

## Chairman's Statement

### Results

The board of directors (the "Board") announces that the audited consolidated profit attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2004 amounted to HK\$107.8 million (2003: loss of HK\$301.8 million). Earnings per share were 8.0 HK cents (2003: loss per share of 22.7 HK cents).

### Discussion on Results

During the year under review, the Group's businesses have been benefited from the recovering Hong Kong economy since mid-2003 amid the fading out of the negative impact of Severe Acute Respiratory Syndrome ("SARS"), the implementation of the Closer Economic Partnership Arrangement ("CEPA") between the People's Republic of China (the "PRC") and Hong Kong and the implementation of Mainland Individual Visit Scheme.

Turnover of the Group increased from HK\$289.7 million in last year to HK\$404.4 million in this year, representing an increase of approximately 39.6%. Turnover derived from property investment and development activities amounted to HK\$228.1 million (2003: HK\$171.9 million), representing an increase of 32.7% from that of last year. The increase in turnover was mainly attributable to the increase in sales of properties by about HK\$65.0 million during the year. Manufacturing and trading businesses recorded a turnover of HK\$95.4 million (2003: HK\$111.0 million), representing a decrease of 14.1% when compared with last year. Turnover from securities trading activities increased significantly to HK\$80.7 million (2003: HK\$6.7 million) as the Group has increased its securities investment activities amid the improved market sentiment during the year.

Gross profit increased by 9.9% to HK\$113.1 million (2003: HK\$102.9 million), which was principally attributable to an increase in profit from sales of properties and securities trading activities. Operating profit amounted to HK\$121.9 million compared with operating loss of HK\$308.0 million in last year principally as a result of the increase in gross profit, a substantial reduction in other operating expenses, and the revaluation surplus on investment properties of HK\$70.0 million as well as write back of provision for properties held for sale of HK\$20.0 million. The substantial reduction in other operating expenses during the year was mainly due to the absence of provisions for rental guarantee and additional construction costs relating to certain properties sold by the Group's listed subsidiary and the absence of other provisions for diminution in value of assets. Due to the low interest rates prevailing during the year and a decrease in borrowings, savings of HK\$9.9 million in finance costs were recorded. Share of results of associated companies increased to HK\$25.3 million (2003: HK\$10.6 million), which was mainly attributable to an increase in interest in an associated company during the year. Taking into account the above, profit attributable to shareholders amounted to HK\$107.8 million, representing a turnaround from loss of HK\$301.8 million in last year.

### Dividend

The Board proposes to declare a final dividend of 1.0 HK cent (2003: nil) per share payable on or before 24th September, 2004 to shareholders whose names appear on the Company's register of members on 27th 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 (2003: nil) per share.

### 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 Chuang's London Plaza, Chuang's Hung Hom Plaza, Chuang's City Tower, portion of Chuang's Enterprises Building, Park Villa and Chuang's Tower in Hong Kong and Central Plaza in Kuala Lumpur, Malaysia. During the year, rental and other income from investment properties amounted to HK\$96.6 million.

##### (i) *Chuang's London Plaza, No. 219 Nathan Road, Tsim Sha Tsui, Kowloon (100% owned)*

Located at the heart of shopping centre in Tsim Sha Tsui, Kowloon, and next to the exit of the Mass Transit Railway, this property is a shopping and entertainment complex having a total area of 113,233 sq.ft.. Due to its strategic location, the Plaza is occupied by quality tenants such as Standard Chartered Bank, Fortress, Body Shop, Circle K Convenience Store, Genki Sushi, Saint Honore Cake Shop and a number of famous restaurants. The Group is carrying out renovation works, including building additional unused plot ratio area, on the basement floors to the 3rd floor of the Plaza, the purpose of which is to create more shopping space in the Plaza. As a result, certain tenants of the Plaza have been relocated and the occupancy rate has been temporarily dropped to 75%. With the completion of the above renovation works, the rental yield of the Plaza will be enhanced given the increased demand for quality shopping space in the area as a result of the implementation of the Mainland Individual Visit Scheme.



*Chuang's London Plaza, Tsim Sha Tsui*

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**(ii) *Chuang's Hung Hom Plaza, No. 83 Wuhu Street, Hunghom, Kowloon (100% owned)***

Developed by the Group, the property, located at the heart of Hunghom, has a total area of 173,092 sq.ft. of commercial, office and car parking spaces. Major tenants of the property include the Government of the Hong Kong Special Administrative Region and Hongkong Bank. The occupancy rate of the property is 97%.



