RESULTS

The directors are pleased to announce that the audited profit attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2002 amounted to HK$8.8 million (2001 restated: loss of HK$117.1 million). Earnings per share were 0.89 HK cent (2001 restated: loss per share of 13.73 HK cents).

MANAGEMENT DISCUSSIONS ON RESULTS

Turnover of the Group increased by 143.9% to HK$318.0 million from HK$130.4 million when compared with the last corresponding year, principally resulted from sale of properties and property based investments in the People's Republic of China (the "PRC") that amounted to HK$259.3 million during the year. Turnover from Manufacturing Division and Information Technology Division dropped by about 23.5% and 82.1% respectively, in face of the difficult operating environment.

During the year under review, gross profit increased by 162.7% to HK$84.2 million (2001: HK$32.1 million), which was mainly due to the profits generated from sale of properties and property based investments in the PRC. Upon implementation of the streamlining initiatives during the year, the Group was able to trim down expenses, resulting in a 36.9% decrease in administration expenses as well as 80.4% decrease in other operating expenses. However, revaluation deficit on investment property of HK$28.0 million was recorded during the year. As a result, profit from operations for the year was about HK$18.7 million when compared with a loss of HK$102.7 million in the last corresponding year. Profit attributable to shareholders for the year amounted to HK$8.8 million (2001 restated: loss of HK$117.1 million). Had the one-off revaluation deficit on investment property been excluded, profit attributable to shareholders for the year would be amounted to HK$36.8 million.

DIVIDENDS

The directors propose to declare a final dividend of 1.0 HK cent per share (2001: 1.0 HK cent per share) payable on or before 13th September, 2002 to shareholders whose names appear on the Company's register of members on 24th August, 2002. 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 (2001: 1.0 HK cent per share).

REVIEW OF OPERATIONS

Year 2001 was a year mixed with challenges and uncertainty in the wake of immense economic turbulence and hardship for global and local commerce. The economy of Hong Kong continued with its downward spiral that further impacted unemployment rate and business confidence. In spite of all these adversities, the Group was able to benefit from the remarkable economic growth in the PRC.

1. PROPERTY DIVISION

(a) Property interests in the PRC

During the year, the Group disposed of majority of its investment properties located in the PRC, including Yuen Sang Building, Lambda Building and three residential blocks at Chuang's Garden, Chuang's New Town, Danshui, and its entire 51% interests in Chengdu Chuang's Centre, Chengdu. Total consideration for the disposal amounted to approximately HK$253.0 million, and the profit therefrom has been accounted for in the year under review.

The Group's property interests are principally located in the Guangdong Province. In view of the continuous impressive economic growth in the PRC, the Group will actively engage in development of its property projects on hand, a summary of which is as follows:–

(i) Chuang's Metropolis, Shilou, Panyu, Guangzhou, Guangdong (85% owned)

Located along the west shore of the Pearl River estuary, overlooking Dongguan in the east, Panyu enjoys excellent geographical advantages. As a key transport hub in Guangdong Province, Panyu is connected in the north to Guangzhou, and in the west to important industrial towns such as Nanhai, Fo Shan and Shunde. The city's Nansha Road and Guangzhou-Shenzhen Highway are also conveniently connected to the Humen Bridge leading to Shenzhen, which enjoys easy access to Hong Kong. Guangzhou is a major economic, cultural and political city in the southern part of the PRC. It covers an area of about 7,400 sq. kilometres with a population of about 10 million. In view of the fast economic growth in Guangzhou, the municipal government has recently promulgated the strategic policy on "extension to the south" which includes converting Nansha as a major container and logistics hub, and also actively promoting property development in Panyu with a view to providing a quality living environment in this waterfront city.

In the PRC, the demand for residential units from local buyers is growing steadily as the economic situation improves and household income increases. Guangzhou is one of the three major economic cities in the PRC. In the first four months of 2002, its gross domestic product grew by 11.7% to RMB87.8 billion. With the growing affluent of the population, there is increasing demand for quality living environment, which could not be satisfied by the densely populated old city of Guangzhou. Whilst Panyu is located between the old city of Guangzhou and Nansha, radiating the supply of quality and better living environment from Guangzhou to Panyu becomes a logical move.

The property development of the Group, Chuang's Metropolis, is located nearby the proposed metro railway extension from Guangzhou to Panyu. It is a comprehensive new township development for residential, commercial, office, hotel and other ancillary usage with a total gross floor area of about 11.3 million sq. ft.. Phase I with an aggregate gross floor area of 61,812 sq. ft. has been completed with all of the residential units being sold. With the encouraging prospects driven by the policy of "extension to the south", the Group will implement development plan for Chuang's Metropolis, in order to enhance its value alongside the growing strategic importance of Panyu.

(ii) Chuang's New City, Shatian, Dongguan, Guangdong (100% owned)

Pearl River Delta is located in the central and southern part of Guangdong Province. As a major city in the Pearl River Delta and strategically situated at the mouth of the Pearl River, Dongguan is an important transportation hub for the river route between the northern part of Guangdong Province and Hong Kong.

