

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

The Group recorded a loss of approximately HK\$105,028,000 (2000: profit of HK\$8,942,000). Turnover decreased to approximately HK\$1,145,221,000 (2000: HK\$1,558,014,000). The loss of current year was made up as follows:

	<i>HK\$'000</i>
Profit from ordinary activities, after finance costs	42,740
Gain on disposal of Kin Wing Chinney Holdings Limited ("Kin Wing")	94,878
Gain on disposals of associates	<u>1,017</u>
	138,635
Impairment loss on goodwill previously eliminated against capital reserve and recognised as expenses in the income statement during the year	<u>(45,285)</u>
Share of results of associates and jointly-controlled entities, mainly attributable to the loss of HK\$397 million of Hon Kwok Land Investment Company, Limited ("Hon Kwok") during the year	<u>(191,384)</u>
Loss before taxation	<u><u>(98,034)</u></u>

The decrease in turnover was mainly attributed to the disposal of Kin Wing which was previously a subsidiary of the Company. As a result, the Group only consolidated the operations of this sub-group up to June, 2000 when it ceased to be a subsidiary.

DIVIDEND

The directors do not recommend the payment of any dividends for the year ended 31st March, 2001 (2000: Nil).

REVIEW OF OPERATIONS

The Company increased its interest in Hon Kwok from 46.03% as at 31st March, 2000 to 47.39% as of the date of this annual report. Hon Kwok reported turnover of approximately HK\$322,491,000 (2000: HK\$166,050,000) and a net loss of HK\$397,101,000 (2000: net profit of HK\$50,326,000). This included the aggregate gain on disposals of technology business and carparking operation of approximately HK\$119,789,000, the deficit on revaluation of investment properties of approximately HK\$90,854,000 and provision for diminution in value of properties held for sale of approximately HK\$188,000,000. Hon Kwok's business activities and its future plans are set out in the annual report of Hon Kwok. Subsequent to the year end, the Company subscribed for and was allotted a principal sum of HK\$141 million of the 10% convertible guaranteed bonds due April, 2003 issued by Hon Kwok up to a principal sum of HK\$300 million. The subscription monies were financed partly by internal resources and bank borrowings of the Group to the extent of HK\$90 million and partly by proceeds from Hon Kwok's repurchase of the 5.30% convertible guaranteed bonds due July, 2001 held by the Group to the extent of HK\$51 million.



Bored piling and H-piling work at KIL 11127, Tai Kok Tsui, Kowloon, Phase 2 undertaken by KinWing Foundations Limited



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

During the year, the Company disposed of its interest in the listed subsidiary Kin Wing and acquired a 50% interest in Kin Wing Chinney (BVI) Limited ("Kin Wing BVI") through Chinney Contractors Company Limited, a 77.11% subsidiary of the Company. Kin Wing was subsequently renamed as ehealthcareasia Limited. On 26th March, 2001, the Company through another subsidiary, New Luck Assets Limited, acquired the remaining 50% interest in Kin Wing BVI. This transaction was completed on 8th May, 2001 and the Company now owns 81.6% of Kin Wing BVI which was the former construction division of the Group until June, 2000. The turnover of this division was approximately HK\$884,090,000 (2000: HK\$657,648,000) with a net loss of HK\$1,387,000 (2000: net profit of HK\$5,519,000). The results were disappointing but were generally in line

with the poor results reported by other companies in the same sector. With less competition, your directors expect better results in the coming year despite fewer contracts in the building industry.

The Group's garment division recorded turnover of approximately HK\$813,706,000 (2000: HK\$752,613,000) while its net profit decreased to approximately HK\$43,292,000 (2000: HK\$51,041,000). This included the Group's share of the profits of SGA Group, a 50% owned jointly-controlled entity, of approximately HK\$4,346,000 (2000: HK\$3,807,000). Intense competition and an increase in bad debts contributed to the lower profit despite the higher turnover. Your directors believe that the garment division will continue to perform well in the coming year.



Garment products manufactured by Gateway Trade and Development Company, Limited

Our Group's wholly-owned subsidiary, Jackson Mercantile Trading Company Limited, and its member companies reported turnover of approximately HK\$110,538,000 (2000: HK\$91,119,000) and a loss of approximately HK\$503,000 (2000: net profit of HK\$376,000). The weakness in the local consumer market and continued deflation contributed to this poor performance.



Home electrical appliances distributed by Jackson Mercantile Trading Company Limited

The Company increased its interest in the listed company Chinney Alliance Group Limited ("Chinney Alliance") from 24.5% as at 31st March, 2000 to 28.94% as of the date of this annual report. Chinney Alliance reported turnover of approximately HK\$614,189,000 for the year ended 31st December, 2000 (1999: HK\$812,603,000) and a net loss for the year of HK\$22,552,000 (1999: HK\$236,321,000).

BUSINESS OVERVIEW

Recovery in the local economy was dampened by the downturn in the U.S. economy due to the collapse of investor confidence in hi-tech ventures. Over the last twelve months, the NASDAQ index dropped over 60% from its peak while Hong Kong's GEM Board recorded an even greater decline of 70%. The Hang Seng Index also lost about 20% during this same period.

Hong Kong's overall liquidity improved significantly during the year. It had increased from HK\$3.1 trillion a year ago to over HK\$4 trillion. However, borrowing level suffered a steep decline from about 90% to only 63% during the same period. This means there was in effect less money in circulation to fuel economic activity than a year ago. The decline was due to depleted property prices and lack of development of new viable and profitable business. Our economy is now at a crossroad and there are two major obstacles on the road to full recovery, namely, (i) the after-effects of the Asian Financial Crisis together with the massive depletion of local property prices; and (ii) the re-employment of manpower made redundant due to the decrease in property-related business. With the high exchange rate for the Hong Kong currency, pegged against the U.S. dollars at 7.80, the consumer price index continued to slide, albeit, at a slower rate. Thus, the general problems of deflation and the high unemployment rate still remain.

During the year under review, all member companies of the Group, with the exception of Hon Kwok, continued to perform satisfactorily under adverse market conditions. Despite the economic downturn during the year, your directors remain confident to the future prospects of the Group.

I have received continued support and guidance from my fellow directors and those from our member companies and wish to take this opportunity to express my sincere appreciation to them and to all other colleagues for their loyalty, dedication and contribution to the Group.

James Sai-Wing Wong
Chairman

Hong Kong SAR, 17th July, 2001