2,610)	(2,238)
Finance costs							(8,636)
Share of results of associates		1,677	(933)				<u>744</u>
Loss from ordinary activities before taxation							(10,130)
Taxation							<u>(216)</u>
Loss after taxation							(10,346)
Minority interests							<u>257</u>
Loss attributable to shareholders							<u>(10,089)</u>

## b. By geographical location of its customers

	Turnover		Contribution to profit (loss) from operations	
	Six months ended 30th September,		Six months ended 30th September,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>33,161</b>	31,537	<b>(5,624)</b>	(2,049)
The People's Republic of China ("the PRC")	<b>2,369</b>	5,031	<b>357</b>	(189)
Others	<b>1,646</b>	-	<b>405</b>	-
	<u><b>37,176</b></u>	<u>36,568</u>	<u><b>(4,862)</b></u>	<u>(2,238)</u>



### 3. Loss from ordinary activities before taxation

<b>Six months ended 30th September,</b>	
<b>2002</b>	<b>2001</b>
<b>HK\$ '000</b>	<b>HK\$ '000</b>

This is stated after charging the following:

Provision for rental guarantee	<b>1,617</b>	–
Provision for construction costs undertaking	<b>3,000</b>	–
Depreciation	<b>1,515</b>	1,868
Loss on written off/disposal of property, plant and equipment	<b>1,665</b>	1,384
Net realised and unrealised holding loss on other investments	<b>271</b>	344
	<u><b>271</b></u>	<u>344</u>

### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Company and its subsidiaries either have no assessable profit for the period or have unutilized tax losses to set off against current period's assessable profits.

<b>Six months ended 30th September,</b>	
<b>2002</b>	<b>2001</b>
<b>HK\$ '000</b>	<b>HK\$ '000</b>

The charge comprises:

Share of associates' taxation	<b>165</b>	216
	<u><b>165</b></u>	<u>216</u>

### 5. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

<b>Six months ended 30th September,</b>	
<b>2002</b>	<b>2001</b>
<b>HK\$ '000</b>	<b>HK\$ '000</b>

Loss attributable to shareholders	<b>(6,865)</b>	(10,089)
	<u><b>(6,865)</b></u>	<u>(10,089)</u>
Weighted average number of shares in issue during the period	<b>1,024,439,690</b>	957,554,444
	<u><b>1,024,439,690</b></u>	<u>957,554,444</u>
Loss per share		
Basic	<b>HK(0.67) cents</b>	HK(1.05) cents
	<u><b>HK(0.67) cents</b></u>	<u>HK(1.05) cents</u>

There is no diluted loss per share for the six months ended 30th September, 2002 and 2001 as the potential ordinary shares issuable under the outstanding share options are anti-dilutive.

## 6. Movements in investment properties, and property, plant and equipment

The investment properties of the Group are held for rental purposes under operating leases and were revalued at 31st March, 2002 on an open market value basis by BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, independent professional valuers.

At 30th September, 2002, the directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amount does not differ significantly from that would be determined using fair values at that date. Accordingly, the same valuation as at 31st March, 2002 has been adopted by the directors for those properties and included in the interim financial report.

During the six months ended 30th September, 2002, the Group acquired property, plant and equipment amounting to approximately HK\$14,026,000 (30th September, 2001: HK\$706,000).

## 7. Trade and other receivables

The Group's credit terms on credit sales mainly ranging from 30 days to 90 days.

