建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 216)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2005

RESULTS

The directors (the "Directors") of Chinney Investments, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005 together with comparative figures for the previous year as follows:

	Notes	2005 HK$'000	2004 HK$'000
Turnover	2	**1,417,927**	1,685,089
Cost of sales		**(1,160,422)**	(1,551,886)
Gross profit		**257,505**	133,203
Other operating income		**23,439**	24,813
Selling and distribution costs		**(72,639)**	(70,286)
Administrative expenses		**(202,697)**	(185,456)
Surplus arising from revaluation of investment properties		**–**	184,355
Write back of allowance for properties under development		**–**	9,345
Profit from operations	2 & 3	**5,608**	95,974
Finance costs	4	**(32,258)**	(34,168)
Gain on disposal of subsidiaries		**233,662**	1,394
Loss on deemed disposal of partial interests in a subsidiary		**–**	(56,242)
Write off of goodwill arising from acquisition of a subsidiary		**(2,463)**	–
Release of negative goodwill of subsidiaries		**59,507**	58,511
Share of results of associates		**4,872**	(9,319)
Share of results of jointly-controlled entities	5	**9,881**	90,694
Write off of debts due from jointly-controlled entities		**(3,873)**	(84,488)
Profit before taxation		**274,936**	62,356
Taxation credit/(charge)	6	**7**	(4,126)
Profit before minority interests		**274,943**	58,230
Minority interests		**(95,680)**	(44,274)
Net profit for the year		**179,263**	13,956
Dividend		**16,541**	11,027
Earnings per share	7		
Basic		**32.5 cents**	2.5 cents

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Hence, HKFRS 3 has no impact to the Group from 1st January, 2005 to 31st March, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005 except for the Hong Kong Interpretation 3 "Revenue – Pre-completion contracts for the sale of development properties". The early adoption of the interpretation has no impact on the Group's financial performance for the year ended 31st March, 2004 as there was no revenue arising from pre-completion contracts for the sale of any development properties entered into during the year ended 31st March, 2004.

The Group is in the process of making an assessment of the impact of other new HKFRSs and has so far identified that the adoption of HKFRS 3 would have resulted in an increase in retained profits as at 1st April, 2005 of HK$69,426,000 and a corresponding adjustment to negative goodwill.

2. Segment information

An analysis of the Group's turnover and contribution to profit from operations by business segments and turnover by geographical segments is as follows:

Business segments

	Construction activities		Garment activities		Property development activities		Property investment activities		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**561,022**	732,414	**680,693**	632,989	**99,827**	263,167	**70,061**	50,197	**6,324**	6,322	**1,417,927**	1,685,089
Segment results	**(10,904)**	29,833	**(3,314)**	(95,868)	**(20,697)**	(57,102)	**33,721**	212,870	**5,346**	1,600	**4,152**	91,333
Net income from investments											**2,886**	6,061
Unallocated corporate expenses											**(1,430)**	(1,420)
Profit from operations											**5,608**	95,974
Finance costs											**(32,258)**	(34,168)
Gain on disposal of subsidiaries											**233,662**	1,394
Loss on deemed disposal of partial interests in a subsidiary											**–**	(56,242)
Write off of goodwill arising from acquisition of a subsidiary											**(2,463)**	–
Release of negative goodwill of subsidiaries											**59,507**	58,511
Share of results of associates	**–**	–	**1**	(2,077)	**–**	–	**–**	–	**4,871**	(7,242)	**4,872**	(9,319)
Share of results of jointly-controlled entities	**–**	–	**5,614**	4,434	**4,267**	86,260	**–**	–	**–**	–	**9,881**	90,694
Write off of debts due from jointly-controlled entities	**–**	–	**–**	–	**(3,873)**	(84,488)	**–**	–	**–**	–	**(3,873)**	(84,488)
Profit before taxation											**274,936**	62,356
Taxation credit/(charge)											**7**	(4,126)
Profit before minority interests											**274,943**	58,230
Minority interests											**(95,680)**	(44,274)
Net profit for the year											**179,263**	13,956

