

GARMENT

After a year of satisfactory growth in turnover and operating profit, garment division business slowed down in the past year. Despite growth in South Africa, Europe and Mainland China, overall turnover reduced due to order reduction in America and Japan. Similarly, profit growth in South Africa factories export to Europe and domestic sales in China was not enough to cover profit reduction in North American distribution and Central American manufacturing business.

The group's most important garment markets are now South Africa and America which together accounts for 84% of total garment division sales. Remaining sales comes from export to Europe and Japan and domestic sales in China. In South Africa, business in the past year continued the growth trend of the past decade after slight adjustment in the previous year. As a result of vigourous cost control and efficiency improvement measures taken by management, our South African factories achieved satisfactory growth in turnover and operating profit of 10% and 28% respectively in the past year.

On the other hand, American business suffered from reduction in sales order and profit margin after a year of strong growth. Measures have been taken during the year to expand customer base and control production cost. The newly established New York Sales office has started shipment to new customers in the past few months and our Guatemala factories have also established new direct USA customers from the beginning of 2004.

World wide garment market remains very competitive and we are facing strong price pressure from customers. After a relatively difficult year, improvement was achieved in most market where we operate in the last few months. While we are still facing some uncertainties, current outlook for the garment division is more promising than the past year.

G A R M E N T

Factory in Botshabelo, South Africa

Staff in New York office introduce products to customer



Metal detector ensures product safety



Production floor of Guatemala factory



One production line in Tak Sing garment factory in Panyu, China

RESTAURANT AND FOOD

Despite the effect of Severe Acute Respiratory Syndrome (“SARS”) in the second quarter of 2003, restaurant and food division recorded satisfactory growth in turnover of 5% and an outstanding profit growth of 43% in the past year. This is an excellent performance achieved in a difficult year for the industry.

By area, Hong Kong turnover reduced by 20% due to the effect of SARS while, on the contrary, sales in Mainland China recorded 16% growth. Restaurant sales in Shenzhen, Shanghai and Kunming recorded satisfactory growth from July 2003 onwards which more than offset the reduction in sales in the second quarter of 2003 as a result of SARS. Food sales also achieved strong year on year growth especially mooncake sales in Shenzhen, Hainan and Kunming. The ‘Carrianna’ brand has successfully extended from the premium restaurant sector to the quality food processing sector. On the other hand, tight cost control measures taken during the period of SARS have also contributed to the growth in profit margin in the past year.

Restaurant and food turnover in Mainland China continued to be strong in the past few months. Together with new restaurant to be opened in Beijing in the fourth quarter of 2004, outlook for the coming year is very positive. In Hong Kong, business remained difficult as a result of general reduction in business entertainment. However, overall restaurant and food division performance will be driven by promising development in Mainland China market. On the other hand, management will be careful in managing profit margin against the recent price pressure on many food material items in Mainland China as well as Hong Kong.

RESTAURANT & FOOD

Carrianna Restaurant at St.Regis Hotel is an ideal place for business dining in Pudong area, Shanghai

Carrianna Chiu Chow Restaurant at Kunming Hotel, Kunming



Carrianna cakes use the highest quality fresh fruit, cheese and chocolate as ingredients, highly attractive to customers



Function room at Carrianna Restaurant in Carrianna Friendship Square



Carrianna Chiu Chow Restaurant in Wanchai enjoys high popularity for over 20 years

PROPERTY INVESTMENT AND DEVELOPMENT

Property division turnover and operating profit both achieved growth of 4% in the past year. Increase in turnover was mainly due to rental income growth in 'Carrianna Friendship Square' and 'Imperial Palace' shopping arcade which more than offset reduction in residential property sales. As a result of continuous effort and investment to improve shopping environment, 'Carrianna Friendship Square' occupancy rate recently exceeded 95%.

During the year, rental income was affected by renovation work on the second floor of 'Carrianna Friendship Square' for the construction of 'Carrianna International Jewellery Centre'. 'Carrianna International Jewellery Centre' was fully operative since June 2004 and have brought in more high spending customers to 'Carrianna Friendship Square'. Overall rental value of the shopping arcade will benefit from the effect of the Jewellery Centre.

In the past year, residential sales remained slow and we have continued to rent out the unsold units in Carrianna Friendship Square and Imperial Palace. Rental yield was satisfactory at around 7% to 8%.

Since the previous financial year, the Group has invested in 'China South International Industrial Materials City' located in the Pinghu Logistics Base of Shenzhen which occupied 1.2 square kilometer of land with total planned building area of 2,200,000 square meters. During the past year, construction of 'China South International Industrial Material City' is underway and phase I of the project which comprises of 500,000 square meters of industrial materials exchange and display area, is scheduled to be completed and commence operation in the fourth quarter of 2004. Shop rental and sales in the last few months are very encouraging. This project is expected to be a new source of profit for the Group in the coming years.

Overall, the Board is optimistic about the prospects of the Group.

PROPERTY INVESTMENT AND DEVELOPMENT

Carrianna Friendship Square, a Landmark in Shenzhen City

China South International Industrial Materials City occupies 1.2 square kilometers of land with 2,200,000 square meters of building area.

Phase 1 of China South International Industrial Materials City will commence operation in fourth quarter 2004.



Carrianna International Jewellery Center located in Carrianna Friendship Square is the most prestigious jewellery retail centre in Shenzhen City.



Carrianna International Jewellery Center attracts many famous Jewellery retailers in Hong Kong and Europe to establish retail base.