Included in trade and other receivables are trade debtors of HK\$21,623,000 (31st March, 2002: HK\$13,820,000) and its ageing analysis is as follows:

	<b>30th September, 2002</b>	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>6,080</b>	4,237
31 – 60 days	<b>4,455</b>	2,003
61 – 90 days	<b>1,999</b>	1,118
Over 90 days	<b>9,089</b>	6,462
	<hr/> <b>21,623</b> <hr/>	<hr/> 13,820 <hr/>

## 8. Trade and other payables

Included in trade and other payables are trade payables of HK\$4,960,000 (31st March, 2002: HK\$3,699,000) and its ageing analysis is as follows:

	<b>30th September, 2002</b>	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>2,939</b>	2,345
31 – 60 days	<b>1,194</b>	612
61 – 90 days	<b>758</b>	485
Over 90 days	<b>69</b>	257
	<hr/> <b>4,960</b> <hr/>	<hr/> 3,699 <hr/>

## 9. Interest-bearing borrowings

	<b>30th September, 2002</b>	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan, secured	<b>250,000</b>	255,000
Obligations under finance leases	<b>209</b>	275
	<u><b>250,209</b></u>	<u>255,275</u>
Current portion	<b>5,132</b>	5,132
Non-current portion	<b>245,077</b>	250,143
	<u><b>250,209</b></u>	<u>255,275</u>

The maturity of the bank loan is as follows:

	<b>30th September, 2002</b>	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan:		
Within one year	<b>5,000</b>	5,000
After one year but within two years	<b>6,000</b>	5,000
After two years but within five years	<b>239,000</b>	20,000
After five years	<b>–</b>	225,000
	<u><b>250,000</b></u>	<u>255,000</u>

The obligations under finance leases are repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30th September, 2002	31st March, 2002	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>158</b>	158	<b>132</b>	132
After one year but within two years	<b>92</b>	158	<b>77</b>	132
After two years but within five years	<b>–</b>	13	<b>–</b>	11
	<u><b>250</b></u>	<u>329</u>	<u><b>209</b></u>	<u>275</u>
Future finance charges	<b>(41)</b>	(54)	<b>–</b>	–
Present value of lease obligations	<u><b>209</b></u>	<u>275</u>	<u><b>209</b></u>	<u>275</u>

## 10. Provisions

	<b>30th September, 2002 HK\$'000</b>	31st March, 2002 HK\$'000
At the beginning of the period/year	54,244	–
Provided during the period/year	4,617	74,840
Reversal of overprovision	–	(10,608)
Amount utilised	<u>(6,726)</u>	<u>(9,988)</u>
At the end of the period/year	<u><u>52,135</u></u>	<u><u>54,244</u></u>
Analysis of total provisions		
Non-current	30,994	30,994
Current	<u>21,141</u>	<u>23,250</u>
	<u><u>52,135</u></u>	<u><u>54,244</u></u>

The provisions represent the Group's undertakings in respect of rental guarantee, construction costs and PRC tax liability in relation to properties and property based investments sold in December 2001.

## 11. Issued capital

	<b>No. of shares</b>	<b>Shares of HK\$0.05 each HK\$'000</b>
<i>Authorised</i>		
At 1st April, 2002 and at <b>30th September, 2002</b>	<u>18,000,000,000</u>	<u>900,000</u>
<i>Issued and fully paid</i>		
At 1st April, 2002 and at <b>30th September, 2002</b>	<u>1,024,439,690</u>	<u>51,222</u>

## 12. Contingent liabilities

At 30th September, 2002, guarantees amounting to HK\$3.5 million (31st March, 2002: HK\$3.7 million) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

### 13. Commitments

(a) *Capital expenditure commitments*

At 30th September, 2002, the Group had capital expenditure commitments contracted but not provided for (net of deposits paid) amounted to HK\$Nil (31st March, 2002: HK\$10,420,000).

(b) *Commitments under operating leases*

At 30th September, 2002, the Group had total outstanding commitments in respect of land and building under non-cancellable operating leases which are payable as follows:

	<b>30th September, 2002 HK\$'000</b>	31st March, 2002 HK\$'000
Within one year	<b>567</b>	570
In the second to fifth years inclusive	<b>1,354</b>	1,644
	<b><u>1,921</u></b>	<u>2,214</u>

### 14. Pledge of assets

The Group has pledged all shares and assets of one of its subsidiaries, including an investment property, to secure general banking facilities granted to that subsidiary.

