Chairman's Statement

Results

The board of directors (the "Board") is 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, 2004 was HK$20.4 million (2003: loss of HK$66.8 million). Earnings per share was 1.99 HK cents (2003: loss per share of 6.52 HK cents).

Discussion on Results

The Group's turnover for the year ended 31st March, 2004 decreased by 15.6% to HK$53.9 million (2003: HK$63.9 million) and mainly comprised sale of properties in the People's Republic of China (the "PRC"), rental income from an investment property in Hong Kong, income from manufacturing business as well as dividend income and interest income.

As a result of the reduction in turnover, gross profit for the year fell from HK$29.8 million to HK$22.2 million. Although the Group incurred higher depreciation charges which led to an increase in administration expenses for the year, other operating expenses of the Group had substantially reduced from HK$31.6 million in previous year to HK$3.4 million this year. Such substantial reduction was mainly due to the absence of provision for rental guarantee and additional construction costs relating to certain properties sold and the absence of other provisions for diminution in value of assets. In light of the recovery in the property market in Hong Kong, the Group has benefited from the revaluation surplus on an investment property in Hong Kong of HK$15 million.

Taking all these into account, the Group has turnaround its operating results from a loss of HK$68.7 million in the last corresponding year to a profit for the year of about HK$3.2 million. The low interest rates prevailed throughout the year had resulted in the decrease in finance costs. On top of this, share of results of the Group's associates, derived mainly from Midas International Holdings Limited ("Midas"), had also significantly increased to HK$25.3 million (2003: HK$10.5 million). Overall, the Group recorded profit attributable to shareholders of HK$20.4 million for the year when compared with a loss of HK$66.8 million in previous year.

Dividend

The Board proposes to declare a final dividend of 1.0 HK cent per share (2003: 1.0 HK cent per share) payable on or before 10th September, 2004 to shareholders whose names appear on the Company's register of members on 20th August, 2004. No interim dividend has been declared in respect of the current financial year (2003: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2003: 1.0 HK cent per share).

Review of Operations

1. Property Division

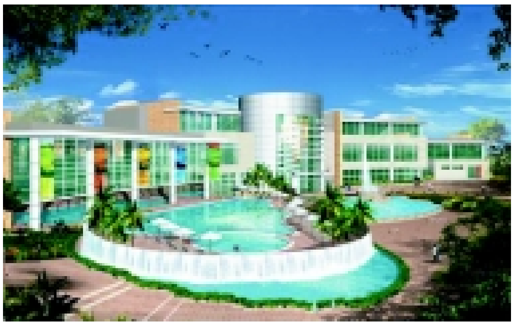
(a) Property interests in the PRC

The Group has a large land bank located principally in the Guangdong Province, including Dongguan, Huizhou and Guangzhou, comprising a total attributable gross floor area of approximately 40 million sq.ft.. The gradual strengthening of economies in the Pearl River Delta has laid the foundation for further acceleration in urbanization in the region. During the year under review, the Group closely monitored the pace of economic and local development in the region to gauge the development plan of its projects accordingly. A brief update of the current progress of the Group's major property development projects in the PRC is summarised below:–

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

Chuang's New City is located at 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 virtually fully sold.

Phase II of Chuang's New City, Dongguan



Clubhouse of Phase II of Chuang's New City, Dongguan

The Group has implemented Phase II development of Chuang's New City that will comprise a complex of 374 residential units with an aggregate gross floor area of 610,000 sq.ft., surrounded by sumptuous landscaped area, with 374 carparking spaces, an amenity clubhouse with a gross floor area of 65,000 sq.ft. and a swimming pool. Site formation and foundation works have already been completed and superstructure works are expected to commence shortly.

In addition, the Group is constructing a 4-storey complex building having a gross floor area of about 46,000 sq.ft., which will be the Group's headquarter in the Pearl River Delta and the marketing office for this property development in Dongguan. Superstructure of the complex building has already been completed and internal and external finishing works are in progress. Expected completion of the complex building will be in the fourth quarter of 2004.

Upon completion of the current development, the Group has a total gross floor area of approximately 14.4 million sq.ft. available for future development.

The headquarter in Chuang's New City, Dongguan
Left – Perspective
Right – Under construction

(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.

The first stage of this project comprising an aggregate of 1.1 million sq.ft. had been completed and sold. As the construction of a world-scale petrochemical complex is progressing rapidly, the economy of this region is boosted and further generated new demand for quality housing. With a total gross floor area of about 14.6 million sq.ft. available for future development, the Group will assess the overall development potential for this property project in light of recent economic development in the region.

(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.. The construction of the metro railway from Guangzhou to Panyu, which is located nearby the Group's development site, and the encouraging economic growth in Guangzhou are positive factors enhancing the long-term development potential of this property project. The Group is reviewing the overall development plan in line with the local market conditions.