*Chuang's Hung Hom Plaza,  
Hunghom*

**(iii) *Chuang's City Tower, No. 39 Morrison Hill Road, Wanchai, Hong Kong (100% owned)***



*Chuang's City Tower,  
Wanchai*

Developed by the Group, Chuang's City Tower is a 27-storey building with a total area of approximately 56,000 sq.ft. of commercial and office spaces. Due to its outstanding design, the property was awarded the Certificate of Merits by the Hong Kong Institute of Architects. The occupancy rate of the property is 90%.

**(iv) *Portion of Chuang's Enterprises Building, No. 382 Lockhart Road, Wanchai, Hong Kong (100% owned)***

Located at the heart of Wanchai, the property is a premier commercial and office building developed by the Group. After the disposal of the podium (G/F to 3/F) and a portion of the office floors, the Group owns the remaining eleven office floors of the building with a total area of approximately 27,000 sq.ft. for long-term investment. The property is currently fully leased.



*Chuang's Enterprises Building,  
Wanchai*

(v) ***Park Villa, No. 37 Island Road, Deep Water Bay, Hong Kong (100% owned)***

Located in Deep Water Bay, a prestigious residential area, this property has a total area of approximately 17,300 sq.ft.. The property is currently fully leased. The Group is studying plans to redevelop the property into 4 or 5 bungalows.



*Park Villa, Deep Water Bay*

(vi) ***Chuang's Tower, Nos. 30-32 Connaught Road Central, Central, Hong Kong (100% owned by Chuang's China Investments Limited)***

The property, 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 94%.



*Chuang's Tower, Central*



*Central Plaza, Kuala Lumpur, Malaysia*

(vii) ***Central Plaza, No. 34 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia (100% owned)***

Developed by the Group, Central Plaza won the Architecture Award for Commercial Building from the Malaysian Institute of Architects due to its outstanding design. Located in the "Golden Triangle" of Kuala Lumpur, the property has a total area of approximately 380,000 sq.ft. of commercial, office and car parking spaces. The occupancy rate of the property is 73%.



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### (b) Properties Held for Sale/for Development

On the property development front, the various development projects are proceeding as scheduled. During the year, proceeds from property sales amounted to HK\$131.3 million.

#### (i) *The Harbourside, No. 18 Wharf Road, North Point, Hong Kong (100% owned)*

Located near the Fortress Hill Mass Transit Railway Station, the property 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 2,594 sq.ft. of shopping space). The occupation permit was issued on 10th July, 2003. As at the date of this report, all residential units have been sold and all shopping units are leased.



*The Harbourside,  
North Point*



*Reading Place, Mid-level*

#### (ii) *Reading Place, No. 5 St. Stephen's Lane, Mid-level, Hong Kong (100% owned)*

The property 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 has commenced subsequent to the balance sheet date.

#### (iii) *No. 1 Tai Yau Street, San Po Kong, Kowloon (30% owned)*

Piling works for the project have been completed. Approval from the Town Planning Board to change the land use of the site, with an area of 15,400 sq.ft., for hotel development purpose has been obtained. Lease modification is pending government approval. Henderson Land Development Company Limited, which owns the remaining 70% interest in the project, acts as the project manager of the development.

### 2. Chuang's Industrial (Holdings) Limited

#### Sintex Nylon and Cotton Products (Pte) Limited ("Sintex") (88.2% owned)

Sintex is a company incorporated in Singapore and commenced business in mid-1970. It is a leading manufacturer of home finishing products under the brand names including "Sintex", "Blinky Bill", "Darrington", "Createur" and "Homes". Sintex's manufacturing premises, having a total gross floor area of approximately 78,000 sq.ft., are located in Jurong Town, Singapore with a site area of approximately 250,000 sq.ft.. Sintex currently employs approximately 81 staff.

The consumer spending in Singapore continues to be weak. Turnover and profit before taxation of Sintex decreased by 21.6% and 61.5% respectively when compared with that of last year. In order to improve sales and further strengthen its retail operations, Sintex plans to open more retail shops under its brandname "Homestyle".



*Brand names of Sintex's products*



*Products of Sintex*

### 3. Chuang's China Investments Limited ("Chuang's China")

Chuang's China, a 60% owned subsidiary of the Group, is a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its subsidiaries (together the "Chuang's China Group") are principally engaged in property development and investment in the PRC and manufacturing business. Profit attributable to shareholders for the year ended 31st March, 2004 amounted to HK\$20.4 million.

#### (a) Property Division

The Chuang's China 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 urbanisation 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 Chuang's China Group's major property development projects in the PRC is summarised below:—

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

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 virtually fully sold.



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



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

The Chuang's China 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.



