

CONSOLIDATED RESULTS

The Group's profit attributable to shareholders for the year ended 31st March, 2005 amounted to HK\$179 million, as compared with HK\$14 million last year. The increase in profit was mainly attributable to the capital gain on disposal of a subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok" and together with its subsidiaries, the "Hon Kwok Group") in September 2004. Earnings per share were 32.5 cents (2004: 2.5 cents).

DIVIDEND

The Directors recommend the payment of a final dividend of 3 cents per share for the year ended 31st March, 2005 (2004: 2 cents) to shareholders whose names appear on the Company's register of members on 22nd September, 2005. It is expected that the dividend cheques will be despatched to shareholders on or before 4th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16th September, 2005 to 22nd September, 2005 (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 15th September, 2005.

CORPORATE EVENTS

Disposal of a Hon Kwok's subsidiary during the year ended 31st March, 2005

As announced on 14th September, 2004, the Group entered into an agreement to dispose the entire issued share capital of Global Success Holdings Inc. ("Global Success" and together with its subsidiary, the "Global Success Group") and assign related shareholder's loans to an independent third party for a cash consideration of HK\$566 million. The sole asset held by the Global Success Group was a piece of vacant land situated at 97 Po Kong Village Road, Diamond Hill, Kowloon (formerly the Heung To Middle School). The transaction fell beyond the ordinary course of business of Hon Kwok Group



City Square at Jia Bin Lu, Luo Hu District, Shenzhen, Guangdong Province, PRC developed by Hon Kwok Land Investment Company, Limited

Chairman's Statement *(Continued)*

and thus constituted a very substantial disposal transaction for the Company as well as Hon Kwok under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Full details of the transaction are set out in the circular to the shareholders dated 30th September, 2004.

The transaction met the approval of the shareholders of the Company and Hon Kwok on 1st November, 2004 and was completed on 15th November, 2004. The disposal produced net cash proceeds of HK\$400 million to Hon Kwok Group. The capital gain attributable to the Group, net of the gain attributable to minority interests in Hon Kwok of HK\$98 million, was HK\$135 million.

Acquisition of Hon Kwok as a subsidiary during the year ended 31st March, 2004

Hon Kwok announced a three-for-two rights issue of 200,123,100 rights shares at HK\$1 each on 12th February, 2003. The Company, being the underwriter for the rights issue, increased its shareholding in Hon Kwok from 47% to 69% in May 2003, which shareholding was subsequently diluted to 58% after the completion of the Hon Kwok's share placement in March 2004.

Negative goodwill arose as a result of the Company acquiring the Hon Kwok shares at a price below its fair asset value through the rights issue. The negative goodwill, being amortised to the profit and loss account in the year, amounted to HK\$60 million.

Syndicated loan

Subsequent to the balance sheet date, the Group arranged a syndicated loan facility of HK\$165 million on an unsecured basis. The facility, comprising a term portion and a revolving portion, provides additional cash resources for general working capital purpose.



Daido piles and sheet piles at MGM Grand Macau at Nam Van, Macau undertaken by Chinney Timwill Construction (Macau) Co., Ltd. and Kinwing Engineering (Macau) Company Limited

REVIEW OF OPERATIONS

Property

The disposal of the Heung To Middle School project in September 2004 boosted the net profit of Hon Kwok to HK\$230 million for the year (2004: HK\$134 million). **City Square** (城市天地廣場), the residential project in the Luo Hu District of Shenzhen, was the major project under sale in the year. The Group changed its accounting policy and recognised revenue from property pre-sales as and when the project has been completed. The change, as a move to early conform the new accounting interpretation, has resulted in a drop in turnover of Hon Kwok Group to HK\$176 million (2004: HK\$331 million) and no profit being recognised on property pre-sales.

Interested shareholders are referred to the Hon Kwok's annual report for further details.



