

## REVIEW OF OPERATIONS

Reports of the Group's major business units are as follows:

### 1. CHUANG'S PROPERTIES LIMITED

#### (a) *Investment Properties*

The Group's major investment properties comprise the following:

- (i) Chuang's London Plaza, Tsim Sha Tsui – total area of 112,704 sq.ft. of shopping and entertainment complex;
- (ii) Chuang's Hung Hom Plaza, Hunghom – total area of 173,092 sq.ft. of commercial, office and carparking spaces;
- (iii) Chuang's City Tower, Wanchai – total area of 56,000 sq.ft. of commercial and office spaces;
- (iv) Chuang's Enterprises Building, Wanchai – total area of 27,000 sq.ft. of office space;
- (v) Park Villa, Deep Water Bay – total area of 17,300 sq.ft. of residential space;
- (vi) Chuang's Tower, Central – total area of 60,587 sq.ft. of commercial and office spaces (owned by China Cyberworld Limited); and
- (vii) Central Plaza, Kuala Lumpur, Malaysia – total area of 380,000 sq.ft. of commercial, office and carparking spaces.

Rental and other income from investment properties of the Group during the period under review amounted to approximately HK\$54.4 million.

(b) *Properties Under Development*

During the period under review, the Group completed the disposal of the companies that held the property located at No. 9 Middle Gap Road, Hong Kong. Profit derived therefrom has been recorded in the interim results. In April 2001, the Group launched the Notting Hill project located at No. 21 Tung Shan Terrace for presale. The development, comprising 44 residential units with a total area of 31,157 sq.ft., is expected to be completed by early 2002. The remaining property development projects of the Group, namely Chuang's Lodge, Nos. 4-6 St. Stephen's Lane (comprising 73 residential units with club-house facilities having a total area of approximately 57,300 sq.ft.) and The Harbourside, Nos. 10, 12, 14, 16 and 18 Wharf Road, North Point (comprising 83 residential units with club-house facilities and shopping space having a total area of approximately 49,700 sq.ft.), are proceeding as scheduled. Marketing of these two projects is expected to commence soon.

**2. CHUANG'S INDUSTRIAL (HOLDINGS) LIMITED**

*Sintex Nylon and Cotton Products (Pte) Limited ("Sintex")*

Sintex, a 88%-owned subsidiary of the Group, is a leading manufacturer of home finishing products in Singapore. Its performance during the period under review was affected by the global economic slowdown resulting in turnover and profit before taxation reduced by 3.5% and 41.5% respectively when compared to last corresponding period. In order to further strengthen its retail operations, Sintex has, in addition to leasing existing sales counters in major department stores, opened two retail shops under the brandname "Homestyle" to market its own products in Singapore. During the period, it has also opened its first sales outlet in Kuala Lumpur, Malaysia. The management of Sintex is also studying plans to set up marketing operations in the PRC.

**3. CHINA CYBERWORLD LIMITED ("China Cyberworld")**

China Cyberworld, a listed subsidiary of the Group, and its subsidiaries ("China Cyberworld Group") are principally engaged in property development and investment in the PRC, manufacturing as well as information technology businesses. Loss attributable to shareholders for the six months ended 30th September, 2001 amounted to HK\$10.1 million.

As a result of placement of new shares by China Cyberworld as announced on 12th June, 2001, the Group's interest in China Cyberworld has been diluted from 64% to 60%.

(a) *Property Division*

On 29th October, 2001, the China Cyberworld Group entered into a conditional sale and purchase agreement with Midas Printing Group Limited ("Midas") in relation to disposal of the China Cyberworld Group's 100% interest in Lambda Building, Yuen Sang Building and certain residential units of Chuang's Garden, Chuang's New Town, Huiyang, with an aggregate gross floor area of 685,900 sq.ft. In addition, the China Cyberworld Group also agreed to dispose of its 51% interest in the commercial podium and basement of Chengdu Chuang's Centre, Chengdu, Sichuan, on a fully completed basis, with attributable gross floor area of about 234,500 sq.ft. Consideration for the disposal of this property portfolio will be HK\$252.9 million, completion of which is expected to take place before the end of this year. The Group will record a profit from such disposal which will be reflected in the second half of the financial year.

Upon completion of the disposal of the above property interests, the China Cyberworld Group will have disposed of its major investment properties in the PRC and will focus its resources on development of its property interests in Guangzhou, Dongguan and Huiyang, and will further identify suitable property projects in the PRC.

(b) *Manufacturing Division*

(i) Yuen Sang Hardware Company (1988) Limited ("Yuen Sang")

Yuen Sang has not been spared from the global downturn, which undermines profit margins across industries. Both turnover and operating profit of Yuen Sang showed a decline during the period under review. To improve its operating performance, Yuen Sang continues to lower its operating expenses, and develop new product mix and new market segments.

(ii) Midas

The China Cyberworld Group held about 16% interest in Midas, a company listed on The Stock Exchange of Hong Kong Limited. For the six months ended 30th June, 2001, Midas recorded turnover of HK\$238.8 million and profit attributable to shareholders of about HK\$10.1 million, representing a decrease of 14% and 39% respectively when compared with last corresponding period.

On 29th October, 2001, the China Cyberworld Group entered into a conditional subscription agreement to subscribe 421.5 million redeemable preference shares of Midas at HK\$252.9 million, which is expected to be financed out of the proceeds from the China Cyberworld Group's disposal of the property portfolio to Midas. The preference shares will bear an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by Midas within five years from the date of issue. About 20% of the preference shares can be convertible, at the option of the China Cyberworld Group, into listed ordinary shares of Midas within five years from the date of issue. If the conversion rights are exercised in full, the China Cyberworld Group's shareholding interests in Midas may increase to about 43%. At present, the China Cyberworld Group has no intention to convert the preference shares to such extent that it would incur an obligation to make a general offer for Midas' shares.

(c) *Information Technology Division*

During the period under review, the China Cyberworld Group critically assessed outlook of this division, streamlined and contracted those non-profit generating operations, and implemented a series of rationalization and retrenchment exercises to trim down operating expenses and dispose of passive investments. As a result, turnover of the Information Technology Division reduced by 83.3% to HK\$1.4 million, but operating loss decreased from HK\$15.3 million in the last corresponding period to HK\$3.2 million this period. After this repositioning, the Group's investments in this division have been scaled down to a low-cost base operation with prospective growth potential on a long-term spectrum.