

RESULTS

Chinney Alliance Group Limited (the "Company" and together with its subsidiaries, the "Group") recovered from the aftermath of the Asian Financial Crisis and returned into profitability for the year ended 31 December 2004. The net profit was HK\$12.7 million (2003: net loss of HK\$27.8 million) against increased turnover to HK\$1,073 million in the year (2003: HK\$853 million).

Our plastic division recorded the best ever results as oil price surged upwards. The property provision write-back, arising from revaluation of land and buildings categorised under fixed assets, contributed a further profit of HK\$5.8 million to the Group.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2004 (2003: Nil).

PROPOSED CAPITAL REORGANISATION

The directors propose to simplify the capital structure of the Company. It was proposed that the capital reserve account and the share premium account be cancelled and the credit arising therefrom be applied to eliminate the accumulated losses of the Company as at 31 December 2004. Any excess from the accounts cancellation will be credited to a contributed surplus account of the Company. Every twenty-five shares with a par value of HK\$0.01 each is also proposed to be consolidated into one new share with a par value of HK\$0.25 each.

The above proposals have the benefit of eliminating the accumulated losses of the Company in full, thus putting the Company in a better position to declare and pay dividends. The Company's capital structure would also be simplified with the underlying shares trading at a more meaningful price after implementation of the capital reorganisation. The proposals are subject to shareholders' approval and further details of which will be contained in a circular to be despatched to the shareholders.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") recorded an aggregate turnover of HK\$863 million compared with HK\$643 million in last year. The increased resin price as triggered by high oil prices accounted mainly for the turnover growth.



DMT is a plastic resin distributor in Hong Kong, with diversified products ranging from commodity to engineering plastics.

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.

DMT and JvdB commanded a higher margin at times of rising resin price. Overall operating profit increased to HK\$39 million in the year (2003: HK\$21 million). Macro-wise, oil prices seem to remain high providing firm support to resin price. DMT and JvdB will pursue their strategy to expand their supplier and customer base, with a view to extend their business reach into Mainland China.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$116 million compared with HK\$127 million in last year. CAEL operates mainly in three business segments, namely the Aviation and Technology, the Building Services and the Industrial Equipment. CAEL continued to consolidate its businesses in the Building Services and the Industrial Equipment segments. The discontinuance of certain product lines, replacement of agency and the strong Euro under a difficult operating environment with few jobs in the construction market, have hit the business of CAEL. The division posted an operating loss of HK\$7.1 million (2003: HK\$9.1 million) in the year.



Fixed X-ray Container Vehicle Inspection Systems to be installed at the Hong Kong-Shenzhen Western Corridor.

The Aviation and Technology business has recently procured the sale of two THSCAN X-ray inspection systems to the Hong Kong Customs for installation at the Shenzhen Western Corridor. There are more business enquiries, as jobs seemed to be increasing after the recovery of the local property market. With a reshuffled management team and product base, CAEL will continue its effort in mainland trade.

Wholesaling of electrical appliances and air-conditioning engineering works

Jackson Mercantile Trading Company Limited and its subsidiaries ("JMT") reported turnover of HK\$94 million compared with HK\$80 million in last year. The market for electrical home appliances remained weak despite signs of economic recovery in Hong Kong. Profit margin of JMT was severely squeezed by the strong Euro and cut-throat price competition. So, JMT only managed to maintain its operating profit despite increased turnover from branching out its operation to supply and installation of home appliances for building projects in the year.

Westco Chinney Limited, the subsidiary of JMT engaged in air-conditioning engineering works, has had more job billings but at a reduced margin. As at 31 December 2004, uncompleted projects on hand amounted to HK\$46 million.



Home electrical appliances distributed by JMT.

Investment and others

The carpark assets were disposed in October 2003. The remaining investments are equity securities held for trading purpose. Periodic revaluation of the securities to their fair values resulted in an unrealised holding loss of HK\$1.4 million (2003: unrealised holding gain of HK\$3.5 million) in the year.

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\$734 million and a profit of HK\$1.8 million for the year ended 31 March 2004, with a qualified opinion arising from limitation of scope on certain investments. The last published interim results of Shun Cheong reported turnover of HK\$249 million (2003: HK\$397 million) and a loss of HK\$12.4 million (2003: profit of HK\$2.6 million) for the six months ended 30 September 2004. As a result, the Group's share of net loss of Shun Cheong, including tax charge, was HK\$4.0 million (2003: HK\$4.6 million) in the year.

The operating environment was severe for Shun Cheong during the year under review. The benefit of an improved economy has yet to flow through to the building services industry. Competition was intense with decrease in profit margin both in private and public sector works. Based in Hong Kong, Shun Cheong will actively explore job opportunities in the Greater China, with the hope to get through the difficult operating environment as early as possible.

(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 an adjusted loss of RMB2.9 million (2003:RMB3.3 million) for the year ended 31 December 2004. The Group's share of net loss of Jiangxi Kaitong was HK\$0.7 million (2003: HK\$0.9 million) in the year.

The Kaitong pipes have yet to receive market acceptance since the date of their launch in 2001. In view of the poor sales and profitability thus far, a further provision of HK\$1.4 million (2003: HK\$5.8 million) was made to cover the possible impairment loss.

OUTLOOK

Hong Kong's economy continued to improve during the year under review. The supportive measures introduced by the Central Government are showing signs of full recovery from recession initially caused by the Asian Financial Crisis during 1997-98. Consumer confidence is reflected by the high property prices which had risen another 20% during the year. The unemployment rate has further reduced to 6.1% with clear signs of more job opportunities in the coming year.

On the other hand, the Mainland economy continued to grow at a rate near 9% annually despite more stringent monetary policies. Our Group's principal trading business is focused in Hong Kong and the Mainland and is expected to perform satisfactorily in the coming year.

APPRECIATION

I am pleased to report that the Group has turned around into profit. Taking this opportunity, I would like to express my appreciation to my fellow directors for their wise counsel and to all staff for their effort and contribution in achieving this remarkable result.

James Sai-Wing Wong
Chairman

Hong Kong, 13 April 2005