In the past decade, Dongguan has successfully attracted foreign capital and investments, which is largely supported by the well-established infrastructure and transportation facilities, both land and sea. As the economy of the PRC powers ahead post-WTO, continuous market liberalization will increase investments by international and local businesses, which further stimulate demand for quality housing that provides better living environment and full range of amenities.

Chuang's New City is a comprehensive new township development for industrial, residential, commercial, office, hotel and other ancillary usage with a total gross floor area of approximately 15.5 million sq. ft.. Phase I of this project, comprising 224 residential units with an aggregate gross floor area of 176,512 sq. ft. had been completed. During the year, the Group disposed of additional residential units of Chuang's New City, following which, there remains 24 residential units to be sold. Planning for Phase II of the project, comprising a total gross floor area of about 690,000 sq. ft., will be finalized soon.

(iii) Chuang's New Town, Danshui, Huiyang, Huizhou, Guangdong (100% owned)

Huiyang, as commonly known as the "gateway to Guangdong east", is located in the south-eastern part of Guangdong Province, facing Nanhai and Daya Bay in the south. Huiyang city is easily accessible to Hong Kong, Shenzhen, and Guangzhou. Due to its strategic location, the local government has determined to develop Huiyang into a coastal industrial and transportation city. The infrastructural development of Huizhou Port in Daya Bay serves to conduit trading business for the southeast part of Guangdong Province. In 2000, a multi-national oil refinery conglomerate formed a joint venture to invest US$4 billion in building a world-scale petrochemical complex in Daya Bay. To further facilitate transport accessibility, the local government is implementing road expansion plan, which includes the expansion of the major through road leading to Daya Bay. All of these large scale projects are expected to stimulate the city's economic activities in the coming years, which will in turn underpin the long-term demand for housing in that area.

Chuang's New Town is located in the centre of Danshui, Huiyang, and is sitting on the major through road to Daya Bay, which is about 10 kilometres away. It is a comprehensive new township development for residential, commercial, office, hotel and other non-residential ancillary usage with a total gross floor area of approximately 15.7 million sq. ft.. Phases I to III of Chuang's Garden with an aggregate gross floor area of 748,234 sq. ft., comprising 856 residential units and commercial spaces, as well as Yuen Sang Building and Lambda Building having an aggregate gross floor area of 378,650 sq. ft. had been completed.

During the year, the Group disposed of Yuen Sang Building, Lambda Building and three residential blocks of Chuang's Garden, having an aggregate gross floor area of about 686,000 sq. ft. at a consideration of approximately HK$137.0 million, and profit derived therefrom was accounted for in the year under review. In light of recent economic and infrastructural development in the region, the Group will further dispose of the remaining 96 residential units of Chuang's Garden and will commence the overall development strategy for this property.

(iv) Chengdu Chuang's Centre, Chengdu, Sichuan (51% owned previously)

Chengdu Chuang's Centre is located at Renmin South Road, Chengdu, the provincial capital of Sichuan. The internal decoration works of the 7-storey commercial podium with a gross floor area of about 440,000 sq. ft. are in final stage. During the year, the Group disposed of its entire 51% interests in the commercial podium for a consideration of approximately HK$116.0 million, generating a profit for the year under review.

Chengdu Chuang's Centre, Chengdu, Sichuan
(internal decoration works in progress)

Chengdu Chuang's Centre, Chengdu, Sichuan
(perspective of completed building)

Chuang's Tower, Central

(b) Property interests in Hong Kong

The negative economic sentiment and recessionary trends that prevailed in Hong Kong had eroded occupancy level and also caused yields to decline for commercial properties. Given the sensitivity of rental cost to economic prospects, the Group took active measures during the year to increase the occupancy level of Chuang's Tower in Central (having a total area of 60,587 sq. ft. of commercial and office spaces) while waiting for the recovery of economy. During the year, the Group managed to increase the occupancy rate of Chuang's Tower to about 85%. The rental income of HK$12.8 million during the year remained a steady source of income to the Group.

2. MANUFACTURING DIVISION

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

Yuen Sang, a wholly-owned subsidiary of the Group, is principally engaged in the manufacture and sale of watch cases and bracelets, mainly for exports to Europe and the United States. Against the background of the sluggish global economy, the performance of Yuen Sang was hard hit, resulting in a drop in turnover by 23.5% to HK$30.7 million and a reduction in profit from operations by 54.7% to HK$1.3 million. In such an austere environment, Yuen Sang will focus on expanding its product range encompassing value-added products, opening up new markets in Asia and continuing with a low-cost based operation.

Products of Yuen Sang

(b) Shanghai Yuen Sang Watch and Clock Limited ("Shanghai Yuen Sang")

Shanghai Yuen Sang, a joint venture owned as to 50% by the Group, was established in 1991 with Shanghai Clock and Watch Corporation Limited and Shanghai Stop Watch Factory. Shanghai Yuen Sang is principally

Products of Shanghai Yuen Sang

engaged in the manufacture and sale of watches and clocks under its brand name "*Pierre Dune*" PIERRE DUNE. Its sales are mainly for domestic market in the PRC, with sales distribution coverage in 36 cities, including Chengdu, Harbin, Nanjing, Shanghai, Tianjin and Wuhan. It owns the manufacturing and office premises in Shanghai with a gross floor area of about 8,500 sq. ft. and has about 102 employees by the end of 2001.

