

## CHAIRMAN'S STATEMENT

### CONSOLIDATED RESULTS

The Group recorded a net profit of approximately HK\$10,295,000 (2001: net loss of HK\$105,028,000). Turnover increased to approximately HK\$1,744,202,000 (2001: HK\$1,145,221,000).

The increase in turnover was mainly due to the addition of the turnover of the Construction Division, approximately HK\$993,974,000, when it became a subsidiary of the Group in May, 2001. In 2001, turnover contributed from the Construction Division were approximately HK\$212,477,000 when it was a subsidiary of the Group during the three-month period from April, 2000 to June, 2000.

The increase in net profit was mainly due to improved performance of Hon Kwok Land Investment Company, Limited ("Hon Kwok") which reported a net profit of approximately HK\$3,156,000 (2001: net loss of HK\$397,101,000). In addition, the Construction Division also recorded a net profit of approximately HK\$18,490,000 (2001: net loss of HK\$1,387,000).

The profit of the current year was made up as follows:

	<i>HK\$'000</i>
Profit from ordinary activities after finance costs and gain on disposals of subsidiaries	58,877
Share of results of associates and jointly-controlled entities	(29,418)
Taxation charge and minority interests	(19,164)
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Net profit for the year	<u>10,295</u>

### DIVIDEND

The Directors recommend the payment of a final dividend of 2 cents per ordinary share for the year ended 31st March, 2002 (2001: Nil). It is expected that dividend cheques will be despatched to shareholders on or before 17th September, 2002.

### CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 2nd September, 2002 to 5th September, 2002 (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 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by not later than 4:00 p.m. on 30th August, 2002.

## CHAIRMAN'S STATEMENT (Continued)



Bored piling and H-piling work at Inland Lot No. 8955, Sai Wan Ho, Hong Kong undertaken by Kin Wing Foundations Limited

### REVIEW OF OPERATIONS

#### Construction

In May, 2001, the Group acquired the remaining 50% interest in Kin Wing Chinney (BVI) Limited ("Kin Wing") which now becomes a 81.58% subsidiary of the Group.

Turnover and net profit for the year amounted to approximately HK\$1,037,795,000 (2001: HK\$884,090,000) and approximately HK\$18,490,000 (2001: net loss of HK\$1,387,000) respectively.

The results are encouraging particularly in the present depressed market conditions in the construction industry.

#### Garment

The garment division contributed a turnover of approximately HK\$690,701,000 (2001: HK\$813,706,000) while the net profit decreased to approximately HK\$25,310,000 (2001: HK\$43,292,000). Gateway Group Holdings Limited ("Gateway") reported a turnover of approximately HK\$368,772,000 (2001: HK\$457,287,000). Net profit decreased to approximately HK\$10,159,000 (2001: HK\$25,358,000) which included 50% share of SGA Holdings Limited's net profit amounted to approximately HK\$4,452,000 (2001: HK\$4,346,000). Turnover of SGA Holdings Limited was approximately HK\$326,370,000 (2001: HK\$299,294,000). The turnover of J.L. Chinney (Holdings) Company Limited decreased to approximately HK\$324,018,000 (2001: HK\$359,664,000). The net profit decreased to approximately HK\$15,151,000 (2001: HK\$18,532,000).

The poor performance of the Garment Division was disappointing which reflected the adverse effect caused by the terrorist attacks in U.S.A. last September.



Completed construction work for Fanling Magistracy Building at 1A, Pik Fung Road, Fanling, New Territories undertaken by Chinney Construction Company, Limited

## CHAIRMAN'S STATEMENT (Continued)

**Trading**

On 3rd September, 2001, the Group transferred its trading subsidiary Jackson Mercantile Trading Company Limited ("Jackson Mercantile") to Chinney Alliance Group Limited ("Chinney Alliance") at a cash consideration of approximately HK\$9,869,000. Jackson Mercantile contributed a turnover of approximately HK\$57,777,000 and profit after taxation of approximately HK\$71,000 while it was a subsidiary during April, 2001 to August, 2001.

**Hon Kwok**

Hon Kwok reported a turnover of approximately HK\$640,031,000 (2001: HK\$322,491,000) and net profit of approximately HK\$3,156,000 (2001: net loss of HK\$397,101,000). On 18th April, 2001, Hon Kwok through its wholly-owned subsidiary Hon Kwok Land Treasury II Limited issued a principal sum of HK\$300 million 10% convertible guaranteed bonds. Of which, the Company subscribed and was allotted a principal sum of HK\$141 million of the bonds. The then outstanding principal of US\$47,090,000 5.3% convertible guaranteed bonds were redeemed in full at 118% of their face value on 5th July, 2001.



Millennium Oasis developed by Hon Kwok Land Investment Company, Limited in Shenzhen, PRC

The results showed significant improvement after substantive losses reported in the last three consecutive years. Hon Kwok is on its way to recovery and is expected to report improved results in the coming year.

**Chinney Alliance**

Chinney Alliance reported a turnover of approximately HK\$687,671,000 for the year ended 31st December, 2001 (2000: HK\$614,189,000). Net loss for the year increased to approximately HK\$129,052,000 (2000: HK\$22,552,000). The net loss included provisions for diminution in value of assets and guaranteed indebtedness of an associate of HK\$61 million, share of loss of a listed associate of HK\$19 million and impairment loss on goodwill of HK\$13 million. Chinney Alliance's loss was due to continued decline in property values and provisions made for hi-tech investments.

Following the placing of 390,000,000 shares in Chinney Alliance at HK\$0.025 per share by Multi-Investment Group Limited, a wholly-owned subsidiary of the Company, on 8th January, 2002, Chinney Alliance issued and allotted 550,000,000 new shares at an issue price of HK\$0.025 per share to Multi-Investment Group Limited on 22nd January, 2002. The Group's interests in Chinney Alliance increased from 28.94% as at 31st March, 2001 to 29.10% as of the date of this report.

## CHAIRMAN'S STATEMENT *(Continued)*

### **BUSINESS OVERVIEW**

The world economy continued its decline during the fiscal year under review. It was further dampened by the terrorist attacks in New York and Washington D.C. on 11th September, 2001 followed by a few months war in Afghanistan. At this time of writing, both the local and U.S. stock markets are in fact trading around the level of last September with Dow Jones, Nasdaq and Hang Seng registered around 8,800, 1,340 and 10,500 respectively. This was a further decline from the level of the previous year.

The local economy fared no better than the rest of the world during this period. In fact, it may be considered worse when compared with the rest of the region. The latest unemployment rate stood at 7.4% and consumer price deflation continued unabated for a fourth consecutive year. In his inaugural speech for the second term on 1st July, 2002, the Chief Executive acknowledged that our economy was probably at its lowest ebb in several decades. The present scenario facing Hong Kong somewhat resembles that of Japan in early nineties. Despite efforts made through numerous changes in political leadership, Japan currently is still in an economic recession. It is regrettable that we are yet to see some light at the end of the tunnel, but it is now clear that our situation cannot improve unless the overall world economy recovers.

During the year under review all member companies of the Group traded profitably. Despite continued recession in the territory, your Directors expect further improvement of performance in the coming year.

I have received constant encouragement and guidance from my fellow directors and senior managers within the Group and wish to express my sincere appreciation to them and also to all other colleagues for their continued support and contribution during the past year.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong SAR, 11th July, 2002