

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profit attributable to shareholders for the year ended 31st March, 2006 amounted to HK\$190 million (2005: HK\$179 million). Earnings per share were 34.4 cents (2005: 32.5 cents). Audited net asset value per share increased to HK\$2.55 as compared with HK\$2.09 last year.

DIVIDEND

The Directors recommend the payment of a final dividend of 4 cents per share for the year ended 31st March, 2006 (2005: 3 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 10th October, 2006.



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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.



Construction site of Long Dong Cun at Guangshan Road Western, Tianhe District, Guangzhou, Guangdong Province, PRC held by Hon Kwok Land Investment Company, Limited

REVIEW OF OPERATIONS

Property

During the year, the Company acquired additional shares of Hon Kwok Land Investment Company, Limited ("Hon Kwok") from the market and increased its shareholding in Hon Kwok from 57.83% as at 1st April, 2005 to 58.81% as at 31st March, 2006. On 27th June, 2006, Hon Kwok issued convertible bonds due June 2011 to five institutional investors for a principal amount of HK\$280 million at par. The bonds, being unlisted and guaranteed

by Hon Kwok, bear interest at the rate of 3.5% per annum payable semi-annually in arrears and are convertible into the shares of Hon Kwok at an initial conversion price of HK\$4 per share, subject to adjustments. In the event that the bonds are fully converted, the Company's shareholding in Hon Kwok will be diluted to 50.05%.



One City Hall (Phase I) at South-West Corner of Bay Street and Dundas Street West, Toronto, Ontario, Canada developed by Hon Kwok Land Investment Company, Limited

Hon Kwok showed a record performance for the year ended 31st March, 2006. Net profit attributable to shareholders was HK\$520 million (2005: HK\$230 million) against increase in turnover to HK\$1,059 million (2005: HK\$176 million). The profit momentum came from the contribution of Hon Kwok's property development activities in Mainland China and revaluation surplus from Hon Kwok's investment properties. **City Square** (城市天地廣場), a residential and commercial development in the Luo Hu District of Shenzhen, commenced its contribution to the earnings of Hon Kwok when the project was completed in June 2005.

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

Construction

The Group's Construction Division continues to engage in sub-structure and superstructure building construction. The Construction Division reported turnover of HK\$691 million (2005: HK\$561 million) and a net loss of HK\$50.6 million (2005: net loss of HK\$5.9 million). The loss has widened, as there was margin pressure in our substructure business and continued loss of our superstructure business in Hong Kong and the Middle East. The substructure business invested heavily in advanced machinery, equipment and plant accessories, such capital investment has kept us in the forefront of the market but necessitated high depreciation charge year by year. Related depreciation charge amounted to HK\$28 million in the year (2005: HK\$30 million).

Going forward, the Construction Division will tightly control its costs to maintain competitiveness and explore for more job



Piling, pile caps and basement construction work at MGM Grand Macau at Nam Van, Macau undertaken by Chinney Timwill Construction (Macau) Co., Ltd.

opportunities in Macau where there are projects with healthier profit margin. In Hong Kong, we have seen more tender opportunities from the private sector and hope the same will also happen in the public sector.

Garment

The Garment Division comprises two distinct operations, (i) the J.L. Chinney Group, which produces fashionable garment in Mainland China for customers mainly in Europe; and (ii) the Gateway Group, which produces woven and knitted garment mainly in Indonesia for customers in the United States. The Gateway Group has a 50% interest in SGA Holdings Limited, which produces outerwear, suits and pants in Mainland China for customers in North America.



