

RESULTS

The directors announce that the audited consolidated loss attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2002 amounted to HK\$19.5 million (2001: HK\$115.3 million). Loss per share amounted to HK 1.47 cents as compared with loss per share of HK 9.62 cents in 2001.

DISCUSSION ON RESULTS

Turnover of the Group increased from HK\$341.8 million in last year to HK\$670.9 million in this year, representing an increase of approximately 96.3%. Turnover derived from property investment and development activities amounted to HK\$543.7 million (2001: HK\$152.0 million), representing an increase of 257.7% over that of last year. The increase in turnover was mainly attributable to the increase in disposal of properties by about HK\$399.3 million during the year. Manufacturing and trading businesses recorded a turnover of about HK\$102.2 million (2001: HK\$119.2 million), representing a decrease of 14.3% when compared with last year. Turnover from securities trading activities decreased by 61.7% to HK\$23.1 million (2001: HK\$60.3 million) as the Group has reduced its securities trading activities amid the weak market sentiment during the year.

Gross profit increased by 52.0% to HK\$162.9 million (2001: HK\$107.2 million), which was principally attributable to an increase in profit from disposal of properties. Operating profit amounted to HK\$37.3 million compared with operating loss of HK\$69.5 million in last year principally as a result of the increase in gross profit and the decreases in expenses. Loss attributable to shareholders for the year amounted to HK\$19.5 million (2001: HK\$115.3 million). However, during the year, the Group has recorded a non-cash revaluation deficit on investment properties amounting to HK\$25.6 million. In addition, included in this year's other operating expenses of HK\$38.3 million was an one-off non-cash loss of HK\$24.6 million, being loss on deemed disposal of a listed subsidiary as the subsidiary issued new shares to third parties during the year resulting in the Group's interest in the subsidiary being diluted. Had the above two items been excluded, the Group would have reported a profit attributable to shareholders of HK\$19.3 million.

DIVIDENDS

The directors propose to declare a final dividend of HK 0.5 cent (2001: HK 0.5 cent) per share payable on or before 20th September, 2002 to shareholders whose names appear on the Company's register of members on 29th August, 2002. No interim dividend has been declared in respect of the current financial year (2001: HK Nil cent). Total dividend for the year amounted to HK 0.5 cent (2001: HK 0.5 cent) per share.

REVIEW OF OPERATIONS

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

1. CHUANG'S PROPERTIES LIMITED

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\$108.6 million.

On the property development front, the Group has disposed of the companies that held the property located at No. 9 Middle Gap Road, Hong Kong during the year. Profit derived therefrom has been recorded in this financial year. In April 2001, the Group launched The Notting Hill project for presale. Subsequent to the balance sheet date, the Group also launched The Harbourside project for presale. The proceeds received from the sale of these three properties have further strengthened the cash flow position of the Group.

The followings are major property investments of the Group:

(a) Investment Properties

(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 112,704 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, Baleno and a number of famous restaurants. In order to attract more pedestrian flows and generate new income sources, a LED advertising displayer and two external signages have been installed outside the Plaza to make it look more dynamic and eye-catching. The occupancy rate of the property has improved to approximately 93%, compared with about 91% last year.



Chuang's London Plaza, Tsim Sha Tsui



Chuang's Hung Hom Plaza, Hunghom

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

The property, located at the heart of Hunghom, has a total area of 173,092 sq.ft. of commercial, office and car parking spaces. The occupancy rate of the property has improved to approximately 86% from about 85% last year. Major tenants of the property include the Government of the Hong Kong Special Administrative Region, Hongkong Bank as well as a famous restaurant and a bakery shop.

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

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 building has improved to approximately

86% from about 82% last year.



Chuang's City Tower, Wanchai

(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 at substantial profit, 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. At present, approximately 80% of the rentable area has been leased.



Chuang's Enterprises Building, Wanchai



Park Villa, Deep Water Bay

(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.. A portion of the property has been leased and the Group continues to study various plans so as to enhance the value of the property.