Completed superstructure works for Buddhist Yip Kei Nam Memorial College at Cheung Ching Estate, Tsing Yi Island, New Territories by Chinney Construction Company, Limited

Construction

The Construction Division reported turnover of HK\$561 million (2004: HK\$732 million) and a net loss of HK\$12 million for the year (2004: net profit of HK\$22 million). The disappointing result was mainly attributable to the difficult environment facing the local construction industry during the year under review. The suspension of land sales in the past few years, the abolition of the Home Ownership Scheme and the contraction of public works have intensified competition and drastically reduced the profit margin in our construction trade. Our bottom line was also hit by a one-off tax provision (including interest) of HK\$5 million on the taxability of a prior year profit contended to be capital in nature but ruled against our favor by the Inland Revenue Board of Review during the year.

It is generally expected that the local construction industry will gradually recover, as the property market maintains its rebound and more public works become available in light of improving government fiscal deficit. Our Construction Division has recently been awarded a piling contract in Macau for a contract sum of HK\$62 million. The Construction Division, with a leading edge in its foundation business, will hopefully pass through the low ebb currently prevailing in the construction industry.



Pre-drilling works for KCRC Ho Tung Lau (Site A) Development undertaken by DrillTech Ground Engineering Limited

Garment

The Garment Division recorded turnover of approximately HK\$681 million (2004: HK\$633 million) and a net loss of approximately HK\$10 million (2004: HK\$96 million). The results included a 50% share of the net profit of SGA Group amounting to HK\$5.6 million (2004: HK\$4.4 million).

The loss albeit much smaller than last year was mainly attributed to the Indonesian operation which after installing a new management team in early 2004 embarked on streamlining the factory operations, setting up new factories in low-cost area outside Jakarta, improving the operating efficiency and building up a cohesive team. The additional costs affected negatively current year's result. The Indonesian operation has now been stabilised after the major overhaul and is expected to return to profitability. The Group's other garment operations under J.L. Chinney Group and SGA Group reported satisfactorily results with increase in both turnover and profit in the year.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29% associate of the Group, returned to profitability for the year ended 31st December, 2004. The net profit was HK\$13 million (2003: net loss of HK\$28 million) against increased turnover to HK\$1,073 million in the year (2003: HK\$853 million).

The plastics and chemical business under Chinney Alliance was the main driver behind the turnaround results. Operating profit was up to HK\$39 million (2003: HK\$21 million) against increased turnover to HK\$863 million (2003: HK\$643 million). The increased resin price as triggered by high oil prices, enlarged customer and supplier bases as well as the strategy of being a reliable partner to our customers and suppliers alike are the key success factors behind the business.



Plastic resin distributed by Chinney Alliance Group Limited

OVERVIEW

To contain inflationary pressure, the U.S. Federal Reserve raised the Fed Fund target rate by another 25 basis point to 3.25% this month, the ninth increase since June 2004. The banks in Hong Kong also followed by a 50 basis point increase in best lending rate to catch up with the US rate changes. Oil prices remain at record level, as demand for oil in Mainland China and United States continues to expand and risks of supply disruption keep escalating. All these led to a softening of the global economy, with the Dow Jones and Nasdaq currently trading at about the same level a year ago. The Mainland economy, on the other hand, continues to boom with a GDP growth exceeding 9% in the first quarter of the year. The recent austerity measures to slow investment-led growth are intended to pave the way for a long-term prosperity of the Mainland economy.

Your Group, principally operated in Hong Kong and Mainland China, stands to benefit from the continued economic growth of Mainland China. Hon Kwok, the property arm of the Group, has chosen Guangzhou as the base to increase its development activities in the Mainland. The opening of the gambling industry and the surge in foreign investments in Macau have produced new opportunities for construction projects. It is hoped that the presence of our construction division over there together with the gradual revival of the local construction industry would translate into brighter prospects for the division. The road ahead for the garment industry will be challenging as seen from the recent trade disputes of Mainland China with the USA and EU on Chinese garments. Your garment division, equipped with a more cohesive management team and competitive production bases in the Asia Pacific region, is well positioned to compete in a garment trade full of protectionism and political uncertainties in the near term.

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, 13th July, 2005