Geographical segments

	Turnover	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong	**716,114**	1,014,237
North America	**419,273**	409,808
Europe	**250,322**	240,217
Others	**32,218**	20,827
	1,417,927	1,685,089

3. Profit from operations

Profit from operations has been arrived at after charging:

	2005	2004
	HK$'000	*HK$'000*
Depreciation and amortisation		
Owned assets	**46,173**	47,656
Assets held under finance leases	**496**	1,253
	46,669	48,909
Less: Amount capitalised in contract costs	**(4,488)**	(3,879)
	42,181	45,030
Staff costs (including directors' emoluments)	**199,536**	206,980
Less: Amount capitalised in contract costs	**(65,957)**	(70,771)
	133,579	136,209
Unrealised loss on investments in securities	**127**	–

and after crediting:

Unrealised gain on investments in securities	**–**	123
Interest income from investments in securities	**–**	1,227
Bank interest income	**2,787**	2,490
Other interest income	**45**	1,451
Dividend income from unlisted investments in securities	**–**	361

4. Finance costs

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**53,500**	47,158
Bank borrowings wholly repayable after five years	**1,094**	1,820
Other borrowings wholly repayable within five years	**2,202**	97
Finance leases	**86**	117
	56,882	49,192
Less: Amount capitalised under property development projects	**(24,624)**	(15,024)
	32,258	34,168

5. Share of results of jointly-controlled entities

	2005	2004
	HK$'000	*HK$'000*
Share of operating profit	**6,008**	6,206
Waiver of debts	**3,873**	84,488
	9,881	90,694

During the year, a non wholly-owned subsidiary of the Company and its joint venture partner wrote off the debts which were non-recoverable from jointly-controlled entities. The corresponding debit of HK$3,873,000 (2004: HK$84,488,000) was recognised as write off of debts due from jointly-controlled entities whilst the corresponding credit of HK$3,873,000 (2004: HK$84,488,000) was recognised as share of results of jointly-controlled entities.

6. Taxation (credit)/charge

	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**1,032**	7,971
Under/(over) provision in prior years	**3,261**	(24)
	4,293	7,947
Other jurisdictions	**1,630**	2,947
	5,923	10,894
Deferred taxation credit	**(7,326)**	(7,657)
	(1,403)	3,237
Share of taxation of associates	**1,170**	853
Share of taxation of jointly-controlled entities	**226**	36
	(7)	4,126

Hong Kong profits tax is calculated at 17.5% on the estimated assessable profits of the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Earnings per share

The calculation of basic earnings per share is based on the net profit for the year of HK$179,263,000 (2004: HK$13,956,000) and on 551,368,153 (2004: 551,368,153) shares in issue during the year.

There has been no dilutive effect on the basic earnings per share for the current year as the exercise prices of outstanding share options of an associate of the Group were higher than the average market price of its shares.

No disclosure of diluted earnings per share for the prior year is presented as the exercise of the outstanding share options of an associate of the Group would only serve to increase the earnings per share from the continuing ordinary activities.

DIVIDEND

The Directors recommend the payment of a final dividend of 3 cents per share for the year ended 31st March, 2005 (2004: 2 cents) to shareholders whose names appear on the Company's register of members on 22nd September, 2005. It is expected that the dividend cheques will be despatched to shareholders on or before 4th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16th September, 2005 to 22nd September, 2005 (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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on 15th September, 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares during the year ended 31st March, 2005.

AUDIT COMMITTEE

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The audit committee has reviewed with the management and the external auditors the final results of the Group for the year ended 31st March, 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force prior to 1st January, 2005, throughout the accounting period covered by this announcement, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's articles of association.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$1,713 million (2004: HK$1,870 million), of which approximately 24% of the debts were due and repayable within one year. Total cash on hand was approximately HK$455 million (2004: HK$466 million).

Total shareholders' fund as at 31st March, 2005 was approximately HK$1,151 million (2004: HK$942 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,258 million over the total shareholders' fund plus minority interests of approximately HK$1,999 million, was 63% as at 31st March, 2005. The Group's apparent high gearing is primarily due to consolidating all debts of Hon Kwok Land Investment Company, Limited ("Hon Kwok" and together with its subsidiaries, the "Hon Kwok Group"), a 58% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at year end would have been 15%.

