



**Chuang's Consortium International Limited**  
**(莊士機構國際有限公司)**

*(incorporated in Bermuda with limited liability)*

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED**  
**30TH SEPTEMBER, 2003**

## RESULTS

The Board of Directors of Chuang's Consortium International Limited (the "Company") presents the interim report including the condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2003 and the consolidated balance sheet as at 30th September, 2003 along with selected explanatory notes, are set out on pages 1 to 13 of this report.

### Consolidated Profit and Loss Account

*For the six months ended 30th September, 2003*

		<b>Unaudited</b>	
		<b>2003</b>	2002
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>155,308</b>	147,992
Cost of sales		<b>(106,904)</b>	(97,134)
		<hr/>	<hr/>
Gross profit		<b>48,404</b>	50,858
Other revenues		<b>14,576</b>	12,817
Distribution expenses		<b>(3,612)</b>	(4,437)
Administrative expenses		<b>(40,103)</b>	(39,880)
Other operating expenses		<b>(3,669)</b>	(14,496)
		<hr/>	<hr/>
Operating profit	3	<b>15,596</b>	4,862
Finance costs		<b>(16,110)</b>	(19,504)
Share of results of associated companies	4	<b>13,163</b>	2,577
		<hr/>	<hr/>
Profit/(loss) before taxation		<b>12,649</b>	(12,065)
Taxation	5	<b>(2,738)</b>	(537)
		<hr/>	<hr/>
Profit/(loss) after taxation		<b>9,911</b>	(12,602)
Minority interests		<b>(2,117)</b>	3,446
		<hr/>	<hr/>
Profit/(loss) attributable to shareholders		<b>7,794</b>	(9,156)
		<hr/>	<hr/>
Transfer to statutory reserve		<b>(2)</b>	(6)
		<hr/>	<hr/>
Interim dividend		<b>-</b>	-
		<hr/>	<hr/>
Earnings/(loss) per share	6	<b>HK 0.59 cents</b>	HK (0.69) cents
		<hr/>	<hr/>

## Consolidated Balance Sheet

As at 30th September, 2003

		<b>Unaudited</b>	Restated
		<b>30th September,</b>	31st March,
		<b>2003</b>	2003
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Non-current assets			
Fixed assets	7	<b>2,501,422</b>	2,506,216
Properties under development		<b>1,175,384</b>	1,175,064
Associated companies		<b>145,513</b>	90,199
Investment securities		<b>158,279</b>	206,320
		<b>3,980,598</b>	3,977,799
Current assets			
Properties held for sale		<b>272,508</b>	284,060
Inventories		<b>19,443</b>	15,623
Debtors and prepayments	8	<b>66,753</b>	60,031
Tax recoverable		<b>542</b>	1,006
Other investments		<b>25,110</b>	12,691
Cash and bank balances		<b>502,992</b>	555,228
		<b>887,348</b>	928,639
Current liabilities			
Creditors and accruals	9	<b>94,986</b>	97,637
Current portion of long-term liabilities	10	<b>185,938</b>	135,188
Taxation payable		<b>16,629</b>	17,115
		<b>297,553</b>	249,940
Net current assets			
		<b>589,795</b>	678,699
		<b>4,570,393</b>	4,656,498

**Consolidated Balance Sheet (Continued)**  
*As at 30th September, 2003*

		<b>Unaudited</b> <b>30th September,</b> <b>2003</b>	Restated 31st March, 2003
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital employed			
Share capital	<i>11</i>	<b>332,002</b>	332,002
Reserves		<b>2,270,888</b>	2,262,404
Shareholders' funds		<b>2,602,890</b>	2,594,406
Minority interests		<b>705,872</b>	708,103
Long-term liabilities	<i>10</i>	<b>989,535</b>	1,081,933
Deferred taxation		<b>241,102</b>	241,062
Other non-current liabilities		<b>30,994</b>	30,994
		<b>4,570,393</b>	4,656,498