(b) Property interests in Hong Kong

Chuang's Tower is conveniently situated at the prime location in Central, right next to the exits of both the Central Station of the Mass Transit Railway and the Hong Kong Station of the Airport Express Line. It has a total area of 60,587 sq.ft. of commercial and office spaces. The occupancy rate of the property is 94% and the rental and other income of HK$12.4 million during the year remained a steady source of income to the Group.

Chuang's Tower, Central

2. Manufacturing Division

(a) Midas (42.9% owned)

Midas is a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its subsidiaries are engaged in books printing, paper 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 have over 2,700 staff and workers.

Books printed by Midas

Paper products of Midas

For the year ended 31st December, 2003, the turnover of Midas has increased to HK$675.2 million from HK$574.1 million in the previous year, representing an increase of 17.6%. Its net profit attributable to shareholders also increased to HK$52.4 million, representing an approximately 5.2% increase compared with HK$49.8 million for the preceding year.

8-Colour Press in Yuanzhou Plant

(b) Yuen Sang Hardware Company (1988) Limited ("Yuen Sang") (100% owned)

Yuen Sang is principally engaged in the manufacture and sale of watch cases, bracelets and buckles, 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 1,061 staff together with workers in its subcontracting factories.

Products of Yuen Sang

During the year, Yuen Sang was hit by the outbreak of SARS and the accelerating price of steel. Its turnover fell by 10.1% to HK$33.0 million. Yuen Sang will focus on drastic marketing efforts and explore synergistic business in order to generate a new source of income in the future.

(c) CNT Group Limited ("CNT") (12.8% owned)

CNT is a company listed on the Stock Exchange and its subsidiaries are principally engaged in the manufacture and sale of paint products under its own brand names "Flower", "Giraffe", "Toy Brand" and "Denis" etc, focusing on the Hong Kong and PRC market. The Group considers that petrochemical business has tremendous long-term prospects, in particular, the potential of the PRC market. The Group intends to hold its interests in CNT as a long-term strategic investment.

Net Asset Value

As at 31st March, 2004, total net assets of the Group amounted to HK$1,512.4 million, equivalent to HK$1.48 per share.

Financial Positions

As at 31st March, 2004, the Group's bank balances, cash and other investments amounted to HK$184.2 million (2003: HK$212.5 million). Bank and other borrowings of the Group as at the same date amounted to HK$245.0 million (2003: HK$250.1 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 4.02%. For the year ended 31st March, 2004, Midas has redeemed HK$50 million of the preference shares held by the Group in cash. At present, the Group has remaining HK$98.5 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 further provide additional working capital to the Group.

Approximately 83.2% of the Group's bank balances and cash were in Hong Kong dollar, United States dollar or Euro dollar with the balance 16.8% in Renminbi. Risk in exchange rate fluctuation would not be material.

All of the Group's bank borrowings were in Hong Kong dollar. Approximately 2.45% of the Group's bank borrowings were repayable within one year, 2.45% repayable within one to two years and 95.10% repayable within two to five years.

Prospects

Looking ahead, the Group considers that the economic recovery in Hong Kong is well on its way subsequent to the SARS disease occurred during the first half of 2003. The implementation by the PRC government of CEPA and the relaxation of Mainland Individual Visit Scheme help stimulate further recovery. In the PRC, its economic momentum is continuing positively. Recent policies implemented by the PRC government to regulate fixed asset investment are aimed to prevent any sharp economic fluctuations, and will be beneficial to the healthy growth of the PRC economy in the long-term.

With the formal implementation of CEPA, cross border economic partnership and business opportunities are increasing at quick pace. Additionally, demand for improvement of quality of living emerges along the rising affluent of household. All of these factors further boost the demand for quality housing in the PRC, especially in the Pearl River Delta region, which are advantageous to the Group as developer of quality low-cost housing in the PRC. With our land bank of about 40 million sq.ft. of development area in various cities in the Pearl River Delta region at a relatively low cost of about HK$29 per sq.ft., the Group is well positioned to benefit from the promising growth over time.

The unique attributes of the PRC, from its strong domestic demand to its prominent role as the factory of the world, as well as its trade liberation measures following accession to the WTO, have continued to draw foreign investments into the country, which is the fastest growing economy in the world. To capitalize on the enormous potential in the PRC market, the Group will actively identify and develop investment projects in the manufacturing sectors with operation base in the PRC.

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, 2004, the Group employed 137 staff. In addition, the subcontracting factories of the Group have about 1,061 workers. The Group 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$16.1 million (2003: HK$16.9 million), representing a decrease of 4.7% 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 my fellow directors and our dedicated staff for their hard work and contribution during the year.

Dr. Hwang Jen
Chairman

Hong Kong, 29th June, 2004