Results

The directors announce that the audited loss attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2003 was HK$66.8 million (2002: profit of HK$8.8 million). Loss per share was 6.52 HK cents (2002: earnings per share of 0.89 HK cent).

Management Discussion on Results

Turnover of the Group for the year was HK$63.9 million, which represented a decrease of about 79.9% from last year's HK$318.0 million. Turnover from the Property Division was HK$16.2 million (2002: HK$274.6 million), representing a decrease of approximately 94.1% from that of last corresponding period. The decrease in turnover is mainly attributable to the reduction in disposal of properties by about HK$257.6 million. The Manufacturing Division has recorded an increase in turnover by approximately 19.5% to HK$36.7 million (2002: HK$30.7 million).

As a result of reduction in profit generated from sale of properties, gross profit decreased by 64.6% to HK$29.8 million (2002: HK$84.2 million). During the year, administration expenses further reduced by 13.3% as a result of the Group's cost control measures. Other operating expenses increased by an amount of HK$22.9 million principally due to provisions for rental guarantee and additional construction costs relating to certain properties sold last year. Revaluation deficit on an investment property in Hong Kong of HK$42 million was also recorded during the year. As a result, loss from operations for the year was about HK$68.7 million when compared with a profit of HK$18.7 million in the last corresponding year. Taking into account the improvement in share of results of Midas International Holdings Limited, the Group's associate, as well as lower finance costs, loss attributable to shareholders for the year amounted to HK$66.8 million (2002: profit of HK$8.8 million).

Dividends

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 (2002: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2002: 1.0 HK cent per share).

Review of Operations

1. Property Division

(a) Property interests in the PRC

The Group's property interests are principally located in Dongguan, Huizhou and Guangzhou, the Guangdong Province. The Group will continue to adopt a cautious approach in planning the development of its projects and will adjust the pace of development according to local market conditions. A brief update of the current progress of the Group's major property development projects in the PRC is given below:–

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

Chuang's New City is located in Shatian, Dongguan. It is a comprehensive new township development for logistic, residential, commercial, office, hotel and other ancillary usage. Phase I of this project, comprising 224 residential units with an aggregate gross floor area of 176,512 sq.ft., had been completed and is virtually fully sold.

Phase II of Chuang's New City, Dongguan

Dongguan is a popular hub for foreign investments as supported by well-established infrastructure and transportation facilities. These factors are instrumental in implementing our development plan for Phase II of Chuang's New City. Planning for Phase II of the development has been completed, which occupies a site of about 430,000 sq.ft., comprising a complex of 450 residential units with a gross floor area of 600,000 sq.ft., with amenity clubhouse and swimming pool. In addition, the Group will construct a 3-storey complex building with a site area of 26,160 sq.ft.. The complex building, having a gross floor area of about 43,000 sq.ft., will be the Group's headquarter in Pearl River Delta as well as the marketing office for this property development in Dongguan. Upon completion of Phase II of this project, the balance of total gross floor area available for future development is approximately 14.7 million sq.ft..

The headquarter in Chuang's New City, Dongguan

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

Chuang's New Town is located in Huiyang, Huizhou. It is a comprehensive new township development for residential, commercial, office, hotel and other non-residential ancillary usage.

Having completed the first stage of this project comprising an aggregate of 1.1 million sq.ft. which has been sold, the balance of total gross floor area available for future development is approximately 14.6 million sq.ft.. In light of economic and infrastructural development in the region in recent years, the Group will assess the overall development potential for this property project.

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

Chuang's Metropolis is located in Panyu, Guangzhou. It is a comprehensive new township development for residential, commercial, office, hotel and other ancillary usage.

Having completed Phase I of this project, the balance of total gross floor area available for future development is approximately 11.3 million sq.ft.. With the construction of the metro railway from Guangzhou to Panyu, its transport accessibility and economic outlook will be greatly enhanced. The Group believes that this property project will have good long term development potential and is now critically reviewing its overall development plan.

(b) Property interests in Hong Kong

Chuang's Tower, located at the heart of Central District and next to the exits of both the Central Station of the Mass Transit Railway and the Hong Kong Station of the Airport Express Line, has a total area of 60,587 sq.ft. of commercial and office spaces. The occupancy rate of the property is about 86%. The rental income of HK$14.1 million during the year remained a steady source of income to the Group.

Chuang's Tower, Central

2. Manufacturing Division

(a) Midas International Holdings Limited ("Midas")

In early 2000, the Group became the single largest shareholder of Midas after it acquired a 25.3% interest in Midas. On 4th July, 2003, the Group further raised its shareholding interests in Midas to 42.7%.