## Consolidated Cash Flow Statement

For the six months ended 30th September, 2003

	Unaudited	
	2003	2002
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(15,091)	2,752
Net cash from/(used in) investing activities	8,407	(21,826)
Net cash used in financing activities	(45,459)	(81,670)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(52,143)	(100,744)
Cash and cash equivalents at the beginning of the period	530,275	644,529
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	478,132	543,785
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	502,992	568,925
Bank deposits maturing more than three months from date of placement	(24,860)	(25,140)
	<hr/>	<hr/>
	478,132	543,785
	<hr/>	<hr/>

## Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2003

	Unaudited	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
Equity at the beginning of the period		
As previously reported	2,729,994	3,036,731
Prior year adjustment ( <i>note 1</i> )	(135,588)	(135,588)
	<hr/>	<hr/>
As restated	2,594,406	2,901,143
Net gain not recognised in profit and loss account		
– Change in exchange rates	690	3,687
Profit/(loss) attributable to shareholders	7,794	(9,156)
Dividend	–	(6,640)
	<hr/>	<hr/>
Equity at the end of the period	<b>2,602,890</b>	<b>2,889,034</b>

*Notes:*

## **1. Basis of preparation**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain investments, and in conformity with accounting principles generally accepted in Hong Kong.

During the period, the Group adopted the revised Statement of Standard Accounting Practice No.12 “Income taxes” issued by the Hong Kong Society of Accountants. Under the revised standard, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences on investments in subsidiaries and associated companies, except where timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for using the liability method at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised standard represents a change in accounting policy, which has been applied retrospectively. As a result, reserves of the Group as at 31st March, 2003 have been reduced by HK\$135,588,000.

Apart from the foregoing, the accounting policies adopted for the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March, 2003.

## 2. Turnover and segment information

The principal activities of the Group are property investment and development, manufacturing and sales of watch components, bonded polyester fabrics and home finishing products, securities investments and trading and the provision of information technology services.

Analysis of the turnover and the profit/(loss) before taxation in respect of business segments and geographical segments are as follows:

### (a) Business segments

	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30th September, 2003</b>						
Turnover	97,790	42,181	15,207	222	(92)	155,308
Other revenues	—	—	—	—	14,576	14,576
Segment results	<u>30,130</u>	<u>1,296</u>	<u>1,527</u>	<u>(282)</u>	<u>(17,075)</u>	15,596
Finance costs						(16,110)
Share of results of associated companies	(18)	13,247	—	(66)	—	<u>13,163</u>
Profit before taxation						<u>12,649</u>
	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30th September, 2002</b>						
Turnover	95,106	52,420	220	351	(105)	147,992
Other revenues	—	—	—	—	12,817	12,817
Segment results	<u>27,896</u>	<u>3,239</u>	<u>(3,171)</u>	<u>82</u>	<u>(23,184)</u>	4,862
Finance costs						(19,504)
Share of results of associated companies	131	2,570	—	(124)	—	<u>2,577</u>
Loss before taxation						<u>(12,065)</u>



(b) *Geographical segments*

	<b>Turnover</b> <i>HK\$'000</i>	<b>Operating profit/(loss)</b> <i>HK\$'000</i>
<b>Six months ended 30th September, 2003</b>		
Hong Kong	<b>122,448</b>	<b>14,538</b>
The Mainland	<b>808</b>	<b>(1,185)</b>
Other countries	<b>32,052</b>	<b>2,243</b>
	<b>155,308</b>	<b>15,596</b>
<b>Six months ended 30th September, 2002</b>		
Hong Kong	108,447	792
The Mainland	1,765	357
Other countries	37,780	3,713
	147,992	4,862

**3. Operating profit**

<b>Six months ended 30th September,</b>	
<b>2003</b>	<b>2002</b>
<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>

Operating profit is stated after crediting and charging the following:

**Crediting**

Dividend income

– Listed investments	<b>313</b>	76
– Unlisted investments	<b>2,106</b>	3,035

Sale of properties held for sale **48,516** 40,663

Net realised and unrealised gain on other investments **7,760** –

**Charging**

Included in other operating expenses:

– Provision for rental guarantee	–	1,617
– Provision for construction costs undertaking	–	3,000
– Loss on disposal/write-off of fixed assets	<b>6</b>	1,736
– Net realised and unrealised losses on other investments	–	3,387

Cost of properties and inventories sold **81,083** 83,099

Cost of securities trading **13,552** –

Depreciation **6,757** 3,688

#### 4. Share of results of associated companies

The Group's share of results of associated companies for the six months ended 30th September, 2003 includes the amortisation of negative goodwill in respect of an associated company amounting to HK\$1,687,000 (2002: HK\$285,000).

#### 5. Taxation

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries		
Current (overseas)	849	343
Associated companies		
Current (Hong Kong)	1,889	194
	<u>2,738</u>	<u>537</u>

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2002: 16%) on the estimated profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the companies operate.

#### 6. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$7,794,000 (2002: loss of HK\$9,156,000) and 1,328,006,155 shares in issue during the period.

#### 7. Fixed assets

During the six months ended 30th September, 2003, the Group acquired fixed assets of approximately HK\$2,735,000.

## 8. Debtors and prepayments

Rental and management fee are made on open account terms and payable in advance. Credit terms of the Group's sales of goods mainly range from 30 days to 90 days.

The ageing analysis of the Group's trade debtors is as follows:

	<b>30th September, 2003</b>	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	<b>10,551</b>	12,008
31 to 60 days	<b>3,976</b>	4,054
61 to 90 days	<b>3,476</b>	1,879
Over 90 days	<b>12,791</b>	12,109
	<hr/> <b>30,794</b> <hr/>	<hr/> 30,050 <hr/>

## 9. Creditors and accruals

The ageing analysis of the Group's trade creditors is as follows:

	<b>30th September, 2003</b>	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	<b>10,386</b>	6,381
31 to 60 days	<b>990</b>	1,654
Over 60 days	<b>14,735</b>	9,067
	<hr/> <b>26,111</b> <hr/>	<hr/> 17,102 <hr/>

## 10. Long-term liabilities

	<b>30th September, 2003</b>	31st March, 2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Secured bank loans		
Wholly repayable within five years	<b>1,009,489</b>	972,257
Not wholly repayable within five years	<b>149,907</b>	218,055
	<b>1,159,396</b>	1,190,312
Other secured loan wholly repayable within five years	<b>15,634</b>	26,226
Obligations under finance leases wholly repayable within five years	<b>443</b>	583
	<b>1,175,473</b>	1,217,121
Current portion included in current liabilities	<b>(185,938)</b>	(135,188)
	<b>989,535</b>	1,081,933

The loans are secured by certain investment properties, land and buildings and properties held for sale, of which HK\$949,174,000 (31st March, 2003: HK\$971,054,000) are also secured by the assignment of rental income. The other loan is also secured by a guarantee from the minority shareholder of a subsidiary amounting to HK\$4,690,000 (31st March, 2003: HK\$7,868,000). The bank and other loans are repayable in the following periods:

	<b>Bank loans</b>		<b>Other loan</b>	
	<b>30th September, 2003</b>	31st March, 2003	<b>30th September, 2003</b>	31st March, 2003
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>185,708</b>	108,684	–	26,226
In the second year	<b>100,710</b>	149,698	<b>15,634</b>	–
In the third to fifth year inclusive	<b>774,747</b>	779,450	–	–
After the fifth year	<b>98,231</b>	152,480	–	–
	<b>1,159,396</b>	1,190,312	<b>15,634</b>	26,226

The Group's finance lease obligations are payable in the following periods:

	Present value		Minimum payments	
	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Within one year	271	338	230	278
In the second year	179	194	169	173
In the third to fifth year inclusive	45	136	44	132
	<u>495</u>	<u>668</u>	<u>443</u>	<u>583</u>

#### 11. Share capital

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
<i>Authorised:</i>		
2,500,000,000 shares of HK\$0.25 each	<u>625,000</u>	<u>625,000</u>
<i>Issued and fully paid:</i>		
1,328,006,155 shares of HK\$0.25 each	<u>332,002</u>	<u>332,002</u>

#### 12. Contingent liabilities

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Guarantees for mortgage bank loans to purchasers of properties of the Group	<u>2,700</u>	<u>3,052</u>

In May 1999, a wholly owned subsidiary disposed of an investment property to a 59.4% owned subsidiary, Chuang's China Investments Limited ("Chuang's China"). The Company continues to provide a guarantee for the mortgage bank loan of the investment property amounting to HK\$245,000,000 (31st March, 2003: HK\$250,000,000) after the disposal. In return, Chuang's China has provided a counter-indemnity to the Company against all losses and liabilities which the Company may incur under the guarantee.

### 13. Capital commitments

	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000
Contracted but not provided for		
Property development expenditure	<b>24,024</b>	52,238
Fixed assets	<b>4,643</b>	1,438
	<hr/> <b>28,667</b>	<hr/> 53,676
Authorised but not contracted for	–	–
	<hr/> <b>28,667</b>	<hr/> 53,676

### 14. Operating lease rental payable

The future aggregate minimum lease rental expense under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000
Within one year	<b>4,931</b>	5,025
Two to five years	<b>12,925</b>	15,124
After five years	–	270
	<hr/> <b>17,856</b>	<hr/> 20,419

## **INTERIM DIVIDEND**

The Directors do not declare an interim dividend for the six months ended 30th September, 2003 (2002: HK\$Nil).

## **MANAGEMENT DISCUSSIONS ON RESULTS**

For the six months ended 30th September, 2003, turnover of the Group amounted to HK\$155.3 million (2002: HK\$148.0 million), representing an increase of 4.9% when compared with that of last corresponding period. Turnover from property investment and development activities amounted to HK\$97.8 million (2002: HK\$95.1 million), representing an increase of 2.8% from that of last corresponding period. Manufacturing and trading businesses recorded a turnover of about HK\$42.2 million (2002: HK\$52.4 million), representing a decrease of 19.5% when compared with last corresponding period. Turnover from securities investment activities increased significantly to HK\$15.2 million (2002: HK\$0.2 million) as the Group has increased its securities investment activities due to improved market sentiment during the period.

Gross profit amounted to HK\$48.4 million (2002: HK\$50.9 million), representing a decrease of 4.9% from that of last corresponding period. The slight decrease in gross profit was principally attributable to a reduction in profit from manufacturing and trading businesses. Despite a lower gross profit, operating profit increased 2.2 times to HK\$15.6 million (2002: HK\$4.9 million), mainly due to a reduction in other operating expenses. Amid the low interest rates prevailing during the period, savings of HK\$3.4 million in finance costs were recorded. Share of profits of associated companies also increased 4.1 times to HK\$13.2 million (2002: HK\$2.6 million). As a result, profit attributable to shareholders amounted to HK\$7.8 million, representing a turnaround from a loss of HK\$9.2 million for the last corresponding period.