The Group had a total of HK$822 million committed but undrawn banking facilities at year end available for its working capital purpose.

Funding and treasury policy

The Group adopts a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and United States dollars and bear interest at floating rates.

Pledge of assets

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK$2,017 million as at 31st March, 2005 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

As at 31st March, 2005, the Group was contingently liable for HK$93 million in respect of guarantees provided for banking facilities utilised by jointly-controlled entities and HK$4 million in respect of bills discounted with recourse.

During the year, the Board of Review decided on the tax appeals of certain subsidiaries of the Group. It was ruled and settled with the Inland Revenue Department that the Group was liable to pay tax of HK$3 million out of the contingent sum of tax disputes of HK$6 million (the balance was decided in favour of the Group). The Group has made full provision for such liability at the year-end date.

Save for the above, there was no significant change to the contingent liabilities of the Group as disclosed in the annual report of the Group for the year ended 31st March, 2004, except for the quantum of claims in respect of a legal proceeding against the Group was substantially reduced subsequent to the year-end date.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 2,900 people as at 31st March, 2005. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONSOLIDATED RESULTS

The Group's profit attributable to shareholders for the year ended 31st March, 2005 amounted to HK$179 million, as compared with HK$14 million last year. The increase in profit was mainly attributable to the capital gain on disposal of a subsidiary of Hon Kwok in September 2004. Earnings per share were 32.5 cents (2004: 2.5 cents).

CORPORATE EVENTS

Disposal of a Hon Kwok's subsidiary during the year ended 31st March, 2005

As announced on 14th September, 2004, the Group entered into an agreement to dispose the entire issued share capital of Global Success Holdings Inc. ("Global Success" and together with its subsidiary, the "Global Success Group") and assign related shareholder's loans to an independent third party for a cash consideration of HK$566 million. The sole asset held by the Global Success Group was a piece of vacant land situated at 97 Po Kong Village Road, Diamond Hill, Kowloon (formerly the Heung To Middle School). The transaction fell beyond the ordinary course of business of Hon Kwok Group and thus constituted a very substantial disposal transaction for the Company as well as Hon Kwok under the Listing Rules. Full details of the transaction are set out in the circular to the shareholders dated 30th September, 2004.

The transaction met the approval of the shareholders of the Company and Hon Kwok on 1st November, 2004 and was completed on 15th November, 2004. The disposal produced net cash proceeds of HK$400 million to Hon Kwok Group. The capital gain attributable to the Group, net of the gain attributable to minority interests in Hon Kwok of HK$98 million, was HK$135 million.

Acquisition of Hon Kwok as a subsidiary during the year ended 31st March, 2004

Hon Kwok announced a three-for-two rights issue of 200,123,100 rights shares at HK$1 each on 12th February, 2003. The Company, being the underwriter for the rights issue, increased its shareholding in Hon Kwok from 47% to 69% in May 2003, which shareholding was subsequently diluted to 58% after the completion of the Hon Kwok's share placement in March 2004.

Negative goodwill arose as a result of the Company acquiring the Hon Kwok shares at a price below its fair asset value through the rights issue. The negative goodwill, being amortised to the profit and loss account in the year, amounted to HK$60 million.

Syndicated loan

Subsequent to the balance sheet date, the Group arranged a syndicated loan facility of HK$165 million on an unsecured basis. The facility, comprising a term portion and a revolving portion, provides additional cash resources for general working capital purpose.

REVIEW OF OPERATIONS

Property

The disposal of the Heung To Middle School project in September 2004 boosted the net profit of Hon Kwok to HK$230 million for the year (2004: HK$134 million). **City Square (城市天地廣場)**, the residential project in the Luo Hu District of Shenzhen, was the major project under sale in the year. The Group changed its accounting policy and recognised revenue from property pre-sales as and when the project has been completed. The change, as a move to early conform the new accounting interpretation, has resulted in a drop in turnover of Hon Kwok Group to HK$176 million (2004: HK$331 million) and no profit being recognised on property pre-sales.

Interested shareholders are referred to the Hon Kwok's results announcement for further details.