Chuang's Tower, Central

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

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 to the Hong Kong International Airport at Chek Lap Kok, the property has a total area of 60,587 sq.ft. of commercial and office spaces. The occupancy rate of the property has improved to approximately 85% from about 72% last year.

(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 approximately 81%.



Central Plaza, Kuala Lumpur, Malaysia

(b) Properties Under Development For Sale

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

Located near the Fortress Hill Mass Transit Railway Station, the 4,420 sq.ft. site will be 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 shopping space). Site formation and foundation works were completed and superstructure works have been completed up to the 19th level. The whole project is expected to be completed by early 2003. Subsequent to the balance sheet date, marketing of the project has commenced.



*The Harbourside, North Point
(construction works in progress)*



*The Harbourside, North Point
(perspective of completed building)*



*Chuang's Lodge, Mid-Level
(perspective of completed building)*

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

The property, with a site area of 5,202 sq.ft., will be developed into a residential building with a total area of approximately 57,300 sq.ft. (comprising 73 residential units with club-house facilities). Site formation and foundation works have been completed and superstructure works will commence soon. The whole development is expected to be completed by late 2003. Marketing of the project is expected to commence soon.

(iii) *The Notting Hill, No. 1 Tung Shan Terrace, Hong Kong (70% owned)*

The property, with a site area of 9,147 sq.ft., has been developed into a residential building with a total area of 31,157 sq.ft. (comprising 44 residential units). The occupation permit was issued on 21st June, 2002. During the year, marketing of the project has commenced. The Group acts as the project manager of the development.



The Notting Hill

(iv) No. 9 Middle Gap Road, Hong Kong (100% owned)

The property, with a site area of 16,700 sq.ft., has been developed into a single bungalow with a total area of approximately 8,350 sq.ft.. During the year, the Group has completed the disposal of the companies that held the property. Profit derived therefrom has been recorded in the current financial year.

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

Piling works for the project have been completed. The project, with a site area of 15,400 sq.ft., has been put on hold pending further study on its development potential. 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 95 staff.



Brand names of Sintex's products



Products of Sintex

The performance of Sintex during the year under review was affected by the global economic slowdown resulting in turnover and profit before taxation being reduced by 4.7% and 48.9% respectively when compared to those of last year. 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 year, 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 People's Republic of China (the "PRC").

3. CHUANG'S CHINA INVESTMENTS LIMITED ("CHUANG'S CHINA")

Chuang's China, a listed subsidiary of the Group, and its subsidiaries (together "Chuang's China Group") are principally engaged in property development and investment in the PRC, manufacturing as well as information technology businesses. Chuang's China reported a profit attributable to shareholders for the year ended 31st March, 2002 of HK\$8.8 million.

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

(a) Property Division

During the year, the Chuang's China Group disposed of Yuen Sang Building, Lambda Building and three residential blocks at Chuang's Garden, Chuang's New Town, Danshui, and its entire 51% interests in Chengdu Chuang's Centre, Chengdu. Total consideration for the disposal amounted to approximately HK\$253 million, and the profit derived therefrom has been accounted for in the year under review.

The Chuang's China Group's property interests are principally located in the Guangdong Province. In view of the continuous impressive economic growth in the PRC, the Chuang's China Group will actively engage in development of its property projects on hand, a summary of which is as follows:

(i) *Chuang's Metropolis, Shilou, Panyu, Guangzhou, Guangdong (85% owned by Chuang's China)*

Located along the west shore of the Pearl River estuary, overlooking Dongguan in the east, Panyu enjoys excellent geographical advantages. As a key transport hub in the Guangdong Province, Panyu is connected in the north to Guangzhou, and in the west to important industrial towns such as Nanhai, Fo Shan and Shunde. The city's Nansha Road and Guangzhou-Shenzhen Highway are also conveniently connected to the Humen Bridge leading to Shenzhen, which enjoys easy access to Hong Kong. Guangzhou is a major economic, cultural and political city in the southern part of the PRC. It covers an area of about 7,400 sq. kilometres with a population of about 10 million. In view of the fast economic growth in Guangzhou, the municipal government has recently promulgated the strategic policy on "extension to the south" which includes converting Nansha as a major container and logistics hub, and also actively promoting property development in Panyu with a view to providing a quality living environment in this waterfront city.