## REVIEW OF OPERATIONS

### 1. CHUANG'S PROPERTIES LIMITED

#### (a) *Investment Properties*

The Group owns a high-quality portfolio of commercial, office and residential investment properties, which generate strong recurrent income streams to the Group. The Group's major investment properties comprise the followings:

- (i) Chuang's London Plaza, Tsim Sha Tsui – total area of 112,704 sq.ft. of shopping and entertainment complex;
- (ii) Chuang's Hung Hom Plaza, Hunghom – total area of 173,092 sq.ft. of commercial, office and car parking spaces;
- (iii) Chuang's City Tower, Wanchai – total area of 56,000 sq.ft. of commercial and office spaces;
- (iv) Chuang's Enterprises Building, Wanchai – total area of 27,000 sq.ft. of office space;
- (v) Park Villa, Deep Water Bay – total area of 17,300 sq.ft. of residential space;
- (vi) Chuang's Tower, Central – total area of 60,587 sq.ft. of commercial and office spaces (owned by Chuang's China Investments Limited); and
- (vii) Central Plaza, Kuala Lumpur, Malaysia – total area of 380,000 sq.ft. of commercial, office and car parking spaces.

Rental and other income from investment properties of the Group during the period amounted to approximately HK\$49.2 million.



*(b) Properties Held for Sale*

The Group's property development projects have been proceeding as scheduled. During the period, proceeds from property sales amounted to HK\$48.5 million. Outstanding development expenditure to complete existing property projects on hand amounted to HK\$20.6 million as at 30th September, 2003.

(i) The Harbourside, No. 18 Wharf Road, North Point, Hong Kong

Located near the Fortress Hill Mass Transit Railway Station, the 4,420 sq.ft. site has been developed into a 28-storey commercial/residential building with a total area of approximately 49,700 sq.ft. (comprising 83 residential units with club-house facilities and shopping space). The occupation permit was issued on 10th July, 2003. The Group will pursue active marketing strategies to dispose of the remaining unsold units.

(ii) Reading Place, No. 5 St. Stephen's Lane, Mid-level, Hong Kong

The property, with a site area of 5,202 sq.ft., has been developed into a 28-storey residential building with a total area of approximately 57,300 sq.ft. (comprising 73 residential units with club-house facilities). The occupation permit was issued on 27th November, 2003. Marketing of the project is expected to commence soon.

## **2. CHUANG'S INDUSTRIAL (HOLDINGS) LIMITED**

### **Sintex Nylon and Cotton Products (Pte) Limited ("Sintex")**

Sintex, a 88%-owned subsidiary of the Group, is a leading manufacturer of home finishing products in Singapore. Its performance during the period continued to be affected by the weak consumer spending resulting in turnover and profit before taxation being reduced by 23.9% and 23.3% respectively when compared to last corresponding period.

### 3. CHUANG'S CHINA INVESTMENTS LIMITED (“Chuang’s China”)

Chuang’s China, a 59.4%-owned listed subsidiary of the Group, and its subsidiaries (together the “Chuang’s China Group”) are principally engaged in property development and investment in the People’s Republic of China (the “PRC”) and manufacturing businesses. Profit attributable to shareholders for the six months ended 30th September, 2003 amounted to HK\$5.2 million.

#### (a) *Property Division*

The Chuang’s China Group’s land bank is principally located in Guangzhou, Dongguan and Huizhou, the Guangdong Province.

Supported by the immense infrastructural and economic developments, the Chuang’s China Group has implemented Phase II development of Chuang’s New City in Dongguan. Upon completion, Phase II of the development, surrounded by sumptuous landscaped area, will comprise a complex of 374 residential units with an aggregate gross floor area of 610,000 sq.ft., 374 carparking spaces, and an amenity clubhouse with a gross floor area of 65,000 sq.ft. and a swimming pool. Under this Phase II, the Chuang’s China Group will also construct a 4-storey complex building with a gross floor area of about 43,000 sq.ft., which will be the Group’s headquarter in the Pearl River Delta and the marketing office for the property development project in Dongguan. During the period under review, site formation and foundation works for these development projects are progressing satisfactorily.

#### (b) *Manufacturing Division*

##### (i) Midas International Holdings Limited (“Midas”)

In early 2000, the Chuang’s China Group became the single largest shareholder of Midas after it acquired a 25.3% interest in Midas. On 4th July, 2003, the Chuang’s China Group further increased its equity interests in Midas to 42.7%.