Bored piling work at City of Dream (Phase I), Tseung Kwan O, Kowloon undertaken by Kin Wing Foundations Limited

Turnover for the Garment Division was HK\$611 million (2005: HK\$681 million) but with loss widened to HK\$30 million (2005: HK\$10 million). The disappointing result was due to persistent loss suffered in the Gateway Group. The Gateway Group lost its competitive advantage, as the quota system became abolished effective 1st January, 2005 and the labour law in Indonesia became more stringent and unfavourable to investors. Your Directors have initiated changes, including reorganizing the management team, downsizing the factory operation in Indonesia, relocating production to lower cost area in Indonesia and subcontracting the factory operation. Despite all these, the Gateway Group posted a third-year consecutive loss of HK\$49 million (2005: HK\$27 million), resulting mainly from the Indonesian operation. After careful consideration, the Board was of the opinion that it would be beneficial to the Group to dispose the Gateway Group and Royal Treasure Limited to a 70:30 joint venture owned by Cha Textiles Limited and Chinney Development Company Limited for a cash consideration of HK\$8.6 million. The consideration represented the aggregate of the combined audited net assets of the Gateway Group and Royal Treasure Limited as at 31st March, 2006 and the related shareholder's loans to be assigned to the purchaser upon completion. An agreement was reached on 24th July, 2006 to give effect to the disposal. The disposal constitutes a discloseable and connected transaction to the Company under the Listing Rules and is subjected to reporting and announcement requirements. For details of the transaction, please refer to the Company's announcement to be issued.

The net profit of J.L. Chinney Group increased to HK\$19 million (2005: HK\$17 million), against turnover of HK\$308 million (2005: HK\$302 million). The savings in quota cost and tight control of selling expenses accounted mainly for the profit growth.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate of the Group, remained profitable for the year ended 31st December, 2005. Turnover and net profit for the year amounted to HK\$1,015 million (2004: HK\$1,044 million) and HK\$3.4 million (2004: HK\$12.7 million), respectively. The profit drop was mainly due to increased loss in Shun Cheong Holdings

Limited ("Shun Cheong"), a 29.9% owned associate of Chinney Alliance for the year ended 31st December, 2005, and higher finance costs in a rising interest rate environment.

On 26th January, 2006, Chinney Alliance entered into an agreement to acquire the electrical and mechanical contracting business (the "Contracting Business") from Shun Cheong for a cash consideration of HK\$35 million. Shun Cheong had difficulties in retaining and expanding the Contracting Business as it lacked the banking support and other financing means. Chinney Alliance, in contrast, has the financial resources to support and expand the Contracting Business. The transaction was approved by the shareholders of Chinney Alliance and Shun Cheong and completed on 31st March, 2006.

On 12th April, 2006, Chinney Alliance disposed 32 million Shun Cheong shares, representing 27.6% interest in the issued share capital of Shun Cheong, to Upsky Enterprises Limited for a cash consideration of HK\$9.6 million. The disposal constituted a discloseable and connected transaction to Chinney Alliance and was subjected to reporting and announcement requirements. On 3rd July, 2006, Chinney Alliance further disposed its remaining 2.3% interest in Shun Cheong for a cash consideration of about HK\$0.8 million, pursuant to a general offer from Upsky Enterprises Limited.

Following all these, Chinney Alliance realized its investment in Shun Cheong and gained the full control over the Contracting Business. It is hoped that Chinney Alliance can build the Contracting Business with its resources and expertise and realize the synergy in combining the Contracting Business with the engineering business under Chinney Alliance.

OVERVIEW

The Hong Kong economy continues its growth momentum, with annual GDP growth now at 8% and unemployment rate at 5%. Across the border, the Mainland economy has been booming with the second quarter GDP jumped 11.3% from a year earlier. As a result, the Central Government has introduced austerity measures to cool the otherwise overheated economy.

Your Group has been streamlining its operation by disposing non-profitable businesses so that the Group can concentrate its resources in businesses with brighter prospects and greater value to the shareholders of the Company. The recent austerity measures should pave the way for the Mainland economy to grow in a healthy manner, avoiding any detriments that may be created from a bubble economy. Hong Kong, as the gateway to Mainland China, shall benefit from the continuous economic growth of its motherland. Under such premises, your Directors remain optimistic on the future prospects of the Group, which principally now operates in Hong Kong, Macau and the Mainland China.

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, 24th July, 2006