In the PRC, the demand for residential units from local buyers is growing steadily as the economic situation improves and household income increases. Guangzhou is one of the three major economic cities in the PRC. In the first four months of 2002, its gross domestic product grew by 11.7% to RMB87.8 billion. With the growing affluent of the population, there is increasing demand for quality living environment, which could not be satisfied by the densely populated old city of Guangzhou.

Whilst Panyu is located between the old city of Guangzhou and Nansha, radiating the supply of quality and better living environment from Guangzhou to Panyu becomes a logical move.

Chuang's Metropolis, located nearby the proposed metro railway extension from Guangzhou to Panyu, is a comprehensive new township development for residential, commercial, office, hotel and other ancillary usage with a total gross floor area of about 11.3 million sq.ft.. Phase I with an aggregate gross floor area of 61,812 sq.ft. has been completed with all of the residential units being sold. With the encouraging prospects driven by the policy of "extension to the south", the Chuang's China Group will implement development plan for Chuang's Metropolis, in order to enhance its value alongside the growing strategic importance of Panyu.

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

Pearl River Delta is located in the central and southern part of the Guangdong Province. As a major city in the Pearl River Delta and strategically situated at the mouth of the Pearl River, Dongguan is an important transportation hub for the river route between the northern part of Guangdong Province and Hong Kong.

In the past decade, Dongguan has successfully attracted foreign capital and investments, which is largely supported by the well-established infrastructure and transportation facilities, both land and sea. As the economy of the PRC powers ahead post-WTO, continuous market liberalisation will increase investments by international and local businesses, which further stimulate demand for quality housing that provides better living environment and full range of amenities.

Chuang's New City is a comprehensive new township development for industrial, residential, commercial, office, hotel and other ancillary usage with a total gross floor area of approximately 15.5 million sq.ft.. Phase I of this project, comprising 224 residential units with an aggregate gross floor area of 176,512 sq.ft. had been completed. During the year, the Chuang's China Group disposed of additional residential units of Chuang's New City, following which, there remains 24 residential units to be sold. Planning for Phase II of the project, comprising a total gross floor area of about 690,000 sq.ft., will be finalised soon.

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

Huiyang, as commonly known as the "gateway to Guangdong east", is located on the south-eastern part of Guangdong Province, facing Nanhai and Daya Bay in the south. Huiyang city is easily accessible to Hong Kong, Shenzhen, and Guangzhou. Due to its strategic location, the local government has determined to develop Huiyang into a coastal industrial and transportation city. The infrastructural development of Huizhou Port in Daya Bay serves to conduit trading business for the southeast part of Guangdong Province. In 2000, a multi-national oil refinery conglomerate formed a joint venture to invest US\$4

Chairman's Statement

billion in building a world-scale petrochemical complex in Daya Bay. To further facilitate transport accessibility, the local government is implementing road expansion plan, which includes the expansion of the major through road leading to Daya Bay. All of these large scale projects are expected to stimulate the city's economic activities in the coming years, which will in turn underpin the long-term demand for housing in that area.

Chuang's New Town is located in the centre of Danshui, Huiyang, and is sitting on the major through road to Daya Bay, which is about 10 kilometres away. It is a comprehensive new township development for residential, commercial, office, hotel and other non-residential ancillary usage with a total gross floor area of approximately 15.7 million sq.ft.. Phases I to III of Chuang's Garden with an aggregate gross floor area of 748,234 sq.ft., comprising 856 residential units and commercial spaces, as well as Yuen Sang Building and Lambda Building having an aggregate gross floor area of 378,650 sq.ft. had been completed.

