

CHAIRMAN'S STATEMENT

RESULTS

The turnover and loss of the Company and its subsidiaries (the "Group") for the year were HK\$853 million (2002: HK\$828 million) and HK\$28 million (2002: HK\$59 million), respectively.

The 13% turnover growth in our plastic and chemical sales offset the 24% turnover drop in our trading of electrical products and equipment. Overall turnover achieved a 3% growth to HK\$853 million as compared to HK\$828 million in the previous year.

The net loss for the year was largely attributable to equity accounting for the losses of associates for HK\$5.5 million and non-cash provisions totalled HK\$25 million for impairment of goodwill and impairment of interest in an associate.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2003 (2002: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals



DMT is the plastic resin distributor in Hong Kong, 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\$643 million compared with HK\$570 million in last year. The successful securing of the Baerlocher agency in July 2003 and our marketing focus on engineering plastics products were the twin engines behind our turnover growth. Operating profit was HK\$21 million (2002: HK\$19 million), against a relatively stable overhead.

It remains the strategy of DMT and JvdB to keep and strengthen relationship with customers as well as suppliers and to add new ones whenever opportunities arise. The Mainland China is a new market currently explored by the Group. It is expected that the vast potential of the market will provide future growth momentum to DMT and JvdB in the years to come.



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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS (Continued)

Trading of industrial products and equipment



The THSCAN X-ray inspection system distributed by CAEL

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$127 million compared with HK\$168 million in last year. CAEL underwent further restructuring during the year. The management reshuffle and discontinuance of some of our product lines accounted for the drop in turnover. The strong Euro and soft property market continued to hit the bottom line results of CAEL. The division posted an operating loss of HK\$9 million (2002: HK\$8 million) in the year.

Wholesaling of electrical appliances and air-conditioning engineering works

Jackson Mercantile Trading Company Limited and its subsidiaries ("JMT") reported turnover of HK\$80 million compared with HK\$87 million in last year. Strong Euro squeezed the margin of home appliance business, as there are no rooms for JMT to pass-on such cost increase to consumers under a weak local economy and highly competitive market. The business activities of the air-conditioning division were also slow under the soft property market. Despite such a severe operating environment, JMT reported an operating profit of HK\$0.7 million (2002: HK\$0.5 million) through stringent control of its overhead.



Home electrical appliances distributed by JMT

Investment and others

The significant investments held are the carpark assets and the equity securities. In August 2003, an agreement was reached for the Group to dispose all its carpark assets together with a villa in the Mainland China to Hon Kwok Land Investment Company, Limited ("Hon Kwok") for a cash consideration of HK\$15 million.

The consideration was determined based on the net book value of the target companies to be disposed, after revaluation of the property assets to the open market values as independently assessed by a property valuer. The disposal was approved by independent shareholders at the Company's special general meeting on 6 October 2003. The transaction was subsequently completed on 22 October 2003, resulting in a net profit on disposal of approximately HK\$2.2 million to the Group.

The equity securities with an aggregate book value of HK\$13 million remained to be held for trading purpose. Periodic revaluation of the securities to their fair values resulted in an unrealised holding gain of HK\$3.5 million (2002: unrealised holding loss of HK\$12 million) to the Group.

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BUSINESS REVIEW AND PROSPECTS (Continued)

Associates

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

Shun Cheong, a 29.9% owned associate of the Company, provides electrical and mechanical engineering services as well as other associated engineering services to the building industry. Shun Cheong reported turnover of HK\$644 million and a loss of HK\$15 million for the year ended 31 March 2003, with a qualified opinion arising from limitation of scope on certain investments and payments. The last published interim results of Shun Cheong reported turnover of HK\$397 million (2002: HK\$268 million) and a net profit of HK\$2.6 million (2002: HK\$1.1 million) for the six months ended 30 September 2003. As a result, the Group's share of net loss of Shun Cheong, including tax charge, was HK\$4.6 million (2002: HK\$2.8 million) in the current year.

Shun Cheong is facing unprecedented challenge from the keen competition triggered by significant slowdown of construction activities. The prospects of the building industry remain severe, as there are lesser housing developments in both public and private sector. In view of this, the Group fully wrote off the carrying amount of the goodwill of HK\$19 million (including goodwill remaining eliminated against reserves) attributable to Shun Cheong this fiscal year. The impact is an increase in net loss by HK\$19 million, an increase in capital reserve by HK\$17 million and a decrease in net assets by HK\$2 million.

(ii) *Jiangxi Kaitong New Materials Company Limited ("Jiangxi Kaitong")*

Jiangxi Kaitong, a 24.9% owned associate of the Company, produces stainless steel plastic composite pipe in the Mainland China. This is a high-tech venture in which the Company has invested HK\$11.7 million since September 2000. Jiangxi Kaitong reported turnover of RMB0.7 million (2002: RMB0.2 million) and an adjusted loss of RMB3.3 million (2002: RMB4.2 million) for the year ended 31 December 2003. The Group's share of net loss of Jiangxi Kaitong was HK\$0.9 million (2002: HK\$1 million) in the year.

The Kaitong pipes, under trial production, are in the product development stage. Facing the uncertain economic benefits to be derived from this investment, a provision of HK\$5.8 million (2002: Nil) was made to cover the possible impairment loss.

CHAIRMAN'S STATEMENT

OUTLOOK

Hong Kong has staged a strong economic rebound after the outbreak of Severe Acute Respiratory Syndrome in the second quarter of last year. The introduction of "Closer Economic Partnership Arrangement", the relaxation of the mainland visitors to Hong Kong and the permission of local circulation of Renminbi are all the supportive measures from the Central Government to jumpstart the Hong Kong economy. As a result, the local property market has begun to recover with a price rise of about 30% from its trough. The unemployment rate has also been eased to 7.2% in February 2004.

Across the border, the Mainland economy has been growing at a rate exceeding 9.5% in the first quarter of the year as a result of strong loans growth and increased money supply. To bring investment and inflationary pressures under control, the Central Government has recently tightened its monetary policy, which should pave the way for a healthy long-term growth to the Mainland economy.

Your Group is principally engaged in trading operation in Hong Kong and the Mainland China. The efforts of business restructuring and establishment of PRC trade platforms in the past few years should translate into better results of the Group in the coming years against an improved business environment both in Hong Kong and the Mainland.

DIRECTORATE

There have been several changes to the composition of the board of directors of the Company. Mr. Kenneth Lam resigned as a non-executive director of the Company on 26 March 2004 whilst Mr. Aubrey Li will retire as an independent non-executive director upon conclusion of the Annual General Meeting on 3 June 2004. Messrs David Wu and Vincent Mo have both been appointed as independent non-executive directors of the Company with effect from 25 November 2003.

On behalf of the Board, I would like to record my heartfelt thanks to Messrs Kenneth Lam and Aubrey Li for their wise counsel and valuable contribution to the Company during their tenure of service. At the same time, I would like to extend my warmest welcome to Messrs David Wu and Vincent Mo to the Board and look forward to their guidance and advice on corporate affairs.

The Group had been operating in a difficult period under adverse local economy for sometime and I am pleased to report that the Company had recorded an improved result. Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their effort and contribution in the past year.

James Sai-Wing Wong
Chairman

Hong Kong, 20 April 2004