

## 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, 2005 was HK\$27.5 million (2004: HK\$20.4 million). Earnings per share was 2.69 HK cents (2004: 1.99 HK cents).

### Discussion on Results

The Group's turnover for the year ended 31st March, 2005 was HK\$54.9 million (2004: HK\$53.9 million) and mainly comprised sale of properties in the People's Republic of China (the "PRC"), rental income from investment properties in Hong Kong, income from manufacturing business as well as dividend income and interest income.

Gross profit for the year fell from HK\$22.2 million to HK\$17.7 million, mainly as a result of reduction in dividend income and lower profit contribution from the Group's manufacturing of watch components. Furthermore, the Group's administrative expenses for the year increased by 15.9% whereas the Group's other operating expenses had reduced from HK\$3.4 million in the previous year to HK\$1.0 million this year. In light of the recovery in the property market in Hong Kong, the Group has benefited from the revaluation surplus of investment properties in Hong Kong of HK\$25 million.

Taking all these into account, the Group's operating profit for the year was HK\$2.0 million (2004: HK\$3.2 million). As a result of the low interest rates that prevailed throughout the year, finance costs were reduced by 21.3% to HK\$4.5 million. Furthermore, share of results of the Group's associated companies, derived mainly from Midas International Holdings Limited ("Midas"), also significantly increased to HK\$34.2 million (2004: HK\$25.3 million). Overall, the Group recorded profit attributable to shareholders of HK\$27.5 million for the year (2004: HK\$20.4 million), representing an increase of about 34.8% over that of last year.

### Dividend

The Board proposes to declare a final dividend of 1.0 HK cent per share (2004: 1.0 HK cent per share) payable on or before 12th September, 2005 to shareholders whose names appear on the Company's register of members on 19th August, 2005. No interim dividend has been declared in respect of the current financial year (2004: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2004: 1.0 HK cent per share).

### Review of Operations

#### 1. Property Division

##### (a) Property interests in the PRC

The Group holds property interests in the PRC and its land bank is located in Guangzhou, Dongguan

and Huizhou of Guangdong Province, as well as in Changsha of Hunan Province. A brief update of the current progress of the Group's major property development projects in the PRC is summarised below:–

(i) *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, and Phase I of this project had been completed. Since Panyu has become a district of Guangzhou, and with the continuous economic growth in Guangzhou, in particular, the construction of the metro railway from Guangzhou to Panyu which is located nearby the site, the long-term development potential of this property project is encouraging. In light of these market developments, the Group has engaged Terry Farrell & Partners as consultant to review the master layout plan of this project. Once this review is finalised, the Group will immediately commence the Phase II development of this project.

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

Chuang's New City is located in Shatian, Dongguan and is a comprehensive new township development for logistics, residential, commercial, office, hotel and other ancillary usage. Phase I of the project had been completed. Progress on the development of the administration office of the Group as well as Phases II and III of the project is summarised below:–

(1) *Administration Office*

This 4-storey complex building, having a gross floor area of about 46,000 sq.ft., has been completed and is now the Group's headquarter in the Pearl River Delta. It also serves as the marketing and sales office for the property development project in Dongguan.



*Administration Office in Dongguan*

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(2) *Chuang's New City, Gold Coast*

Gold Coast, the Phase II development of Chuang's New City in Dongguan, comprises 11 blocks of residential complex with a total of 374 residential units having an aggregate gross floor area



*Chuang's New City, Gold Coast, Dongguan*



*Chuang's New City, Gold Coast, Dongguan*



*Clubhouse of Chuang's New City, Gold Coast, Dongguan*



*Entrance Lobby of High-rise Apartments*



*Entrance Lobby of Low-rise Apartments*



Show Flat – Living Room



Show Flat – Living Room



Show Flat – Dining Room



Show Flat – Master Bedroom

of approximately 610,000 sq.ft., 370 car parking spaces, and is facilitated with an amenity clubhouse of gross floor area of approximately 62,000 sq.ft. and one outdoor and one indoor swimming pools. At the date hereof, superstructure works of the complex have been completed. Internal and external finishing works are in progress. It is expected that the development will be completed by the end of 2005. Marketing of Gold Coast has commenced during the second quarter of 2005.

(3) *Phase III*

Phase III of the development of Chuang's New City in Dongguan is in the planning stage.

(iii) *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. In light of the increasing demand for better living conditions and the economic growth in the region, the Group is actively carrying out review of the overall development plan of this project.

(iv) *Beverly Hill, Changsha, Hunan (54% owned)*

During the year under review, the Group acquired an effective 54% interest in a company which owns the development rights of a site with an area of about 10.8 million sq.ft. in Changsha, the Hunan Province. The site is located in Changsha County and is about 4 kilometers from the new offices of the



*Phase I of Beverly Hill, Changsha*



*Shopping Centre*



*Bungalow*



*Link Houses*



*Low-rise Apartments*

provincial government of the Hunan Province. Development of the entire site will be carried out in stages.

