

## Chairman's Statement

### RESULTS

The Group's turnover and loss for the year were HK\$828 million (2001: HK\$688 million) and HK\$58 million (2001: HK\$129 million), respectively.

The increase in turnover was mainly attributable to the 30% growth in our plastic and chemical sales and full-year turnover contribution from our electrical appliances and air-conditioning engineering business, which was acquired in September 2001.

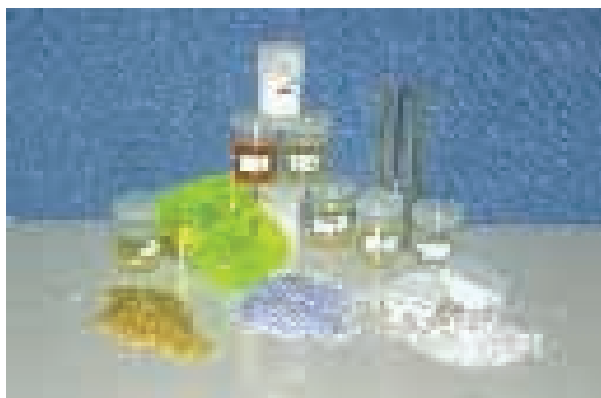
The performance of our trading subsidiaries has been significantly improved during the year. The aggregate segment profit was HK\$13 million, against a loss of HK\$16 million a year ago. The unrealised holding loss of HK\$12 million in marketable securities, the provision of HK\$27 million for impairment in values of properties and the provision of HK\$9.5 million for corporate guarantee in respect of banking facilities granted to an associate were the exceptional losses behind our current year results. The resultant loss for the year was HK\$58 million, as compared with a loss of HK\$129 million for last year.

### DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2002 (2001: Nil).

### BUSINESS REVIEW AND PROSPECTS

#### Trading of plastics and chemicals



DMT is the plastic resin distributor in HK, with diversified products ranging from commodity to engineering plastics.

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") recorded an aggregate turnover of HK\$570 million compared with HK\$440 million in last year. Against the 30% turnover growth, the division posted an almost triple jump in operating profit to HK\$19 million in the current year.

## Chairman's Statement

### BUSINESS REVIEW AND PROSPECTS (Continued)

#### Trading of plastics and chemicals (Continued)



JvdB is a well-known trading house for engineering plastics, resin pigments and additives

The underlying successes behind our profit growth are our ability to grow our customer base yet retaining the loyalty of our existing customers, a stable and dedicated workforce and improved product sourcing capabilities. DMT and JvdB have recently mapped out a strategy to develop the PRC market. With the vast potential of the PRC market and the continued success of our winning formula, it is expected that the division will continue its satisfactory performance in the coming year.

#### Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$168 million compared with HK\$213 million in last year. The weak local property market has a severe impact on the demand of building supplies and electrical products distributed by CAEL. On the PRC front, CAEL has exited from the heavy plant market where margin is relatively thin for survival in a highly competitive environment. Having undergone significant restructuring, CAEL has significantly reduced its overhead and narrowed its loss from HK\$24 million to HK\$8 million in the current year.

The Electronic Systems Division under CAEL continued to deliver promising results. Up to the date hereof, CAEL has contracted to sell 6 sets of X-ray container inspection system to the Australian and the Hong Kong Customs. In view of the continued economic growth in the Mainland China, there would be strong demand on the high-quality air compressors distributed by CAEL, which are of a wide range of industrial applications.



THSCAN mobile container/vehicle inspection system distributed by CAEL

## Chairman's Statement

### BUSINESS REVIEW AND PROSPECTS (Continued)

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

The Group acquired the business of electrical appliances and air-conditioning engineering works in September 2001. Turnover is derived from product sales on well-known brands including the Brandt washing machines and the Daikin air-conditioners, maintenance income as well as contract revenue from air-conditioning engineering works.