## **INTERIM DIVIDEND**

The directors do not declare an interim dividend (2001: HK\$Nil).

## **MANAGEMENT DISCUSSIONS ON RESULTS**

For the six months ended 30th September, 2002, turnover slightly increased by 1.7% to HK\$37.2 million (2001: HK\$36.6 million). Turnover of the property division decreased by 22.6% to HK\$8.9 million (2001: HK\$11.5 million) but turnover of the manufacturing division improved by 30.5% to HK\$22.7 million (2001: HK\$17.4 million). In light of the rationalization of our information technology business, turnover of this division had been reduced with slight profit contribution.

Gross profit for the six months decreased by 3.8% to HK\$17.5 million (2001: HK\$18.2 million). During the period, the Group cut down administration expenses by about 21.6% but other operating expenses increased by HK\$7.4 million, mainly as a result of additional provisions for construction costs and contractual payment of rental guarantee for certain properties sold in 2001. As a result, loss from operations widened to HK\$4.9 million (2001: HK\$2.2 million). In view of the low interest rates prevailing during the period, substantial savings in finance costs were recorded. Moreover, the Group's share of results of associates increased as a result of improved profits of the associated company, Midas International Holdings Limited.

Taking into account these factors, loss attributable to shareholders reduced by 31.7% to HK\$6.9 million compared with a loss of HK\$10.1 million recorded during the last corresponding period.

## **REVIEW OF OPERATIONS**

The global business conditions remained harsh and unfavourable in 2002, while overhang uncertainties and deflationary pressures in Hong Kong further dampened business confidence. In the PRC, its strong economic growth continued and its GDP growth recorded 7.8% during the first six months.

### **1. Property Division**

#### *(a) The PRC*

The Group possesses plentiful development sites in the Guangdong province with an attributable gross floor area of about 40 million sq.ft. in various cities in Guangzhou, Dongguan, and Huizhou. In view of the infrastructural and economic developments of these regions, the Group will review our development plan in accordance with local demand.

Recently, the municipal government of Guangzhou proposed a RMB200 billion infrastructural plan, to build an intercity metro transportation network for a total length of 500 kilometers, linking up major cities in the Pearl River Delta region. With the improvement in transport accessibility, the economic outlook of Guangzhou and its region will be greatly enhanced. The Group believes that its property project, Chuang's Metropolis, in Panyu, Guangzhou, will have good long-term development potential.

During the period, the Group continued to dispose additional residential units in Phase I of Chuang's New City in Dongguan. As the inflow of foreign companies setting up their manufacturing bases in Dongguan, demand for both residential and commercial properties will be bolstered. Thus the Group considers that conditions gradually appear ripe for implementing Phase II of Chuang's New City in Dongguan. Planning for Phase II of the development has been completed, which occupies a site of approximately 430,000 sq.ft., comprising a complex of 450 residential units with a gross floor area of 600,000 sq.ft., surrounded by sumptuous landscaped garden areas together with amenity clubhouse and swimming pool. Construction work on the site will commence once approval by local authority for the development plan is obtained.

In Huizhou, the long-awaited sino-foreign investment of over US\$4 billion to build a world-scale petrochemical complex has officially implemented construction works in November 2002. The Group anticipated that with such major investments by multi-national conglomerate, prospects of the region will be drastically improved and will uplift enthusiasm to its overall property market. The Group will closely assess the development plan of Chuang's New Town, our property development project in Huizhou.

(b) *Hong Kong*

As Hong Kong's economy continues to shrink and demand dwindles, office rentals remain soft in the first half of the year. As we strive to keep a stable rental income by providing flexible terms to retain and attract tenants, the Group was able to improve the occupancy rate of Chuang's Tower in Central to about 94%.

## 2. **Manufacturing Division**

(a) *Yuen Sang Hardware Company (1988) Limited ("Yuen Sang")*

During the period under review, the results of Yuen Sang showed an improvement in turnover by about 30.5% to HK\$22.7 million. As a result of increased turnover and effective cost control, its profit contribution

increased by 1.6 times to HK\$3.4 million. Facing the sluggish global economy and ever-intense competition within industries, Yuen Sang will continue with its efforts to enhance competitiveness.