During the year, the Chuang's China Group disposed of Yuen Sang Building, Lambda Building and three residential blocks of Chuang's Garden, having an aggregate gross floor area of about 686,000 sq.ft. at a consideration of approximately HK\$137 million, and profit derived therefrom was accounted for in the year under review. In light of recent economic and infrastructural development in the region, the Chuang's China Group will further dispose of the remaining 96 residential units of Chuang's Garden and will commence on the overall development strategy for this property.

(iv) Chengdu Chuang's Centre, Chengdu, Sichuan (51% owned by Chuang's China)

Chengdu Chuang's Centre is located at Renmin South Road, Chengdu, the provincial capital of Sichuan. The internal decoration works of the 7-storey commercial podium with a gross floor area of about 440,000 sq.ft. are in final stage. During the year, the Chuang's China Group disposed of its entire 51% interests in the commercial podium for a consideration of approximately HK\$116 million, generating a profit for the year under review.



*Chengdu Chuang's Centre, Chengdu, Sichuan
(internal decoration works in progress)*



*Chengdu Chuang's Centre, Chengdu, Sichuan
(perspective of completed building)*

(b) Manufacturing Division

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

Yuen Sang, a wholly-owned subsidiary of the Chuang's China Group, is principally engaged in the manufacture and sale of watch cases and bracelets, mainly for exports to Europe and the United States. Against the background of the sluggish global economy, the performance of Yuen Sang was hard hit, resulting in a drop in turnover by 23.5% and a reduction in profit from operations by 54.7%. In such an austere environment, Yuen Sang will focus on expanding its product range encompassing value-added products, opening up new markets in Asia and continuing with a low-cost based operation.



Products of Yuen Sang



Products of Shanghai Yuen Sang



(ii) Shanghai Yuen Sang Watch and Clock Limited ("Shanghai Yuen Sang")

Shanghai Yuen Sang, a joint venture owned as to 50% by the Chuang's China Group, was established in 1991 with Shanghai Clock and Watch Corporation Limited and Shanghai Stop Watch Factory. Shanghai Yuen Sang is principally engaged in the manufacture and sale of watches and clocks under its brand name "Pierre Dune". Its sales are mainly for domestic market in the PRC, with sales distribution coverage in 36 cities, including Chengdu, Harbin, Nanjing, Shanghai, Tianjin and Wuhan. It owns the manufacturing and office premises in Shanghai with a gross floor area of about 8,500 sq.ft. and has about 102 employees by the end of 2001.



Books printed by Midas

(iii) Midas International Holdings Limited ("Midas")

Midas, a company listed on The Stock Exchange of Hong Kong Limited, is principally engaged in book printing, packaging printing, magazine and commercial printing as well as property investments. It leases the manufacturing and office premises in Hong Kong with a gross floor area of 80,000 sq.ft., whilst it owns the manufacturing premises, in Dongguan and Huizhou, the PRC, having an aggregate gross floor area of about 680,000 sq.ft.. It has about 1,600 staff and workers by the end of 2001. For the year ended 31st December, 2001, Midas reported a turnover of about HK\$513.5 million, representing a decrease of about 22.6% over the last corresponding year, and profit attributable to shareholders amounted to about HK\$28.0 million, representing an increase of about 1.6% over last year.

During the year, the Chuang's China Group subscribed for 421.5 million preference shares of Midas at HK\$252.9 million. The preference shares carry an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by Midas within five years from date of issue. HK\$50.4 million of the preference shares can be convertible, at the option of the Chuang's China Group, into listed ordinary shares of Midas. Upon full conversion, the Chuang's China Group's shareholding interests in Midas will be increased to 42.8%. Subsequent to the balance sheet date, the Chuang's China Group converted HK\$7.2 million of the preference shares, thereby increasing its shareholding interests in Midas from 16.4% to 21.6%.