The division reported turnover of HK\$87 million and a break-even result for the year under difficult business environment. The division would continue combating the difficult economic environment by realising synergies with other trading operations, diversifying its product base and establishing additional distribution channels. The new products under distribution include the Brandt air-conditioners and the GME aqua-beauty atomizers.



Home electrical appliances distributed by Jackson Mercantile Trading Company Limited

#### Investment and others

The significant investments held are the carpark assets held for rental income and the marketable securities held for investment purpose. The local property market and the stock market remained weak during the year. As a result, the Group suffered further write-down of these assets by HK\$39 million in revaluing the marketable securities to year-end closing prices and the properties to net realisable values.

#### Associates

##### (i) Shun Cheong Holdings Limited ("Shun Cheong")

The Company's equity interest in Shun Cheong increased from 23.5% as at 31 December 2001 to 29.9% as at the date of this report through on-market purchases. Shun Cheong reported turnover of HK\$698 million and a loss of HK\$35 million for the year ended 31 March 2002, with a qualified opinion arising from limitation of audit scope on certain investments and payments. Shun Cheong discontinued its high-tech ventures and reported a net profit of HK\$1 million for the six months ended 30 September 2002.

## Chairman's Statement

### BUSINESS REVIEW AND PROSPECTS (Continued)

#### Associates (Continued)

(i) *Shun Cheong Holdings Limited ("Shun Cheong") (Continued)*

The exceptional loss of Shun Cheong for the year ended 31 March 2002 was due to losses arising from its discontinued high-tech investments and one-off legal expenses in defending lawsuits raised by former substantial shareholders. Shun Cheong remained profitable in its core business in building service engineering and therefore resumed profitability in its last reported results. The number of housing jobs in the market will nevertheless be affected by the Government's recently announced housing policies. Despite the market downturn, Shun Cheong remains optimistic on its future performance based on its core competencies built up over the years and the potential business opportunities arising in Macau and the Mainland China.

The Group's share of net loss of Shun Cheong for the current year was HK\$3 million (2001: share of net loss of HK\$20 million).

(ii) *Guangdong Parking Limited*

Guangdong Parking Limited, a 40% associate of the Group, owns the 369 carparks at Provident Center, North Point, Hong Kong. The carparks are at negative equity, which necessitates the Group to provide for its probable liability arising from the pro-rata guarantee given in favour of banking facilities granted to the associate. The investment itself has been fully provided since 1998.

On 31 March 2003, Guangdong Investment Limited entered into an agreement to dispose its 60% interest in Guangdong Parking Limited to Hon Kwok Land Investment Company, Limited at an agreed valuation of the carparks at HK\$110 million. Based on the transacted market price of the carparks, the Group made an additional provision of HK\$9.5 million in the year to cover its probable liability in full.

### OUTLOOK

Throughout the entire year 2002, the Hong Kong economy was plagued by falling property prices, wage cuts and layoffs. The recently announced budget deficit of about HK\$70 billion has aroused concerns on the sustainability of the Hong Kong dollar linked rate system and thus the monetary stability of the territory. We have yet to see some light at the end of the tunnel. The recent outbreak of the atypical pneumonia and the uncertainties created by the war in Iraq will unavoidably hit the local economy further in the near term. Across the border, the China's economy remains robust on the back of strong internal and external demand. A real GDP growth of at least 7% in the Mainland China is expected in 2003, despite global economic uncertainties.

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## Chairman's Statement

### OUTLOOK *(Continued)*

Your Group, being a trading consortium based in Hong Kong, will nevertheless be affected by the local economic downturn. DMT and JvdB, which supply raw material plastics to end-users for manufacturing, are least affected and have indeed been benefited from the recovery of export trade. CAEL remains to have good prospects against the backdrop of the continued economic growth in the Mainland China and its high-quality product base. The road forward will be difficult but your directors are optimistic that the Group will deliver better results in the coming year through building DMT/JvdB into a first class supplier in plastics and chemicals and transforming CAEL into a successful trader specialising in bilateral trade with China.

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, 15 April 2003