



## Hsin Chong's Projects of Interest

Mr. V-nee YEH, Deputy Chairman

Dr. M.T. Geoffrey YEH, Chairman of the Group

- ❶ Housing Authority Headquarters Building
- ❷ Hong Kong University of Science & Technology
- ❸ Hsin Chong Center - Headquarters for the Group
- ❹ Connaught Building

- ❺ The Crescent
- ❻ Kowloon Station
- ❼ YMCA Hotel
- ❽ World-Wide House

- ❾ World Trade Centre
- ❿ Hong Kong International Airport
- ⓫ North District Hospital
- ⓬ 18A La Salle Road

- ⓭ Mei Foo Sun Chuen
- ⓮ Government Flying Service Headquarters
- ⓯ Ocean Park

## BUSINESS OF THE GROUP

Founded in 1939, Hsin Chong Construction Group Ltd. ("Company", together with its subsidiaries, "Group") is primarily engaged in construction work in Hong Kong, the People's Republic of China ("PRC") and Southeast Asia in both the private and public sectors. Being one of the few vertically-integrated construction firms in Hong Kong, your Group is able to perform a wide range of construction services including a) superstructure construction; b) civil engineering work; c) electrical and mechanical installation; and d) renovation and fitting-out work.

## CORPORATE FOCUS

**Strategy** — The Board believes that management should always concentrate their efforts on the Group's core businesses — construction and construction related businesses — areas in which the Group has significant comparative advantage and goodwill due to its focus on "**Quality & Service**" and positive track record of more than six decades. Its involvement in real estate development are limited to those which complement its construction activities and, equally importantly, which are independently financially attractive.

The Board believes that your Group's two-prong operational strategy of focusing on a) value added work and b) structuring contractual terms more creatively, maximises benefits to your Group and its clients. The Group remains focused on institutional and quality conscious clients which generally are willing to pay a premium on quality and timeliness of work.

**Execution** — Your Group's vertical integration and range of competence permit it to compete for a very broad spectrum of projects. Though this has the onus of higher overhead associated with more qualified

personnel, it is countered by our flexibility in targeting cyclical opportunities and market niches.

Strategically, a certain proportion of your Group's operations has been structured as joint venture. With joint ventures, your Group can grow its core businesses by partnering with companies with complementary areas of expertise and quickly expand into new construction or construction-related fields while minimising risks and costly outlays. Though as associates, the Group cannot account for its share of turnover and outstanding contracts, the underlying economic benefits are no less.

**Investor Relations** — Your Group's Board and its management are appreciative of shareholders' support and will continue to maximise shareholder value whilst focusing on its core businesses. Efforts taken to date include a) improving corporate transparency by being the first listed company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") to publish consolidated balance sheet and consolidated cash flow statement in conjunction with the announcement of interim and final results; b) improving shareholder communication by being the first company listed on the Stock Exchange to issue quarterly trading statements; and c) closely aligning the remuneration package of executive directors to the Group's operating results.

## OPERATING RESULTS AND FINAL DIVIDEND

For the year ended 31st March, 2002, your Group incurred a net loss after tax and minority interests of HK\$7.5 million (2001: net profit of HK\$25.3 million) though core businesses remained profitable. Loss per share was HK1.2 cents (2001: earnings per share of HK3.9 cents).



In view of the net loss for the year, your Board does not recommend the payment of a final dividend for the year. Total distribution per share for the year is therefore nil, compared with HK2.5 cents per share in 2001.

### **DIRECTORS, MANAGEMENT AND STAFF**

To preserve the market competitiveness of your Group, the Board pay close attention to the human resources policy to recruit and retain talents so that adequate human resources are deployed. Remuneration policy for your Group has been designed to align management's and staff's interests with shareholders. In order to enhance cost efficiency, the Board has approved a proposition to reduce the salaries of all the four executive directors of the Company at the beginning of the fiscal year. In addition, your Group has also triggered a number of cost reduction initiatives that inevitably including the reduction in the number of staff and salary cut. As at 31st March, 2002, the Group employed a total of 752 (2001: 835) full-time employees that included the directors of the Group. With enhanced senior management team, there is a slight increase in executive directors' emoluments at HK\$9.0 million (2001: HK\$8.5 million). However, bonus portion included in the remuneration packages of HK\$2.3 million (2001: HK\$2.7 million) has dropped, which is based on a fixed formula tied to profits and return on equity. Such formula was approved by the Board in 1992. To enhance staff productivity, the Group also provides in-house and external training programmes to all levels of staff.

