

Report of the Directors

The directors present the audited accounts of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 35 to the accounts.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated profit and loss account on page 37.

The directors propose to declare a final dividend of HK 0.5 cent (2001: HK 0.5 cent) per share payable on or before 20th September, 2002 to shareholders whose names appear on the Company’s register of members on 29th August, 2002. No interim dividend has been declared in respect of the current financial year (2001: HK Nil cent). Total dividend for the year amounted to HK 0.5 cent (2001: HK 0.5 cent) per share.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 35 to the accounts.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 to the accounts.

SHARE CAPITAL

Details of share capital of the Company are set out in note 23 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$2,414,000 (2001: HK\$3,717,000).

PRE-EMPTIVE RIGHTS

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

SHARE PREMIUM AND RESERVES

Movements in share premium and reserves during the year are set out in note 24 to the accounts.

PARTICULARS OF PRINCIPAL PROPERTIES HELD BY THE GROUP

Particulars of principal properties held by the Group are set out on pages 92 to 97.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five years ended 31st March, 2002 is shown on page 98.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Mr. Alan Chuang Shaw Swee

Mrs. Alice Siu Chuang Siu Suen

Mr. Bernard Ko Sheung Chi

Mr. Andrew Lui Lop Kay (appointed on 17th September, 2001)

Mr. Kwong Tin Lap

Dr. Peter Po Fun Chan

Mr. David Chris Lee Tsung Hei

Mr. Alfred Lai Che Keung (resigned on 17th September, 2001)

Mr. Wong Kwong Keung (resigned on 15th March, 2002)

At the forthcoming annual general meeting, Mr. Bernard Ko Sheung Chi, Mr. David Chris Lee Tsung Hei and Mr. Andrew Lui Lop Kay will retire from office in accordance with the Company's Bye-laws and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme adopted by the associated corporation as detailed in "Directors' Interests in Shares and Share Options" below, at no time during the year was the Company or any of its 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.

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DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31st March, 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 (the "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:

Interests in shares of the Company

| Name of director | Number of shares in the Company | | | Total |
|---------------------------|---------------------------------|--------------------------------|--------------------------------|-------------|
| | Personal interests | Corporate interests | Other interests | |
| Alan Chuang Shaw Swee | – | 435,138,006 <i>(Note 1)</i> | 162,332,624 <i>(Note 2)</i> | 597,470,630 |
| Alice Siu Chuang Siu Suen | – | 146,411,914 <i>(Note 3)</i> | 162,332,624 <i>(Note 2)</i> | 308,744,538 |
| Peter Po Fun Chan | 751,187 | – | – | 751,187 |
| Andrew Lui Lop Kay | 116,000 | – | – | 116,000 |

Interests in shares of associated corporations

| Name of director | Number of shares in Chuang's China Investments Limited ("Chuang's China") | | | Total |
|---------------------------|---|-------------------------------|-----------------|------------|
| | Personal interests | Corporate interests | Other interests | |
| Alan Chuang Shaw Swee | 6,800,000 | 30,000,000 <i>(Note 3)</i> | – | 36,800,000 |
| Alice Siu Chuang Siu Suen | 1,600,000 | 30,000,000 <i>(Note 3)</i> | – | 31,600,000 |
| Andrew Lui Lop Kay | 10,000 | – | – | 10,000 |

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Continued)

Note 1: Such interests comprise 356,734,006 shares in the Company owned by Evergain Holdings Limited, a company beneficially owned by the director, which such shares represent more than 10% of the issued share capital of the Company. The remaining 78,404,000 shares in the Company are owned by a corporation which the director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of such corporation.

Note 2: Such interests arose as a result of the relevant director being a discretionary object of a discretionary trust, the trustee of which held 162,332,624 shares in the Company.

Note 3: Such interests arose through the ownership of relevant securities by corporation(s) which the relevant director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of this/these corporation(s).

As at 31st March, 2002, Mr. Alan Chuang Shaw Swee and Mrs. Alice Siu Chuang Siu Suen were also interested in 4,000,000 shares in Edenbiz Limited, a subsidiary of Chuang's China, through the ownership of relevant securities by a corporation in which each of them is entitled to exercise or control the exercise of one third or more of the voting power in general meeting of this corporation.

As at 31st March, 2002, the interests of the directors of the Company under share options entitling them to subscribe for shares under the share option scheme of the associated corporation were as follows:

| Name of director | Number of share options | | | Outstanding as at 31st March, 2002 |
|---------------------------|---|----------------------------|------------------------------|--|
| | Outstanding as at 1st April, 2001 | Granted during the year | Exercised during the year | |
| Alan Chuang Shaw Swee | 10,200,000 | – | – | 10,200,000 |
| Alice Siu Chuang Siu Suen | 2,400,000 | – | – | 2,400,000 |
| Bernard Ko Sheung Chi | 6,000,000 | – | – | 6,000,000 |

Note: The share options were granted on 9th December, 1999 under the share option scheme of Chuang's China approved by its shareholders on 14th September, 1999. The share options are exercisable at an exercise price of HK\$0.5872 per share, subject to adjustments, at any time from 1st January, 2000 to 31st December, 2002.