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



In addition, the Chuang's China 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, total gross floor area available for future development is approximately 14.4 million sq.ft..

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

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 by Chuang's China)***

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.

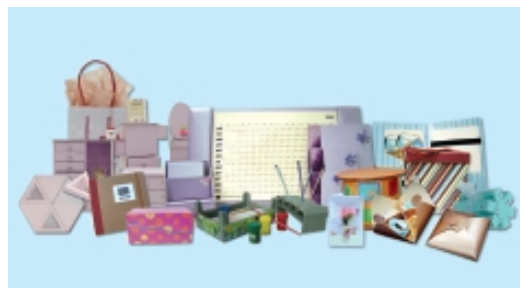
**(b) Manufacturing Division**

**(i) *Midas International Holdings Limited ("Midas") (42.9% owned by Chuang's China)***

Midas is a company listed on 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*



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*8-Colour Press in Yuanzhou Plant*

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 profit attributable to shareholders also increased to HK\$52.4 million, representing an increase of approximately 5.2% as compared with HK\$49.8 million for the preceding year.

**(ii) Yuen Sang Hardware Company (1988) Limited (“Yuen Sang”) (100% owned by Chuang’s China)**

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.

During the year, Yuen Sang was adversely affected by the outbreak of SARS and the accelerating price of steel with its turnover fell by 10.1%. Yuen Sang will focus on drastic marketing efforts and explore synergistic business in order to generate a new source of income in the future.



*Products of Yuen Sang*

**(iii) CNT Group Limited (“CNT”) (12.8% owned by Chuang’s China)**

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 the PRC market. The Group considers that the petrochemical business has tremendous long-term prospects, in particular, the potential of the PRC market. The Chuang’s China Group intends to hold its interests in CNT as a long-term strategic investment.

### Net Asset Value

As at 31st March, 2004, net assets of the Group amounted to HK\$2,765.3 million, equivalent to approximately HK\$1.9 per share.

### Financial Positions

As at 31st March, 2004, the Group's bank balances, cash and other investments amounted to HK\$575.9 million (2003: HK\$567.9 million). Bank and other borrowings of the Group as at the same date amounted to HK\$1,131.4 million (2003: HK\$1,217.1 million). The Group's net debt to equity ratio was approximately 20.1% (2003: 25.0%) expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group.

Approximately 94.6% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar, with the balance 5.4% in Renminbi.

Approximately 94.9% of the Group's bank and other borrowings were denominated in Hong Kong dollar with the balance of 5.1% being denominated in Malaysian Ringgit. Approximately 7.1% (2003: 11.1%) of the Group's bank and other borrowings was repayable within one year, 18.3% (2003: 12.3%) repayable within 1 to 2 years, 66.5% (2003: 64.1%) repayable within 2 to 5 years and the balance of 8.1% (2003: 12.5%) repayable over 5 years.

During the year under review, the Company has issued 150 million new shares to independent third parties raising a total of approximately HK\$59.6 million in net proceeds. The net proceeds have been applied as working capital of the Group.

### Prospects

On the back of better global economic prospects, continued economic growth in the PRC, implementation of CEPA and Pan-PRD Regional Cooperation Framework Agreement and the extension of Mainland Individual Visit Scheme to cover more mainland cities, the long-term outlook for the local economy is positive.

Gradual economic recovery has boosted home buyers' confidence in the residential property market as evidenced by the increase in both price and sales activities since the middle of last year. Given a low interest rate environment and more affordable home prices, demand for private residential flats should remain firm. The Group has commenced marketing of Reading Place. Proceeds from the sale will further strengthen the Group's financial position. The Group will actively seek for opportunities to replenish its land bank in the future.

On the Group's property investment front, rental rates have bottomed out given a better economic environment. The retail rental market has been benefited from revival of tourism and local consumer spending. Demand for office space has also seen an increase on improving economic activities. To enhance the yield, the Group has been adopting proactive and effective leasing strategies to further improve the occupancy rates of its investment properties.

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As regards the PRC property market, 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 liberalization 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 capitalise 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 head office of the Group is located in Hong Kong. The Group has offices in Singapore, Kuala Lumpur, Malaysia and Guangzhou, Huizhou, Dongguan and Chengdu, the PRC. As at 31st March, 2004, the Group employed 1,403 staff (of which the Chuang's China Group and its subcontracting factories employed 1,198 staff). 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\$45.9 million (2003: HK\$49.8 million), representing a decrease of 7.8% 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

Finally, I would like to thank my fellow Directors and our dedicated staff for their valuable contributions during the year.

**Alan Chuang Shaw Swee**

*Chairman*

Hong Kong, 12th July, 2004