Mr. Woon-cheong Steven Lam, an Executive Director of the Company has resigned from the Board with effect from 1st July, 2001 to pursue a Masters degree in Fine Art. The Board would like to express its deepest appreciation to Mr. Lam for his invaluable contribution to the Group during his 30 years' services.

As previously announced, Mr. Hin-chak Ian Tang resigned as a Non-Executive Director with effect from 9th July, 2001. The Board would like to express its deepest appreciation again to Mr. Tang for his invaluable contribution to the Group in the past.

Following the formation of the Management Committee, Mr. Wai-tai Law, being a member of the Committee was nominated and duly approved by the Board as an Executive Director of the Company with effect from 9th July, 2001. Mr. Shiu-chung Jacky Poon, being a member of the Committee was appointed as the Alternate Director to Mr. Wai-tai Law with effect from the same date.

Mr. Kok-foo James Lee, a member of the Committee was appointed as the Alternate Director to Mr. Siu-lun Cheung, an Executive Director of the Company with effect from 9th July, 2001.

Mr. Ling-sun Yu has retired by rotation as a Non-Executive Director at the Annual General Meeting ("AGM") of the Company held on 24th August, 2001. As Mr. Yu has opted for retirement to New Zealand and therefore did not offer himself for re-election at the AGM. The Board would like to express its heartfelt thanks to Mr. Yu for his invaluable contribution over the past 25 years' service with the Company.

Mr. Ming Joseph Lai was appointed as an Executive Director of the Company with effect from 1st December, 2001. Mr. Lai has over 30 years' experience in management specialising in finance, organisational review and systems design and implementation. He was the president of the Hong Kong Society of Accountants ("HKSA") in 1986 and is presently on the Audit Committee and the Investigation Panel of the HKSA. He was Executive Directors of Hsin Chong group of companies till 1988

when he emigrated to Canada and had been executive directors of publicly listed companies in Hong Kong since his return to Hong Kong in 1996 and before he rejoined Hsin Chong Group. The Board welcomes Mr. Lai back to Hsin Chong Group.

Mr. Rodney Gordon Franks OBE was appointed as the Managing Director of the Company with effect from 7th January, 2002. Mr. Franks was previously the Director for International Operations with Taylor Woodrow Construction Limited of UK, and held the position of Regional Director Asia Pacific from 1986-1998 based in Malaysia. Mr. Franks was one of the founding directors of the first Kuala Lumpur Light Rail Transit operating company and remains an adviser to the group. He has over 30 years' experience in international contracting, project finance and development.

Mr. Yao Kang has retired from the Board as an Independent Non-Executive Director on 1st July, 2002 upon expiry of the term of appointment. The Board and senior management would like to express their appreciation to Mr. Yao for his contribution and support to Hsin Chong Group over the past six years.

Management Committee was restructured following the arrival of Mr. Rodney G. Franks as the Managing Director to the Group. Any member of the Management Committee nominated to the Board would not be subject to annual rotation save as required by relevant ordinances and/or the Company's Bye-Laws.

After serving as the Chairman for the past 11 years, ever since the Group's public listing, I have decided to retire and would resign from both the Chairmanship and the Board with effect from the date after the forthcoming Annual General Meeting of the Company scheduled on 23rd August, 2002. I feel confident that

the current management team would continue to implement professional management and lead the Group to new heights.

Lastly, I would like to extend my heartfelt appreciation to all staff members for their dedication and contribution to the Group.



**Meou-tsen Geoffrey YEH**

*Chairman*

Hong Kong SAR, 5th July, 2002