The above options granted are not recognised in the accounts of Chuang's China until they are exercised. Rule 17.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

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DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(Continued)*

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, 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.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director had, whether directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors has any service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation.)

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, according to the register kept by the Company under section 16(1) of the SDI Ordinance and save as disclosed in the section headed "Directors' Interests in Shares and Share Options" above, Madam Chuang Shau Har in her capacity as trustee of a discretionary trust held 162,332,624 shares in the Company.

Save as aforesaid, the directors of the Company were not aware of any other persons who, as at 31st March, 2002, were directly or indirectly beneficially interested in 10% or more of the issued share capital of the Company.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

GROUP BORROWINGS AND INTEREST CAPITALISED

Bank loans and other borrowings of the Group are set out in note 26 to the accounts. The amount of interest capitalised to properties held for/under development and properties under development for sale during the year by the Group is set out in note 5 to the accounts.

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

During the year, the aggregate turnover attributable to the single largest customer and the five largest customers were approximately 38% and 63% of the total turnover of the Group respectively. The Group's largest customer was Midas International Holdings Limited ("Midas"), which was owned as to 9.75% by the Group as at 31st March, 2002. As at 31st March, 2002, Mr. Alan Chuang Shaw Swee and Mrs. Alice Siu Chuang Siu Suen, directors of the Company, through a corporation also held 5.48% interest in Midas. Save as disclosed above, none of the directors, their associates, or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in any of the Group's five largest customers noted above.

During the year, the five largest suppliers accounted for less than 30% of the total purchases of the Group.

RETIREMENT SCHEMES

The Group contributes to defined contribution retirement schemes (the "Schemes") which are available to all eligible employees. The Group may utilise the forfeited contributions to reduce its future contributions. The total amount, net of forfeited contributions of HK\$221,000 (2001: HK\$71,000), contributed by the Group to the Schemes for the year ended 31st March, 2002 was HK\$2,243,000 (2001: HK\$2,413,000) and was charged to the consolidated profit and loss account. As at 31st March, 2002, there was no remaining amount of forfeited contributions which may be used to reduce the Group's future contributions.

EXISTING SHARE OPTION SCHEME

Summary of the Existing Share Option Scheme of the Company (the “Existing Share Option Scheme”) adopted on 28th September, 2000 is set out as follows:

1. Purpose: To give incentive to executive directors, full time employees or executives of the Company and its subsidiaries
2. Participants: Executive directors, full time employees or executives of the Company and of its subsidiaries
3. Total number of ordinary shares available for issue and percentage of the issued share capital that it represents as at the date of this annual report: 132,800,615 ordinary shares are available for issue under the Existing Share Option Scheme, representing 10% of the issued share capital as at 31st March, 2002 and the date of this annual report
4. Maximum entitlement of each participant: 25% of the maximum aggregate number of shares that may be issued pursuant to the Existing Share Option Scheme
5. Period within which the securities must be taken up under an option: From the date of grant to the close of business on the day preceding the 3rd anniversary thereof
6. Amount payable on acceptance of an option: HK\$1.00 payable to the Company
7. The basis of determining the exercise price: The higher of the nominal value of a share and 80% of the average of the closing prices on the Stock Exchange for the 5 trading days immediately preceding the date of grant of an option
8. The remaining life of the Existing Share Option Scheme: Valid until 31st December, 2010 unless otherwise terminated under the terms of the Existing Share Option Scheme (Note: The Existing Share Option Scheme will be terminated on 30th August, 2002 subject to shareholders’ approval at the annual general meeting to be held on the same date)

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 independent 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.

AUDIT COMMITTEE

The board of directors has established an audit committee ("Audit Committee") with reference to the Guide for The Formation of An Audit Committee issued by the Hong Kong Society of Accountants in December 1997 and appointed Dr. Peter Po Fun Chan and Mr. David Chris Lee Tsung Hei, both independent non-executive directors of the Company, as members of the Audit Committee. Members of the Audit Committee have met in accordance with the relevant requirements.

RELATED PARTY/CONNECTED TRANSACTIONS

Details of related party transactions of the Group, certain of which also constitute connected transactions, are set out in note 32 to the accounts.

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. Alan Chuang Shaw Swee, Mrs. Alice Siu Chuang Siu Suen 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 total amount of loan involved as at 31st March, 2002 was HK\$255,000,000 and the last instalment of the loan is to be made 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.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in note 15 to the accounts.

AUDITORS

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

On behalf of the board of

Chuang's Consortium International Limited

Alan Chuang Shaw Swee

Chairman

Hong Kong, 18th July, 2002