

CHAIRMAN'S STATEMENT

RESULTS

The Group's turnover and profit for the year ended 31 December 2005 were HK\$1,015 million (2004: HK\$1,044 million) and HK\$3.4 million (2004: HK\$12.7 million). The decrease in profit was mainly due to losses of HK\$8.7 million (2004: HK\$4.0 million) suffered in sharing the results of Shun Cheong Holdings Limited and higher finance costs in a rising interest rate environment. The profit included a revaluation surplus on the Group's properties net of deferred tax of HK\$7.5 million in the year (2004: HK\$5.8 million).

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: Nil).

CAPITAL REORGANISATION

As announced on 13 April 2005, the Company proposed a capital reorganisation involving cancellation of the capital reserve and share premium accounts as well as consolidation of shares into larger denomination (the "Capital Reorganisation"). Full details of the Capital Reorganisation are set out in the circular to the shareholders of the Company dated 27 April 2005.

The proposal was approved by the shareholders of the Company and took effect on 6 June 2005 as follows:

- (i) the capital reserve account of the Company being cancelled with the entire credit of HK\$236,500,000 in the account being applied to partly eliminate the accumulated losses of the Company of HK\$708,335,000 as at 31 December 2004;
- (ii) the share premium account of the Company being cancelled with a credit of HK\$471,835,000 in the account being applied to fully eliminate the balance of the accumulated losses of the Company as at 31 December 2004 and a remaining credit of HK\$97,151,000 being transferred to a contributed surplus account of the Company; and
- (iii) every twenty-five shares (issued and unissued) of nominal value of HK\$0.01 each in the authorised share capital of the Company being consolidated into one new share of nominal value of HK\$0.25 each, such new shares being ranked pari passu in all respects with each other.

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\$884 million compared with HK\$863 million in last year.

CHAIRMAN'S STATEMENT

Operating profit dropped from HK\$39 million to HK\$34 million, as there was margin squeeze from customers to compensate for the persistently high resin prices caused by the high oil prices and an increase in finance costs of DMT and JvdB in a rising interest rate environment. Going forward, DMT and JvdB will build on their customer and supplier base to source new products and increase market presence in the Mainland China. Overhead, inventories and trade receivables will remain under tight control to ensure profitability of the business.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$52 million compared with HK\$116 million in last year. The drop in turnover was caused by discontinuance of certain product lines, change of product agency and project delays.

Operating loss was contained at HK\$5.4 million (2004: HK\$7.1 million) benefiting mainly from efforts in chasing and collecting doubtful debts. Bad debts provision amounting to about HK\$2.9 million (2004: Nil) was written back as income in the year.

Air-conditioning engineering works

Westco Chinney Limited ("Westco") is an engineering firm specialising in the design, supply and installation of heating, ventilation and air-conditioning system. Westco is also an authorised air-conditioner distributor for Daikin and other well-known brands and provides a full range of repair and maintenance services from air-conditioning unit to centralised air-conditioning and ventilation system.

Westco reported operating profit of HK\$1.9 million (2004: HK\$1.5 million) against increased turnover to HK\$79 million (2004: HK\$66 million). The better performance came mainly from more project works completed in the year.

Wholesaling of electrical appliances

In June 2005, the Group discontinued the home electrical appliance business under Jackson Mercantile Trading Company Limited ("JMT"). The high exchange rate of Euros, intense market competition and the consumers' preference to spend on "brown" goods such as televisions, mobiles and digital cameras than on "white" goods such as air-conditioners and washers have eroded the profitability and prospects of JMT over the years. The closure decision has resulted in Brandt distributorship being taken up by the new distributor along with the transfer of related inventories to the new distributor at book value and retrenchment of all JMT staff.