Midas is a company listed on The Stock Exchange of Hong Kong Limited, and its subsidiaries are engaged in books printing, paper

Books printed by Midas

Paper products of Midas

products printing and property investment. Its head office, with about 100 staff, is located in Hong Kong with a gross floor area of about 30,000 sq.ft.. Its manufacturing premises are located in Yuanzhou and Dongguan, the PRC, having an aggregate gross floor area of over 1,000,000 sq.ft. and employed 2,700 staff and workers.

Yuanzhou plant

Yuanzhou plant extension

Dongguan plant

Lever plant in Dongguan

For the year ended 31st December, 2002, the turnover of Midas has increased to HK$574.1 million from HK$513.5 million in the previous year, representing an increase of approximately 11.8%. The net profit for the year ended 31st December, 2002 has increased to HK$50.7 million, representing an approximately 81.1% increase compared to HK$28.0 million for the preceding year.

Products of Yuen Sang

(b) 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. Its head office is located in Hong Kong and its manufacturing premises is located in Huizhou, the PRC, occupying a gross floor area of about 88,100 sq.ft.. Yuen Sang has about 830 staff together with workers in its subcontracting factories. Despite the weak global economy, Yuen Sang was able to achieve an increase in turnover to HK$36.7 million, representing an increase of 19.5%. Due to severe pricing pressure in the industry and coupled with the hit by the outbreak of the SARS since March 2003, Yuen Sang will focus on more drastic marketing efforts and implementation of cost cutting measures. Capitalising on the manufacturing expertise of Yuen Sang, the Group will study the feasibility of investing in manufacturing business that is synergistic to Yuen Sang in order to generate a new source of income in the future.

(c) **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 engaged in the manufacture, assembling and sale of watches and clocks under its brand name "Pierre Dune" . Its sales are mainly for domestic market in the PRC, with sales distribution coverage in 26 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 88 employees by the end of 2002.

Products of Shanghai Yuen Sang

Financial Positions

As at 31st March, 2003, the Group's bank balances, cash and other investments amounted to HK$212.5 million (2002: HK$231.5 million). Bank and other borrowings of the Group as at the same date amounted to HK$250.1 million (2002: HK$255.3 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 2.2%. In addition, the Group holds HK$148.5 million preference shares in Midas that will be redeemable by Midas in cash at any time up to 14th December, 2006. The redemption of these preference shares will provide additional working capital to the Group.

Approximately 86.4% of the Group's bank balances, cash and other investments were in Hong Kong dollar, United States dollar or Euro dollar with the balance 13.6% 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 2.1% of the Group's bank and other borrowings were repayable within one year, 2.4% repayable within 1-2 years and 95.5% repayable within 2-5 years.

Net Asset Value

As at 31st March, 2003, total net assets of the Group amounted to HK$1,722.9 million, equivalent to HK$1.68 per share.

Prospects

Looking forward, we believe the global economy will remain in an unstable state in the short term. Despite the challenging business environment, the Group remains optimistic about the long term prosperity of Hong Kong and the Pearl River Delta region. The directors believe that the long term prospects of China's mass residential property market remain very promising. Demand should continue to grow stemming from the implementation of the Mainland/Hong Kong Closer Economic Partnership Arrangement as well as the increasing need for improvement of quality of living and the rising affluent of households. Under such a backdrop and with a land bank of about 40 million sq.ft. of development area in various cities in the Pearl River Delta at relatively low cost of about HK$29 per sq.ft., the Group, which produced quality low-cost housing in the PRC, is well positioned to benefit from further growth of the housing market in the PRC.

The role of the PRC as the world's production hub is increasingly prominent, given its competitive costs and abundant labour supply. In addition, as the PRC maintains its rapid economic growth, its robust domestic market is highly promising with tremendous business opportunities. The Group will actively identify and develop new investment projects in the manufacturing sectors with operation base in the PRC. With its healthy financial position and accumulation of management experience in this field, the Group is well poised to explore investment opportunities that are compatible with its long term growth strategy.

Staff

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

As at 31st March, 2003, the Group employed 152 staff. In addition, the subcontracting factories of the Group have about 830 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.

Staff cost during the year amounted to HK$16.9 million (2002: HK$19.1 million), representing a decrease of 11.5% compared to that of last year, as a result of effective cost control measures implemented by the Group. The Group will continue to review its staff structure so as to maintain optimum level of head count and staff cost.

Appreciation

On behalf of the board, I would like to thank Mr. George Tsutsumi 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 contribution during the year.

Chan Sheung Chiu
Deputy Chairman

Hong Kong, 7th July, 2003