

Results

The Board of Directors announces that the audited consolidated loss attributable to shareholders of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2003 amounted to HK\$301.8 million (2002: HK\$19.5 million). Loss per share was 22.7 HK cents (2002: 1.5 HK cents).

Discussion on Results

During the year under review, the Group was facing a very difficult trading environment. Externally, the uncertainty in the global economy was further clouded by the war in Iraq. Internally, the high unemployment rate and the outbreak of Severe Acute Respiratory Syndrome (SARS) has affected the local economy in terms of weakening consumer spending. As a result, property activities remained stagnant with declining property prices and accordingly, the results of the Group were adversely affected.

Turnover of the Group decreased from HK\$670.9 million in last year to HK\$289.7 million in this year, representing a decrease of approximately 56.8%. Turnover derived from property investment and development activities amounted to HK\$171.4 million (2002: HK\$543.7 million), representing a decrease of 68.5% from that of last year. The decrease in turnover was mainly attributable to the decrease in sales of properties by about HK\$368.8 million during the year. Manufacturing and trading businesses recorded a turnover of about HK\$111.0 million (2002: HK\$102.2 million), representing an increase of 8.6% when compared with last year. Turnover from securities trading activities decreased by 71.0% to HK\$6.7 million (2002: HK\$23.1 million) as the Group has reduced its securities trading activities amid the weak market sentiment during the year.

Gross profit decreased by 36.8% to HK\$102.9 million (2002: HK\$162.9 million), which was principally attributable to a decrease in profit from sales of properties. Operating loss amounted to HK\$308.0 million compared with operating profit of HK\$37.3 million in last year principally as a result of the decrease in gross profit, an increase in revaluation deficit on investment properties to HK\$176.9 million (2002: HK\$25.6 million) and a provision for properties held for sale of HK\$130.0 million (2002: nil). Due to the low interest rates prevailing during the year, substantial savings of HK\$20.9 million in finance costs were recorded. Share of profits of associated companies increased by 221.2% to HK\$10.6 million (2002: HK\$3.3 million), which was mainly attributable to the excellent results from Midas International Holdings Limited. Taking into account the above, loss attributable to shareholders amounted to HK\$301.8 million (2002: HK\$19.5 million).

Dividend

In view of loss incurred by the Group, the Directors do not propose a final dividend (2002: 0.5 HK cent per share). No interim dividend has been declared in respect of the current financial year (2002: nil).

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\$104.4 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 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, Saint Honore Cake Shop 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 is 92%.



Chuang's London Plaza, Tsim Sha Tsui

Chairman's Statement

(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. Major tenants of the property include the Government of the Hong Kong Special Administrative Region and the Hongkong Bank. The occupancy rate of the property is 86%.



*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 83%.

(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 has been refurbished during the year and is currently fully leased.



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 86%.



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 76%.

Chairman's Statement

(b) Properties Held For Sale

On the property development front, the various development projects are proceeding as scheduled. During the year, proceeds from property sales amounted to HK\$66.3 million. Outstanding development expenditure to complete the existing property projects on hand amounted to HK\$47.4 million as at 31st March, 2003.

(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 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 shopping space). Subsequent to the balance sheet date, the occupation permit was issued on 10th July, 2003. During the year, the Group launched the project for presale.



The Harbourside, North Point

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



*Reading Place,
Mid-level
(perspective of completed
building)*



*Reading Place,
Mid-level
(construction works
in progress)*

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). Superstructure works have been completed and internal and external finishing works are in progress. The whole project 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. The Group will pursue active marketing strategies to dispose of the remaining unsold units.



The Notting Hill

(iv) *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 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 86 staff.



Brand names of Sintex's products



Products of Sintex

Despite being affected by the global economic slowdown and weak consumer spending, the performance of Sintex during the year under review was satisfactory with turnover and profit before taxation increased by 1.7% and 42.7% respectively when compared to those of last year. During the year, Sintex has conducted three warehouse sales with encouraging market response.

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

Chuang's China, a 59.4% owned listed subsidiary of the Group, and its subsidiaries (together "Chuang's China Group") are principally engaged in property development and investment in the People's Republic of China ("PRC") and manufacturing. Loss attributable to shareholders for the year ended 31st March, 2003 amounted to HK\$66.8 million.

(a) **Property Division**

The Chuang's China Group's property interests in the PRC are principally located in Dongguan, Huizhou and Guangzhou, the Guangdong Province. The Chuang's China Group will continue to adopt a cautious approach in planning the development of its projects and will adjust the pace of development according to local market conditions. A brief update of the current progress of the major property development projects in the PRC is given below:–

(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 is virtually fully sold.



Phase II of Chuang's New City, Dongguan

Dongguan is a popular hub for foreign investments as supported by well-established infrastructure and transportation facilities. These factors are instrumental in implementing our development plan for

Phase II of Chuang's New City. Planning for Phase II of the development has been completed, which occupies a site of about 430,000 sq.ft., comprising a complex of 450 residential units with a gross floor area of 600,000 sq.ft., with amenity clubhouse and swimming pool. In addition, the Group will construct a 3-storey complex building with a site area of 26,160 sq.ft.. The complex building, having a gross floor area of about 43,000 sq.ft., will be the Group's headquarter in Pearl River Delta as well as the marketing office for this property development in Dongguan. Upon completion of Phase II of this project, the balance of total gross floor area available for future development is approximately 14.7 million sq.ft..



The headquarter in Chuang's New City, Dongguan

(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.