(c) Midas International Holdings Limited ("Midas")

Midas, a company listed on The Stock Exchange of Hong Kong Limited, is principally engaged in book printing, packaging printing, magazine and commercial printing as well as property investments. It leases the manufacturing and office premises in Hong Kong with a gross floor area of 80,000 sq. ft., whilst it owns the manufacturing premises, in Dongguan and Huizhou, the PRC having an aggregate gross floor area of about 680,000 sq. ft.. It has about 1,600 staff and workers by the end of 2001. For the year ended 31st December, 2001, Midas reported a turnover of about HK$513.5 million, representing a decrease of about 22.6% over the last corresponding year, and profit attributable to shareholders amounted to about HK$28.0 million, representing an increase of about 1.6% over last year.

Packaging printing by Midas

During the year, the Group subscribed for 421.5 million of the preference shares of Midas at HK$252.9 million. The preference shares carry an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by Midas within five years from date of issue. HK$50.4 million of the preference shares can be convertible, at the option of the Group, into listed ordinary shares of Midas. Upon full conversion, the Group's shareholding interests in Midas will be increased to 42.8%. Subsequent to the balance sheet date, the Group converted HK$7.2 million of the preference shares, thereby increasing its shareholding interests in Midas from 16.4% to 21.6%.

Books printed by Midas

3. INFORMATION TECHNOLOGY DIVISION

During the year, the Group reviewed the business model of the operations within this division, and carried out a series of retrenchment exercises to rationalize this division. The course of actions taken by the Group included trimming down of operating expenses, tuning down non-performing business and disposing of those passive investments. As such, turnover of this division dropped to about HK$1.8 million, representing a decrease of 82.1% when compared with last year, but it was able to substantially reduce its loss to about HK$3.7 million during this year from HK$108.4 million in the last corresponding period. After this repositioning, the Group's investments in this division have been restored to a sustainable scale with prospective growth potential on a long-term spectrum.

FINANCIAL POSITIONS

On 22nd June, 2001, the Company issued 170 million new shares at HK$0.27 each, to raise net proceeds of about HK$45 million. The net proceeds have been used for general working capital purposes.

As at 31st March, 2002, the Group's bank balances, cash and other investments amounted to HK$231.5 million (2001: HK$295.3 million). Bank and other borrowings of the Group as at the same date amounted to HK$255.3 million (2001: HK$285.0 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) was 1.3%.

Approximately 87.8% of the Group's bank balances, cash and other investments were in Hong Kong dollar, United States dollar or Euro dollar with the balance 12.2% 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. Approximately 2.0% (2001: 1.7%) of the Group's bank and other borrowings were repayable within one year, 9.8% (2001: 7.8%) repayable in the second to fifth year and the balance of 88.2% (2001: 90.5%) repayable over five years.

NET ASSETS VALUE

As at 31st March, 2002, total net assets of the Group amounted to HK$1,799.9 million, equivalent to HK$1.76 per share.

PROSPECTS

In the aftermath of the September 2001 event in the United States, the terror-stricken global economy has gradually resumed normal. However, recent releases of economic data on the United States' economy were mixed. The Group believes that although the darkest days are behind us, there may still be tough challenges ahead.

On the PRC front, the Group holds a positive outlook on its economy. Year 2001 was a momentous one for the PRC, with its hosting of APEC, the successful bid for the 2008 Olympic Games and the joining to the WTO.

Following the accession to the WTO, the PRC is expected to become the hub for global investments. The Group believes that the underlying economic growth in the PRC will be fuelled by strong domestic demand brought forth by liberalization of trade, and further beyond Beijing's hosting of the 2008 Olympic Games. The Group is actively pursuing expansion plans for its manufacturing division through internal growth initiatives and acquisition in the PRC, with prime focus on developing the vast PRC domestic market.

Paving the foothold for longer-term growth, the Group has committed to focus on business developments in the PRC, which looking ahead, the PRC remains the Group's major market. The Group is well positioned to seize the exciting opportunities that are opening up through the establishment of the Mainland/Hong Kong Closer Economic Partnership Arrangement. All of these represented immense opportunities brought on by the PRC momentum and the Group foresees this economic momentum to continue. The Group believes that the outlook of the property market in the Guangdong province, where majority of the Group's land banks are located, will be benefited and will show promising growth over time.

STAFF

The Group has its offices in Hong Kong and has its representatives and associates in Chengdu, Guangzhou, Dongguan and Huizhou, the PRC.

As at 31st March, 2002, the Group employed 142 staff. In addition, the subcontracting factories of the Group have about 823 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.

APPRECIATION

On behalf of the board, I would like to thank Mr. Chu Ka Kim for his valuable contribution throughout his services with the Company during the past years. Finally, I would like to thank my fellow directors and our dedicated staff for their hard work and contributions during the year.

Dr. Hwang Jen
Chairman

Hong Kong, 11th July, 2002