In October 2005, the Group further cleaned up the remaining assets of JMT by disposing the entire shareholding interest in JMT to Chinney Construction (BVI) Limited, an 86.05% owned subsidiary of Chinney Investments, Limited, for a cash consideration of HK\$7.8 million. The consideration was determined by reference to the unaudited net assets of JMT of about HK\$7.8 million as at 10 October 2005. The disposal constituted a discloseable and connected transaction to the Company but was exempt from seeking independent shareholders' approval. Full details of the transaction are set out in the circular to the shareholders of the Company dated 11 November 2005. Completion of the transaction took place on 9 November 2005.

JMT reported turnover of HK\$13 million (2004: HK\$29 million) and a net loss of HK\$2.0 million (2004: breakeven) up to the date of its disposal.

CHAIRMAN'S STATEMENT

Associates

Shun Cheong Holdings Limited ("Shun Cheong"), a 29.93% owned associate of the Company, was principally engaged in the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, trading of electrical and mechanical engineering materials (the "Contracting Business") as well as building related maintenance services.

Shun Cheong reported turnover of HK\$550 million and a loss of HK\$33.7 million for the year ended 31 March 2005. The last published interim results of Shun Cheong reported turnover of HK\$245 million (2004: HK\$249 million) and a loss of HK\$7.6 million (2004: HK\$12.4 million) for the six months ended 30 September 2005. As a result, the Group's share of net loss of Shun Cheong, including tax charge, was HK\$8.7 million (2004: HK\$4.0 million) in the year.

The construction industry remained difficult during the year under review. Shun Cheong branched out its operation to Macau and was awarded electrical and mechanical contracts over there, contribution of which is expected to commence in the second half of the year ended 31 March 2006. In Hong Kong, Shun Cheong faced delay in commencement of works for governmental contracts and reduced its headcount to cope with the present difficult environment where there were limited job opportunities.

SUBSEQUENT EVENT

On 26 January 2006, the Group as the purchaser and Shun Cheong as the vendor entered into an agreement relating to the sale and purchase of the entire issued share capital of Shun Cheong Investments Limited for a cash consideration of HK\$35 million. Shun Cheong Investments Limited was the intermediate holding company under Shun Cheong for the Contracting Business.

Shun Cheong faced recurrent losses over the years with its shareholders' funds gradually depleted to HK\$59 million as at 30 September 2005. Failing to obtain banking support and other alternative funding sources to develop the Contracting Business, Shun Cheong resolved to sell and the Company resolved to purchase the Contracting Business by reference to the audited net asset value of the Contracting Business of HK\$38 million as at 30 September 2005 and the further expected operating losses of the Contracting Business from 1 October 2005 to the date of completion of the transaction. From the Company's perspective, the acquisition provided a direct investment opportunity in the Contracting Business and enable the Group to leverage on its balance sheet and existing banking facilities to expand the Contracting Business when opportunities arise.

The transaction constituted a major transaction to the Company and a very substantial disposal as well as a connected transaction to Shun Cheong under the Listing Rules. Full details of the Company's acquisition of the Contracting Business are set out in the circular to the shareholders of the Company dated 10 March 2006. The transaction was approved by the shareholders of the Company as well as the independent shareholders of Shun Cheong on 27 March 2006 and completed on 31 March 2006.

CHAIRMAN'S STATEMENT

OUTLOOK

Local economy continues to improve throughout 2005. With the annual GDP growth at 8% and unemployment rate further reduced to 5.2%, Hong Kong as a whole has finally recovered from the darker days of the Asian Financial Crisis beginning 1998. The Mainland economy remained buoyant with annual GDP growth exceeding 9%.

The Group has recently acquired from its associate, Shun Cheong, the electrical and mechanical business, which has established a presence in Macau. In the coming year, the Board intends to expand its activities in the construction industry, which is currently at its ebb. The Group's trading business in plastic resins is expected to continue its growth in spite of high oil prices and higher financial costs. Although the Group's profit in 2005 was less than that of the previous year, the Board remains optimistic about the results in the coming year.

APPRECIATION

Taking this opportunity, I would like to thank my fellow directors for their advice and support and all staff for their dedication and contribution during the past year.

James Sai-Wing Wong

Chairman

Hong Kong, 11 April 2006