

CONSOLIDATED RESULTS

The Group's turnover for the year was HK\$1,448 million (2002: HK\$1,744 million) and loss was HK\$206 million (2002: profit of HK\$10 million).

The decrease in turnover was principally related to our construction and garment divisions, both of which had experienced adverse market conditions. Despite the reduction in turnover, the Group achieved an operating profit of HK\$76 million (2002: HK\$80 million).

The continued weak performance of our associates, Hon Kwok Land Investment Company, Limited ("Hon Kwok") and Chinney Alliance Group Limited ("Chinney Alliance"), had resulted in an overall loss of HK\$242 million to the Group through equity accounting their losses.

DIVIDEND

The Directors recommend the payment of a final dividend of 2 cents per share for the year ended 31st March, 2003 (2002: 2 cents) to shareholders whose names appear on the Company's register of members on 4th September, 2003. It is expected that dividend cheques will be despatched to shareholders on or before 11th September, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 1st September, 2003 to 4th September, 2003 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on 29th August, 2003.

Completed construction work for Double Haven at 52 Ma Lok Path, 82 Kau To Shan, Shatin, New Territories by Chinney Construction Company, Limited



REVIEW OF OPERATIONS

Construction

Your Group's Construction Division is principally engaged in sub-structure and super-structure construction building works. Our foundation business has reported an increase in net profit to HK\$26 million (2002: HK\$20 million), despite a 9% drop in turnover to HK\$500

million in the year (2002: HK\$551 million). However, our building construction business has suffered from continued constriction of local property developments. Turnover was reduced to HK\$375 million (2002: HK\$487 million) with a break-even result in the year (2002: net loss of HK\$2 million).

Bored piling and H-piling work at South East Kowloon Development Site 1A-Phase 1 at North Apron Kai Tak Airport, Kowloon, undertaken by Kin Wing Engineering Company Limited



Through buy-out of a minority interest in January 2003, the Group has increased its beneficial interest in the Construction Division from 81.58% to 86.05%. The Division also arranged a three-year term loan of HK\$120 million from a syndicate of banks in March 2003 to provide additional working capital.

Garment

The global economy remained unfavourable during the year. Keen competition triggered by the weakening demand after the September 11 event and the global economic slowdown have exerted pressure on the revenue and profit of garment manufacturers.

Gateway Group Holdings Limited ("Gateway"), with its primary market in North America, recorded a turnover of HK\$320 million (2002: HK\$369 million). Net profit dropped from HK\$10 million to HK\$5 million in the year. SGA Holdings Limited ("SGA"), a 50% jointly-controlled entity of Gateway, engaged in the trading of high-quality outerwear maintained its satisfactory performance under difficult market situation. SGA reported a net profit of HK\$9 million (2002: HK\$9 million), against a 10% turnover growth to HK\$359 million in the year (2002: HK\$326 million).

2003 fashion design from J.L. Group Company Limited



J.L. Chinney (Holdings) Company Limited, with its primary market in Europe, recorded a reduced turnover to HK\$251 million (2002: HK\$322 million). The shifting of marketing focus to woven products with higher gross profit margin had compensated the effect from a drop in revenue. Net profit maintained at HK\$15 million, similar to last year.

Property

The weak property market continued to affect the current year results of Hon Kwok, the Group's property associate. Hon Kwok reported a loss of HK\$479 million (2002: net profit of HK\$3 million) against a 26% drop in turnover to HK\$474 million (2002: HK\$639 million). The current year loss was largely attributable to the non-cash provision of HK\$462 million being made to write down the properties to current market values. The present market situation poses threats as well as opportunities to Hon Kwok. It will remain Hon Kwok's strategy to closely monitor the property markets while at the same time carefully evaluate all investment opportunities arising, with the primary goal of maintaining a healthy cashflow position at all times.

A perspective view as well as the present site of City Square under development by Hon Kwok Land Investment Company, Limited in Shenzhen, PRC



As announced on 12th February, 2003, Hon Kwok proposed, amongst other things, a three-for-two rights issue of 200,123,100 rights shares at HK\$1 each. The Company, as the controlling shareholder of Hon Kwok, undertook to subscribe 94,842,711 rights shares and agreed to underwrite the remaining portion of 105,280,389 rights shares at a commission of 2.5%. The

underwriting of the rights issue together with the provision of a bridging loan of no more than HK\$159 million were approved by the shareholders of the Company on 22nd April, 2003. In fulfilling its obligations as an underwriter, the Company took up the un-subscribed

portion of 73,367,367 rights shares and increased its shareholding in Hon Kwok from 47.39% to 69.39% on 21st May, 2003. The bridging loan drawn by Hon Kwok for the purpose of redeeming its convertible guaranteed bonds in April 2003 has also been fully repaid as at the date hereof.



Plastic resin
distributed by
Chinney
Alliance Group
Limited



Trading

The Group's associate, Chinney Alliance, engaged in the trading of plastics, chemicals and industrial products improved its operating performance during the year ended 31st December, 2002. As propelled by the strong growth of plastics and chemical sales, Chinney Alliance reported a turnover of HK\$828 million (2001: HK\$688 million) and operating profit before provision of HK\$13 million (2001: operating loss before

provision of HK\$16 million). The continual decline of the property and stock markets necessitated further provisions being made in the accounts. As a result, the end result of Chinney Alliance was a loss of HK\$58 million for the year ended 31st December, 2002, as compared with a loss of HK\$129 million a year ago.

BUSINESS OVERVIEW

Since my last interim report of 12th December, 2002, the world economy has improved somewhat after a short war in Iraq and the renewed hopes for peace in the Middle East. Terrorists' activities remained unabated with reduced magnitude and casualties. As a result, Dow Jones and Nasdaq are currently trading around 9,200 and 1,750 respectively, marginally better than those reported in my last annual report of 11th July, 2002.

On the local front, the economy had been hit by the unexpected event of the SARS epidemic and the continued erosion of confidence in the Government's ability to revive the economy. On 1st July, 2003, the world witnessed the largest anti-government demonstration in the history of Hong Kong. Over 500,000 citizens marched through the congested streets in urban areas. The confidence crisis is still ongoing at this time plagued by the record unemployment rate, expected to reach 8.8%, and continued deflation, already 55 consecutive months. Our Government has failed to address the serious economic issues troubling the public. Unless and not until the Government can effectively revive the local economy, the future outlook for business in Hong Kong remains poor.

During the year under review, all operating subsidiaries continued to trade profitably. It is however uncertain as to how long the recession will last and indeed how many of local companies will survive under the circumstances. The Directors are therefore unable to offer more definitive assessment of the Company's performance in the coming year.

In this time of uncertainty, I am encouraged by the contribution and sacrifices of my colleagues at all levels. Without their support and high spirit, the Company could not continue to perform admirably and to provide gainful employment to its staff.

James Sai-Wing Wong
Chairman

Hong Kong, 15th July, 2003