Midas is a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and its subsidiaries are engaged in book printing, paper products printing and property investment. For the six months ended 30th June, 2003, Midas recorded a turnover of HK\$274.6 million, representing an increase of 33.6% as compared with the last corresponding period. Profit attributable to shareholders increased to about HK\$20.3 million, representing an increase of 66.4% as compared with the last corresponding period.

(ii) Yuen Sang Hardware Company (1988) Limited (“Yuen Sang”)

During the period under review, the results of Yuen Sang were affected by the outbreak of SARS which further accelerated the severe pricing pressure in the industry. Its turnover fell by about 24.2% and its profit contribution decreased substantially. Facing the ever-intense competition within industries, Yuen Sang will continue with its efforts to develop new product mix and new market segments to enhance competitiveness.

## **NET ASSET VALUE**

As at 30th September, 2003, net assets of the Group amounted to HK\$2,602.9 million, equivalent to approximately HK\$1.96 per share.

## **FINANCING**

As at 30th September, 2003, the Group’s bank balances, cash and other investments amounted to HK\$528.1 million. Bank and other borrowings of the Group as at the same date amounted to HK\$1,175.5 million. The Group’s net debt to equity ratio, expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group, was approximately 24.9%.

Approximately 94.7% of the Group’s bank balances, cash and other investments were in Hong Kong dollar or United States dollar with about 5.3% in Renminbi.

Approximately 95.1% of the Group’s bank and other borrowings were denominated in Hong Kong dollar with about 4.9% denominated in Malaysian Ringgit. Approximately 15.8% of the Group’s bank and other borrowings were repayable within one year, 9.9% repayable within 1 to 2 years, 65.9% repayable within 2 to 5 years and 8.4% repayable over 5 years.

## PROSPECTS

During the period under review, Hong Kong's economy has been recovering gradually amid the fading out of the negative impact of SARS and the implementation of the Closer Economic Partnership Arrangement ("CEPA") between the PRC and Hong Kong. Revival of tourism has boosted local confidence, which in turn fuels private consumption and thus the recovery of the economy.

Gradual economic recovery, coupled with the Government's market driven housing policy, has boosted home buyers' confidence in the residential property market as evidenced by the recent increase in both price and sales activities. Given low interest rates and more affordable home prices, demand for private residential flats should increase gradually when the economy improves. The Group will market Reading Place soon. This, together with the sale of remaining unsold units of The Harbourside and The Notting Hill, will further strengthen the Group's financial position. Upon the sales of these projects, the Group will seek for opportunities to replenish its land bank in the future.

On the Group's property investment front, the downward adjustment pressure on rental rates has been lessened given a better economic environment. The retail rental market has been benefited from the Mainland Individual Visit Scheme. CEPA is also expected to give rise to more business opportunities in Hong Kong and thus the demand for office space. To enhance the yield, the Group has been adopting proactive and effective leasing strategies to further improve the occupancy rates of its investment properties.

The economy of the PRC continues to grow on the basis of strong domestic demand, higher exports and more foreign capital inflows. The robust economic boom further boosts the mass residential property market in the PRC and will underpin the demand for quality housing. With the portfolio of about 40 million sq.ft. of development area in various cities in the Pearl River Delta region at relatively low cost of about HK\$29.0 per sq.ft., the Group, which produces quality low-cost housing in the PRC, is well placed to benefit from the flourishing property market in the PRC in coming years.

The PRC has become the world's manufacturers' hub given its competitive advantages and abundant labour supply. In addition, the PRC's domestic consumption for manufactured goods represented a huge and prominent market that has yet to be widely developed. In addition to our existing manufacturing businesses, the Group is actively identifying and developing new investment projects in the manufacturing sectors with operation base in the PRC.

