## Results

The Group's turnover and loss for the year were HK$688 million (2000: HK$614 million) and HK$129 million (2000: HK$23 million), respectively.

The growth in turnover was mainly attributed to the turnover contribution from our newly acquired businesses in the trading of industrial equipment in October 2000 and in the wholesaling of electrical appliances and air-conditioning engineering works in September 2001.

The Group has made provisions totaling HK$61 million for the full year, which comprised HK$40 million provision for diminution in value of assets and HK$21 million provision for guaranteed indebtedness of an associate. The loss shared for a listed associate, Shun Cheong Holdings Limited ("Shun Cheong"), amounted to HK$19 million plus a further write-down of goodwill in Shun Cheong of HK$11 million, intensified the loss of the Group for the year. Excluding these, the operating loss of the Group amounted to HK$37 million including the finance costs of HK$11 million.

## Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2001 (2000: Nil).

## Business review and prospects

**Trading of plastics and chemicals**

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") are subsidiaries of the Group engaged mainly in the sales of plastics and chemicals. DMT and JvdB recorded an aggregate turnover of HK$457 million (2000: HK$562 million) and operating profit of HK$4 million (2000: HK$17 million). Despite the general economic slowdown, DMT and JvdB maintained the quantity sales of plastics and chemicals though at reduced margin. To cope with the difficult operating environment, DMT and JvdB have pooled their resources while at the same time stepped up marketing efforts in developing new customers and new agencies obtained during the year. The business has now been built up with greater strength than before and is well positioned to a profit growth as the global economy improves.

**Trading of industrial products and equipment**

Chinney Alliance Engineering Limited ("CAEL"), a subsidiary acquired by the Group in October 2000, has been hardest hit by the prevalent market conditions. CAEL is engaged mainly in the distribution of industrial products including building materials, gondola, cable and earthing equipment, power systems, electrical motors and compressors, electronic equipment for the aviation and marine industries, X-ray scanners and heavy equipment for civil works. The turnover and operating loss of CAEL for the year amounted to HK$192 million and HK$20 million, respectively. The Group has reorganised the existing businesses of CAEL into geographical region and deployed additional resources to develop PRC trade.

Stringent cost cutting measures and integration with other businesses of the Group having similarity to the products distributed by CAEL have been implemented under the leadership of new management with a goal to revitalize CAEL as early as possible. These measures are bearing fruit with CAEL narrowing its loss to date. The future of CAEL remains optimistic against the backdrop of the continued economic growth in Mainland China and the potential demand on the renowned products distributed by CAEL.

**Wholesaling of electrical appliances and air-conditioning engineering works**

As announced in August 2001, the Group acquired the entire issued share capital of Best Treasure Limited from Chinney Investments, Limited, a substantial shareholder of the Company, for a cash consideration of HK$9.9 million. The transaction was completed on 3 September 2001. Best Treasure Limited and its subsidiaries (collectively the "BT Group") are engaged in the wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and provision of maintenance services. The businesses of the BT Group are similar in nature to the trading operations of the Group, thus producing benefit to the Group through greater economies of scale and operational synergies. The post-acquisition turnover of the BT Group was HK$35 million for the four months period ended 31 December 2001 with a corresponding loss, owing to restructuring and weak consumer market, of HK$2 million.

**Investment and others**

The Group acquired shares of EC-Founder (Holdings) Company Limited ("EC-Founder") in April 2000, with an equity interest of approximately 4%. Following the burst of the bubble of the hi-tech stocks, the Group abandoned the strategy to invest and develop in the hi-tech sector. The EC-Founder shares were reclassified from long-term investment to short-term investment during the year, resulting in a provision of HK$25 million upon devaluation to closing share price as of 31 December 2001. Properties held for resale or for self-use have all been devalued to open market value at year-end. The resultant effect of all these was an aggregate write-down of the Group's assets by HK$40 million.

**Associates**

The Company's equity interest in Shun Cheong increased from 25.1% as at 31 December 2000 to 29.9% as of the date of this annual report through on-market purchases. Shun Cheong reported turnover of HK$833 million and a loss of HK$72 million, including goodwill of HK$36 million directly write off to retained earnings, for the year ended 31 March 2001. The loss of Shun Cheong for the six months ended 30 September 2001 was HK$11 million. Shun Cheong remained profitable in its traditional business in building services engineering but was severely impacted by losses and write-off on its high-tech investments. The Group equity accounted for the results of Shun Cheong and shared a loss of HK$19 million for the year. A provision of HK$11 million for impairment of goodwill relating to Shun Cheong has also been charged from the capital reserve account to the profit and loss account during the year.

Guangdong Parking Limited, a 40% associate of the Group, is engaged in the ownership of carparks for rental income. The investment has been reduced to nil value since 1998. The carparks are at negative worth, which necessitates the provision for guaranteed bank debt of Guangdong Parking Limited on a pro-rata basis. Having regard to the open market value of the carparks, the Group made a full provision of HK$21 million to cover its probable contingent liabilities.

## Outlook

2001 was a difficult year for the Group. The burst of the property bubble in Hong Kong triggered by the Asian Financial Crisis and the burst of the bubble of the hi-tech stocks followed by the terrorist attacks in USA on September 11 last year have had a severe impact on the local economy. As a result, the Group with its major operations in Hong Kong cannot be immune to these economic setbacks.

The Group has taken active measures to realise the synergies and economies of scale behind its trading operations. The businesses of the Group are restructured by the nature of the products into distinct business units for effective management and resources sharing. The Group's near term goal is to capture profit opportunities in Mainland China following its accession to the World Trade Organisation, under the Group's already established distribution network and management team. There are recent signs that the US economy is improving and this should benefit the export-oriented industries including toy and electronic manufacturers in Hong Kong and Mainland China, who are the major customers for our plastic trade. All these should portray a better result of the Group in the coming year.

Lastly, I would like to express my appreciation to my fellow directors and all staff for their dedication and hard work during this period of adverse market conditions.

**James Sai-Wing Wong**
*Chairman*

Hong Kong, 17 April 2002