(b) *Midas International Holdings Limited ("Midas")*

Midas is a company listed on the Stock Exchange, and its subsidiaries are engaged in book printing, packaging printing, commercial printing, magazine printing and property investment. For the six months ended 30th June, 2002, Midas recorded turnover of HK\$205.5 million, representing a decrease of 14% as compared with last corresponding period and profit attributable to shareholders of about HK\$13.1 million, representing an increase of 30% as compared with last corresponding period.

In April 2002, the Group converted nominal value of HK\$7.2 million of the preference shares of Midas and increased its equity interests in Midas to 21.6%. At present, the Group is interested in nominal value of HK\$245.7 million preference shares of Midas of which nominal value of HK\$43.2 million of the preference shares can be convertible into listed ordinary shares of Midas at HK\$0.3 per share. Should full conversion be exercised, the Group's shareholding interests in Midas would be increased to about 42.8%.

## **NET ASSET VALUE**

As at 30th September, 2002, net assets of the Group amounted to HK\$1,782.8 million, equivalent to approximately HK\$1.74 per share.

## **FINANCING**

As at 30th September, 2002, the Group's bank balances, cash and other investments amounted to HK\$198.0 million. Bank and other borrowings of the Group as at the same date amounted to HK\$250.2 million. The debt to equity ratio of the Group (expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group) as at 30th September, 2002 was approximately 2.9%. Furthermore, the Group holds nominal value of HK\$245.7 million preference shares of Midas that are redeemable by Midas in cash at any time up to 14th December, 2006. The preference shares carry an annual preferred dividend rate of 2.5% on a cumulative basis. The redemption of these preference shares will provide additional working capital to the Group.

About 84.6% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar, 0.5% in Euro dollar with the balance of 14.9% in Renminbi. Risk in exchange rate fluctuation would not be material.



All of the Group's bank and other borrowings were in Hong Kong dollar. About 2.1% of the Group's bank and other borrowings were repayable within one year, 2.4% repayable in the second year and the balance of 95.5% repayable in the third to fifth year.

## PROSPECTS

China remains the bright spot for investments and the Group's main market focus. Robust demand for housing, liberal mortgage policies, sustained growth of household income and the emergence of a secondary market, coupled with continuing economic growth, are the engines behind this huge property market to propel ahead. This is further supported by high level of foreign capital inflow and sustained domestic investment in public infrastructure, along with China's WTO accession, its successful bid to host the 2008 Olympic Games and the staging of the 2010 World Expo. With these strong fundamentals, the Group anticipated that the property market in the PRC would on the whole experience a gradual and balanced development. The Group intends to develop the property projects actively in line with domestic market needs.

The Group's manufacturing investments are principally engaged in the manufacturing and sales of watches and watch components as well as book printing, packaging printing, commercial printing and magazine printing. With better investment environment and the PRC's competitive supply of raw materials and manpower, the PRC has attracted more foreign investments and has become the hub for global manufacturers' base. Under this encouraging development, the Group will identify suitable opportunities to expand our manufacturing businesses in the PRC, especially those with potential for the PRC's domestic market.

## DIRECTORS' INTERESTS

As at 30th September, 2002, the interests of the directors of the Company in the securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Number of shares in the Company			Total
	Personal interests	Corporate interests	Other interests	
Dr. Hwang Jen	523,923	–	–	523,923
Mr. Chan Sheung Chiu	4,000,000	–	–	4,000,000
Mr. Lee Sai Wai	1,600,000	–	–	1,600,000
Mr. Sunny Pang Chun Kit	500,000	–	–	500,000

As at 30th September, 2002, each of Mr. Chan Sheung Chiu and Mr. Lee Sai Wai was deemed to be interested in 162,332,624 shares in Chuang's Consortium International Limited ("CCIL") by reason of their spouses being discretionary objects under a discretionary trust which held such shares.