Construction

The Construction Division reported turnover of HK$561 million (2004: HK$732 million) and a net loss of HK$12 million for the year (2004: net profit of HK$22 million). The disappointing result was mainly attributable to the difficult environment facing the local construction industry during the year under review. The suspension of land sales in the past few years, the abolition of the Home Ownership Scheme and the contraction of public works have intensified competition and drastically reduced the profit margin in our construction trade. Our bottom line was also hit by a one-off tax provision (including interest) of HK$5 million on the taxability of a prior year profit contended to be capital in nature but ruled against our favor by the Inland Revenue Board of Review during the year.

It is generally expected that the local construction industry will gradually recover, as the property market maintains its rebound and more public works become available in light of improving government fiscal deficit. Our Construction Division has recently been awarded a piling contract in Macau for a contract sum of HK$62 million. The Construction Division, with a leading edge in its foundation business, will hopefully pass through the low ebb currently prevailing in the construction industry.

Garment

The Garment Division recorded turnover of approximately HK$681 million (2004: HK$633 million) and a net loss of approximately HK$10 million (2004: HK$96 million). The results included a 50% share of the net profit of SGA Group amounting to HK$5.6 million (2004: HK$4.4 million).

The loss albeit much smaller than last year was mainly attributed to the Indonesian operation which after installing a new management team in early 2004 embarked on streamlining the factory operations, setting up new factories in low-cost area outside Jakarta, improving the operating efficiency and building up a cohesive team. The additional costs affected negatively current year's result. The Indonesian operation has now been stabilised after the major overhaul and is expected to return to profitability. The Group's other garment operations under J.L. Chinney Group and SGA Group reported satisfactorily results with increase in both turnover and profit in the year.

Trading

Chinney Alliance Group Limited ("Chinney Alliance), a 29% associate of the Group, returned to profitability for the year ended 31st December, 2004. The net profit was HK$13 million (2003: net loss of HK$28 million) against increased turnover to HK$1,073 million in the year (2003: HK$853 million).

The plastics and chemical business under Chinney Alliance was the main driver behind the turnaround results. Operating profit was up to HK$39 million (2003: HK$21 million) against increased turnover to HK$863 million (2003: HK$643 million). The increased resin price as triggered by high oil prices, enlarged customer and supplier bases as well as the strategy of being a reliable partner to our customers and suppliers alike are the key success factors behind the business.

OVERVIEW

To contain inflationary pressure, the U.S. Federal Reserve raised the Fed Fund target rate by another 25 basis point to 3.25% this month, the ninth increase since June 2004. The banks in Hong Kong also followed by a 50 basis point increase in best lending rate to catch up with the US rate changes. Oil prices remain at record level, as demand for oil in Mainland China and United States continues to expand and risks of supply disruption keep escalating. All these led to a softening of the global economy, with the Dow Jones and Nasdaq currently trading at about the same level a year ago. The Mainland economy, on the other hand, continues to boom with a GDP growth exceeding 9% in the first quarter of the year. The recent austerity measures to slow investment-led growth are intended to pave the way for a long-term prosperity of the Mainland economy.

Your Group, principally operated in Hong Kong and Mainland China, stands to benefit from the continued economic growth of Mainland China. Hon Kwok, the property arm of the Group, has chosen Guangzhou as the base to increase its development activities in the Mainland. The opening of the gambling industry and the surge in foreign investments in Macau have produced new opportunities for construction projects. It is hoped that the presence of our construction division over there together with the gradual revival of the local construction industry would translate into brighter prospects for the division. The road ahead for the garment industry will be challenging as seen from the recent trade disputes of Mainland China with the USA and EU on Chinese garments. Your garment division, equipped with a more cohesive management team and competitive production bases in the Asia Pacific region, is well positioned to compete in a garment trade full of protectionism and political uncertainties in the near term.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31st March, 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 13th July, 2005

As at the date hereof, the board of directors of the Company comprises Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan, Mr. Herman Man-Hei Fung, Mr. Clement Kwok-Hung Young, Mr. Johnny Chung-Ah Wong and Mr. Peter Man-Kong Wong.

"Please also refer to the published version of this announcement in The Standard"