

## **Report of the Directors**

The directors present the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2003.

### **Principal Activities**

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 14 to the financial statements.

Analysis of the Group’s turnover and contribution to (loss)/profit attributable to shareholders in respect of each activity and their geographical analysis are set out in note 34 to the financial statements.

### **Results and Dividends**

The results of the Group for the year ended 31st March, 2003 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 directors propose to declare a final dividend of 1.0 HK cent per share (2002: 1.0 HK cent per share) payable on or before 10th September, 2003 to shareholders whose names appear on the Company’s register of members on 20th August, 2003. No interim dividend has been declared in respect of the current financial year (2001: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2002: 1.0 HK cent per share).

### **Subsidiaries**

Particulars regarding the principal subsidiaries of the Company are set out in note 14 to the financial statements.

### **Reserves**

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

### **Fixed Assets**

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

### 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 26 to the financial statements.

### Donations

Charitable donations made by the Group during the year amounted to HK\$6,692,063 (2002: HK\$2,394,915).

### 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, 2003 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

Mr. George Tsutsumi (resigned on 31st January, 2003)

In accordance with the Company's bye-laws, Mr. Chan Sheung Chiu and Miss Ann Li Mee Sum will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## Report of the Directors

### Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme adopted by the Company as disclosed in note 27 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

As at 31st March, 2003, 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 31st March, 2003, 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 31st March, 2003, each of Mr. Chan Sheung Chiu and Mr. Lee Sai Wai was interested in 723,224 shares in CCIL.

As at 31st March, 2003, the interests of the directors of the Company under share options entitling them to subscribe for shares in the Company under the 1999 Scheme (as defined in note 27 to the financial statements) were as follows:

Name of director	Number of shares subject to options exercisable outstanding at 01.04.2002	Date granted	Period during which options were exercisable	Exercise price per share	Lapsed	Number of shares subject to options exercisable outstanding at 31.03.2003
					during the year ended 31.03.2003	
Mr. Chan Sheung Chiu	6,000,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872	6,000,000	–
Miss Ann Li Mee Sum	9,000,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872	9,000,000	–
Mr. Lee Sai Wai	2,400,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872	2,400,000	–
Mr. Tang Wing Lun	1,500,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872	1,500,000	–
Mr. Sunny Pang Chun Kit	1,500,000	09/12/1999	01/01/2000 – 31/12/2002	HK\$0.5872	1,500,000	–

*Note:* The above options granted 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. 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.

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.

Save as disclosed herein, as at 31st March, 2003, 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.

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).

## Report of the Directors

### Substantial Shareholders

As at 31st March, 2003, 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:

	Number of shares
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 31st March, 2003, were directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

### 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.

### Related Party/Connected Transactions

Apart from the transactions and balances that have been disclosed in the financial statements, the followings are related party/connected transactions of the Group:

1. The Group made the following advances to its non-wholly owned subsidiaries for working capital purposes:
  - (a) advance to Guangzhou Panyu Chuang's Real Estate Development Company Limited, a 85% subsidiary of the Group, which amounted to HK\$9,942,461 as at 31st March, 2003. The advance is unsecured, interest free and has no fixed terms of repayment; and
  - (b) advance to Beijing Global Culture Information Technology Company Limited, a 85% subsidiary of the Group, which amounted to HK\$1,358,400 as at 31st March, 2003. The advance is unsecured, interest bearing at Hong Kong prime rate and has no fixed terms of repayment.

- The Group made advance to Treasure Auctioneer International Limited (“TAIL”), a company owned as to 25% by the Group, which amounted to HK\$750,000 as at 31st March, 2003. Such advance was provided in proportion to the Group’s equity interests in TAIL and are unsecured, interest bearing at 3% above Hong Kong prime rate or 8% per annum, whichever is higher and repayable in three years after the relevant date of each advance. Two directors of the ultimate holding company of the Company hold 10% interests in TAIL.

### **Group Borrowings and Interest Capitalised**

Bank loan of the Group is set out in note 23 to the financial statements. Interest capitalised by the Group during the year in respect of properties held for/under development amounted to HK\$Nil (2002: HK\$2,469,105).

### **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 21% and 48% respectively of the Group’s total turnover for the year.

Save as disclosed above, 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 may utilise the forfeited contributions to reduce its future contributions. As at 31st March, 2003, there is 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 on 26th August, 2002 in last annual general meeting, a new share option scheme (“2002 Scheme”) has been adopted to replace the 1999 Scheme as mentioned under the section headed “Directors’ Interests” above.

Summary of the 2002 Scheme is set out as follows:

1. Purpose: To give incentive to directors, employees or business consultants of the Company and its subsidiaries 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, 2003

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|---|---|
| 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 date of adoption of the 2002 Scheme on 26th August, 2002   |
| 6. Amount payable on acceptance of an option:                           | HK\$1.00 payable to the Company   |
| 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 date of offer for option ("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  |

### **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 current members of the audit committee are the two independent non-executive directors, Dr. Hwang Jen and Mr. David Chu Yu Lin. Members of the audit committee have met in accordance with the relevant requirements.

### **Post Balance Sheet Events**

Details of the post balance sheet events of the Group are set out in note 16 to the financial statements.



## Report of the Directors

### **Auditors**

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Moores Rowland as auditors of the Company.

On behalf of the board of

**Chuang's China Investments Limited**

**Chan Sheung Chiu**

*Deputy Chairman*

Hong Kong, 7th July, 2003