Land cost for a site area of about 1 million sq.ft. has been paid, and the relevant land use right has been obtained. Development plan of this first phase development of Beverly Hill comprises a low density landscaped development with about 190 bungalows, semi-detached houses and link houses, 5 blocks of low-rise apartments, together with retail facilities occupying an aggregate gross floor area of about 693,000 sq.ft.. To cater for the privileges of residents, Beverly Hill will comprise an amenity and recreational clubhouse with a gross floor area of about 18,000 sq.ft. and a swimming pool. Site formation and construction works will commence once approval of the development plan has been obtained from the relevant authorities, which is expected to be in July 2005.



*Chuang's Tower, Central*

**(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 97.6% and the rental and other income of HK\$12.2 million during the year remained a steady source of income to the Group.

**2. Manufacturing Division**

**(a) Midas (44.6% 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.



*Product highlights of books printing*

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Its head office is located in Hong Kong with a gross floor area of about 32,000 sq.ft.. Its manufacturing premises are located in Yuanzhou and Dongguan, the PRC, having an aggregate gross floor area of over 1 million sq.ft.. Midas currently employs about 3,000 staff and workers.



*Product highlights of paper products printing*

In early 2000, the Group became the single largest shareholder of Midas. In July 2003, the Group raised its shareholding interests in Midas to 42.7%. During the year under review, the Group further increased its shareholding interests in Midas to 44.6%. The Group's total cost of investment in Midas was about HK\$110 million, representing approximately HK\$0.46 per share of Midas.

Since the Group has become the shareholder of Midas, Midas has accomplished significant growth in business and net profit. For the year ended 31st December, 2004, the turnover of Midas has increased to HK\$736.9 million from HK\$675.2 million in the previous year. The net profit for the year ended 31st December, 2004 has increased to HK\$60.6 million, representing an approximately 16% increase compared to HK\$52.4 million for the preceding year.

**(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 889 staff together with workers in its subcontracting factories.



*Products of Yuen Sang*

During the year, Yuen Sang's turnover has increased to HK\$37.4 million from HK\$33.0 million. However, in light of severe price competition and increase in material costs during the year, Yuen Sang's gross profit margin was significantly affected which resulted in an operating loss of HK\$0.7 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 "Flowers", "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, 2005, net assets of the Group amounted to HK\$1,531.7 million, equivalent to HK\$1.5 per share.

### Financial Positions

As at 31st March, 2005, the Group's bank balances and cash amounted to HK\$157.9 million (2004: HK\$184.2 million). Bank borrowings of the Group as at the same date amounted to HK\$239.0 million (2004: HK\$245.0 million). The net debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of bank balances and cash over total net assets of the Group) was 5.3% (2004: 4.0%). For the year ended 31st March, 2005, Midas has redeemed HK\$75 million of the preference shares held by the Group in cash. At present, the Group has remaining HK\$23.5 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 78% of the Group's bank balances and cash were denominated in Hong Kong dollar or United States dollar with the balance 22% in Renminbi. Risk in exchange rate fluctuation would not be material.

All of the Group's bank borrowings were denominated in Hong Kong dollar. Approximately 2.5% of the Group's bank borrowings were repayable within one year, 3.4% repayable in the second year and the remaining 94.1% repayable in the third to fifth year.

### Prospects

Recently the PRC government has announced a number of measures to regulate the domestic property market. These policies were intended to further standardise the property market with the objective of ensuring the development of a sustainable and healthy property market. In view of the substantial improvements in economic strengths and per capital income, the domestic market for properties in the PRC is expected to enjoy stable growth in the long-term.



## Chairman's Statement

During 2004, Hong Kong experienced a recovery in both economic conditions and market sentiment. The continued stability and growth in the PRC combined with further integration of Hong Kong with the Pearl River Delta and aided by policies such as CEPA and Pan-PRD Regional Cooperation Framework Agreement will speed up the integrated development among the Pearl River Delta, Guangzhou and Hong Kong. The Group will continue to focus on developing low cost quality housing in the PRC. With the Group's quality land bank in Dongguan, Guangzhou, Huizhou and Changsha, the Group is optimistic about its future growth and prospects.

On the manufacturing front, the Group will actively pursue 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.

### Staff

The head office of the Group is located in Hong Kong. The Group has offices or representatives in Changsha, Chengdu, Dongguan, Huizhou and Guangzhou, the PRC.

As at 31st March, 2005, the Group employed 159 staff. In addition, the subcontracting factories of the Group have about 889 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.

### Changes of Directors

The Board regrets that Mr. Chan Sheung Chiu, the Deputy Chairman of the Board, passed away on 27th June, 2005. Mr. Chan had made invaluable contribution to the growth and development of the Group. The Board and staff of the Group convey sincere condolences to his family. Mr. Chan will be greatly missed.

On behalf of the Board, I would like to welcome Mr. Lee Sai Wai as the new Deputy Chairman of the Board and Mr. Chan Wai Dune as an independent non-executive Director.

### Appreciation

On behalf of the Board, I would also 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, 2005