As at 30th September, 2002, each of Mr. Chan Sheung Chiu and Mr. Lee Sai Wai was interested in 723,224 shares in CCIL.

As at 30th September, 2002, the interests of the directors of the Company under options entitling them to subscribe for shares in the Company under the Old Share Option Scheme (as defined below under the section headed "Share Option Scheme") of the Company were as follows:

<b>Name of director</b>	<b>Number of shares subject to options exercisable outstanding at the beginning and end of financial period</b>	<b>Date granted</b>	<b>Period during which options are exercisable</b>	<b>Exercise price per share</b>
Mr. Chan Sheung Chiu	6,000,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872
Miss Ann Li Mee Sum	9,000,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872
Mr. Lee Sai Wai	2,400,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872
Mr. Tang Wing Lun	1,500,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872
Mr. Sunny Pang Chun Kit	1,500,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872

During the period under review, 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.

Save as disclosed herein, as at 30th September, 2002, there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the followings were substantial shareholders holding 10% or more of the issued share capital of the Company as recorded in the Company's register kept under Section 16(1) of the SDI Ordinance:

	<b>Number of shares</b>
CCIL	615,695,645 ( <i>Note</i> )
Profit Stability Investments Limited	608,077,645

*Note: Interests by attribution under Section 8 of the SDI Ordinance through Profit Stability Investments Limited, a wholly-owned subsidiary of CCIL, and an indirect wholly-owned subsidiary of CCIL.*

Save as disclosed herein, the directors are not aware of any other persons who, as at 30th September, 2002, were directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

## SHARE OPTION SCHEME

The share option scheme adopted by the Company on 14th September, 1999 ("Old Share Option Scheme") was terminated on 26th August, 2002. Under the Old Share Option Scheme, apart from share options granted to the directors of the Company as mentioned in the section headed "Directors' Interests" above, the following share options were also granted to certain consultants of the Company:

<b>Number of shares subject to options exercisable outstanding at the beginning and end of financial period</b>	<b>Date granted</b>	<b>Period during which options are exercisable</b>	<b>Exercise price per share</b>
18,600,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872

The options granted under the Old Share Option Scheme are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and the interim report the value of options granted to participants as referred to in (i) to (v) of Rule 17.07 during the financial year/period. The directors consider that it is inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. The valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders. The directors therefore consider the disclosure of only the exercise price, which are readily ascertainable, will be appropriate.

No options have been granted under the Old Share Option Scheme since the beginning of the financial period upto the termination of the scheme. No options have been exercised, cancelled or lapsed under the Old Share Option Scheme during the financial period.

On 26th August, 2002, a new share option scheme (“New Share Option Scheme”) was adopted by the Company in place of the Old Share Option Scheme. The purpose of the New Share Option Scheme is to recognize the contribution of the eligible persons as defined in the scheme including, inter alia, any employees, directors of the Company and its subsidiaries (the “Eligible Persons”), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group’s long term prosperity. No options have been granted under the New Share Option Scheme since its adoption.

## **STAFF**

As at 30th September, 2002, the Group employed about 142 staff. In addition, the subcontracting factories of the Group have about 967 workers. The Group also provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

## **DEALING IN THE COMPANY’S SECURITIES**

During the period under review and up to the date of this report, the Company or any of its subsidiaries have not purchased, sold or redeemed any of the Company’s securities.

## **CORPORATE GOVERNANCE**

During the six months ended 30th September, 2002, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules on the Stock Exchange 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 current members of the audit committee are the two independent non-executive directors, Dr. Hwang Jen and Mr. David Chu Yu Lin.

The Group's auditors have carried out a review on the unaudited interim financial statements for the six months ended 30th September, 2002 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

By Order of the Board of  
**Chuang's China Investments Limited**  
**Ann Li**  
*Managing Director*

Hong Kong, 5th December, 2002