Having completed the first stage of this project comprising an aggregate of 1.1 million sq.ft. which has been sold, the balance of total gross floor area available for future development is approximately 14.6 million sq.ft.. In light of economic and infrastructural development in the region in recent years, the Group will assess the overall development potential for this property project.

Chairman's Statement

(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.. With the construction of the metro railway from Guangzhou to Panyu, its transport accessibility and economic outlook will be greatly enhanced. The Group believes that this property project will have good long term development potential and is now critically reviewing its overall development plan.

(b) Manufacturing Division

(i) *Midas International Holdings Limited ("Midas")*

In early 2000, Chuang's China Group became the single largest shareholder of Midas after it acquired a 25.3% interest in Midas. On 4th July, 2003, Chuang's China Group raised its shareholding interests in Midas to 42.7%.



Books printed by Midas



Paper products of Midas

Midas is listed on The Stock Exchange of Hong Kong Limited and principally 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 employed 2,700 staff and workers.

For the year ended 31st December, 2002, the turnover of Midas has increased to HK\$574.1 million from HK\$513.5 million in the previous year, representing an increase of approximately 11.8%. The net profit for the year ended 31st December, 2002 has increased to HK\$50.7 million, representing an approximately 81.1% increase compared to HK\$28.0 million for the preceding year.



Yuanzhou plant



Yuanzhou plant extension



Dongguan plant



Lever plant in Dongguan

(ii) *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. 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 830 staff together with workers in its subcontracting factories. Despite the weak global economy, Yuen Sang was able to achieve an increase in turnover by 19.5%. Due to severe pricing pressure in the industry and coupled with the hit by the outbreak of SARS since March 2003, Yuen Sang will focus on more drastic marketing efforts and implementation of cost cutting measures. Capitalising on the manufacturing expertise of Yuen Sang, the Chuang's China Group will study the feasibility of investing in manufacturing business that is synergistic to Yuen Sang in order to generate a new source of income in the future.



Products of Yuen Sang

Chairman's Statement

(iii) *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, assembling 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 26 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 88 employees by the end of 2002.



Products of Shanghai Yuen Sang

Net Asset Value

As at 31st March, 2003, net assets of the Group amounted to HK\$2,730.0 million, equivalent to approximately HK\$2.06 per share.

Financial Positions

As at 31st March, 2003, the Group's bank balances, cash and other investments amounted to HK\$567.9 million (2002: HK\$659.6 million). Bank and other borrowings of the Group as at the same date amounted to HK\$1,217.1 million (2002: HK\$1,303.2 million). The Group's net debt to equity ratio was approximately 23.8% (2002: 21.2%) 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 94.8% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar, 0.1% in Euro dollar with the balance 5.1% in Renminbi.

Approximately 95.3% of the Group's bank and other borrowings were denominated in Hong Kong dollar with the balance of 4.7% being denominated in Malaysian Ringgit. Approximately 11.1% (2002: 5.9%) of the Group's bank and other borrowings was repayable within one year, 12.3% (2002: 19.6%) repayable within 1 to 2 years, 64.1% (2002: 52.2%) repayable within 2 to 5 years and the balance of 12.5% (2002: 22.3%) repayable over 5 years.

Prospects

Although the trading environment has been difficult during the year under review, looking ahead, with the fading out of the negative impact of SARS and the implementation of the Closer Economic Partnership Arrangement, Hong Kong's economic prospects should be positive in the long term on the back of the steady economic growth in the PRC.

In late 2002, the government announced nine stimulus measures aimed at stabilising the residential property market and reviving public confidence in the sector. The measures have conveyed a very clear message that the government's intervention will be kept to a minimum in the future, which should bode well for the long term development of the residential property market. Given low interest rates and more affordable property prices, demand for private residential flats should increase gradually when the economy improves. Currently, the Group has three residential projects on the Hong Kong Island. The Harbourside and The Notting Hill projects have been launched for sale and marketing of Reading Place will commence soon. Upon the sales of these projects, the Group's financial position will be further strengthened and will seek for opportunities to replenish its land bank in the future.

On the Group's property investment front, rental markets for both the retail and office sectors will face downward adjustment pressure in the near term amid the outbreak of SARS. In order to lessen the negative impact of softening rental rates, the Group has been adopting proactive leasing strategies to further improve the occupancy rates of its investment properties.

As regards the PRC property market, the Directors believe that the long term prospects of China's mass residential property market remain very promising. Demand should continue to grow stemming from the increasing need for improvement of quality of living and the rising affluent of households. Under such a backdrop and with a land bank of about 40 million sq.ft. of development area in various cities in the Pearl River Delta at relatively low cost of about HK\$29 per sq.ft., the Group, which produced quality low-cost housing in the PRC, is well positioned to benefit from further growth of the housing market in the PRC.

Chairman's Statement

In addition, the role of the PRC as the world's production hub is increasingly prominent, given its competitive costs and abundant labour supply. As the PRC maintains its rapid economic growth, its robust domestic market is highly promising with tremendous business opportunities. The Group will actively identify and develop new investment projects in the manufacturing sectors with operation base in the PRC. With its healthy financial position and accumulation of management experience in this field, the Group is well poised to explore investment opportunities that are compatible with its long term growth strategy.

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, 2003, the Group employed 1,185 staff (of which the Chuang's China Group and its subcontracting factories employed 983 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.

Staff costs during the year amounted to HK\$49.8 million (2002: HK\$56.0 million), representing a decrease of 11.1% 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, 15th July, 2003