## STAFF

As at 30th September, 2003, the Group employed 1,306 staff (of which the Chuang's China Group and its subcontracting factories employed 1,104 staff). Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits, which include discretionary bonus, contributory retirement benefit scheme and insurance scheme. Training programs are provided for staff as and when required.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:—

Name of Director	Interests in the Company		
	Number of shares	Capacity	Approximate % of shareholding
Mr. Alan Chuang Shaw Swee ("Mr. Chuang")	598,534,630	Note 1	45.070
Mrs. Alice Siu Chuang Siu Suen ("Mrs. Siu")	309,808,538	Note 2	23.329
Mr. Lui Lop Kay	116,000	Beneficial owner	0.009
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.057

*Note 1:* Such interests comprise 356,734,006 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 comprise 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.

#### **Interests in Chuang's China Investments Limited**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Approximate % of shareholding</b>
Mr. Chuang	6,800,000	Beneficial owner	0.664
Mrs. Siu	1,600,000	Beneficial owner	0.156
Mr. Lui Lop Kay	10,000	Beneficial owner	0.001

#### **Interests in Midas International Holdings Limited**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Approximate % of shareholding</b>
Mr. Chuang	25,000,000	Note 3	4.679
Mrs. Siu	25,000,000	Note 3	4.679

*Note 3:* 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.

#### **Interests in Treasure Auctioneer International Limited**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Approximate % of shareholding</b>
Mr. Chuang	100,000	Note 4	10.000
Mrs. Siu	100,000	Note 4	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.

Other than as disclosed herein, as at 30th September, 2003, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS**

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed “Directors’ interests and short positions in shares, underlying shares and debentures” above, as at 30th September, 2003, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

<b>Name of Shareholder</b>	<b>Number of shares of the Company</b>	<b>Capacity</b>	<b>Approximate % of shareholding</b>
Evergain Holdings Limited	356,734,006	Beneficial owner, Note 1	26.862
Hilltop Assets Limited	68,007,914	Beneficial owner, Note 1	5.121
Chuang’s Cutlery Holdings Limited	79,468,000	Beneficial owner, Note 1	5.984
Madam Chuang Shau Har	163,055,848	Note 2	12.278
Mr. Lee Sai Wai	163,055,848	Note 3	12.278
Mrs. Chong Ho Pik Yu	436,202,006	Note 4	32.846
Mr. Siu Hok Chung	147,475,914	Note 4	11.105

*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 Shau Har being the trustee 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 Sai Wai.

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

*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”.

Save as disclosed above, as at 30th September, 2003, 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.

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

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the period.

## **SHARE OPTION SCHEMES**

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

The purposes of the 2002 Scheme and Chuang’s China 2002 Scheme are to recognise the contribution of the eligible persons as defined in the respective schemes including, inter alia, any employees, Directors of the Company and Chuang’s China and their respective subsidiaries to the growth of the Group and the Chuang’s China Group and to further motivate the eligible persons to continue to contribute to the Group’s and



the Chuang's China Group's long term prosperity. No options have been granted under the 2002 Scheme and Chuang's China 2002 Scheme since their adoption or approval.

## **CORPORATE GOVERNANCE**

During the six months ended 30th September, 2003, 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 Rules Governing the Listing of Securities (the "Listing Rules") of 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. Peter Po Fun Chan and Mr. David Chris Lee Tsung Hei. The interim report has been reviewed by the audit committee of the Company.

## **PRACTICE NOTE 19 TO THE LISTING RULES**

Prior to the date of this report, 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 the date of this report, the loan agreement still subsists. The loan outstanding as at 30th September, 2003 was HK\$245 million and the last instalment of the loan is repayable on 30th September, 2007.

Save as disclosed herein, there is no other disclosure required to be made by the Company pursuant to Practice Note 19 to the Listing Rules.

By Order of the Board of  
**Chuang's Consortium International Limited**  
**Alan Chuang Shaw Swee**  
*Chairman*

Hong Kong, 11th December, 2003