Packaging printing by Midas

(c) Information Technology Division

During the year, the Chuang's China Group reviewed the business model of the operations within this division, and carried out a series of retrenchment exercises to rationalise this division. The course of actions taken by the Chuang's China Group included trimming down of operating expenses, tuning down non-performing business and disposing of those passive investments. As such, turnover of this division dropped to about HK\$1.8 million, representing a decrease of 82.1% when compared with last year, but it was able to substantially reduce its loss to about HK\$3.7 million during this year from HK\$108.4 million in the last corresponding period. After this repositioning, the Chuang's China Group's investments in this division have been restored to a sustainable scale with prospective growth potential on a long-term spectrum.

NET ASSET VALUE

As at 31st March, 2002, net assets of the Group amounted to HK\$3,036.7 million, equivalent to approximately HK\$2.29 per share.

FINANCIAL POSITIONS

As at 31st March, 2002, the Group's bank balances, cash and other investments amounted to HK\$643.1 million (2001: HK\$628.8 million). Bank and other borrowings of the Group as at the same date amounted to HK\$1,303.2 million (2001: HK\$1,332.5 million). The Group's net debt to equity ratio was approximately 21.7% (2001: 22.6%) 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 94.0% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar, 1.6% in Euro dollar with the balance 4.4% in Renminbi.

Approximately 96.5% of the Group's bank and other borrowings were denominated in Hong Kong dollar with the balance of 3.5% being denominated in Malaysian Ringgit. Approximately 5.9% (2001: 19.6%) of the Group's bank and other borrowings were repayable within one year, 19.6% (2001: 10.9%) repayable within 1 to 2 years, 52.2% (2001: 29.7%) repayable within 2 to 5 years and the balance of 22.3% (2001: 39.8%) repayable over 5 years.

PROSPECTS

Despite the global economic slowdown, the PRC's economic growth momentum remains intact. Its successful bid for the 2008 Olympic Games and entry to the World Trade Organisation, which is expected to attract enormous foreign investments, will bode well for Hong Kong's economic activities as the territory acts as an important gateway to the mainland. With the steady economic growth in the PRC and the anticipated gradual economic recovery in the United States, Hong Kong should envisage an economic improvement next year.

On the back of the anticipated economic improvement, low mortgage rates, supportive government housing policies and continuous population growth, the long-term outlook for the Hong Kong residential property market is positive. Currently, the Group has three major residential projects on the Hong Kong Island. The Harbourside and The Notting Hill projects have been launched for sale and marketing of Chuang's Lodge will commence soon. Upon the sales of these projects, the Group's financial position will be further enhanced and will seek for opportunities to replenish its land bank in the future. In selecting new projects, the Group will continue to focus on residential developments located in prime areas where the supply-demand conditions are more favourable. To further strengthen its reputation of being a quality property developer, the Group will continue to improve the quality of its development properties in terms of designs, finishes, club-house facilities and management services.

On the property investment front, the rental markets in Hong Kong for both the retail and office sectors continue to face mild downward adjustment pressure in the near term. In order to offset the negative impact of softening rental rates, the Group has put and will continue to put extra efforts to improve the yield by increasing the occupancy rates of its investment properties.

Fuelled by strong domestic demand, the outlook of the property market in the PRC is positive. The Group, which holds a large land bank in the Guangdong province, is well positioned to capitalise on the fast economic development in that area.

Regarding the manufacturing businesses, the Group's export sales will benefit from the anticipated mild global economic recovery next year. To meet the expected stronger demand, the Group is actively pursuing expansion plans for its manufacturing division. In addition, the Group plans to exploit the PRC domestic market.

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, 2002, the Group employed 1,144 staff (of which Chuang's China and its subcontracting factories employed 965 staff). The Group also 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.

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, 18th July, 2002