



**CHUN WO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

# Annual Report | 2004/2005

Building  
Construction

Civil Engineering and  
Foundation Construction

Property Development  
and Management

Electrical and  
Mechanical Installation  
Security and  
Guarding Services

## Company Culture

We aspire to excel in all aspects of our performance. In our business dealings, we are responsive to the needs of our clients and ensure that these needs are fully satisfied. We manage our projects with competent and experienced staff, whose clear priorities are to thoroughly plan, execute and follow through the works and to fulfil our obligations responsibly. Our staff always face up to challenges and proactively tackle problems in a positive way, with practicality and perseverance.

We have followed this culture for the last three decades, and believe that it has been the key to Chun Wo's success. Chun Wo's continuing success serves to reinforce the culture which has been with us from the outset.

# Contents

3	Corporate Information
5 > 11	Chairman's Statement
13 > 17	Biographical Details of Directors and Senior Management
18 > 25	Directors' Report
26	Auditors' Report
27	Consolidated Income Statement
28 > 29	Consolidated Balance Sheet
30	Balance Sheet
31	Consolidated Statement of Changes in Equity
32 > 33	Consolidated Cash Flow Statement
34 > 76	Notes to the Financial Statements
77	Financial Summary
78	Practice Note 19 to the Listing Rules
79 > 80	Particulars of Properties



# Corporate Information

<b>Directors</b>	<b>Executive Directors</b> Pang Kam Chun (Chairman) Kwok Yuk Chiu, Clement (Managing Director) Li Wai Hang, Christina Nip Yun Wing
	<b>Independent Non-executive Directors</b> Chen Po Sum Au Son Yiu Wong Sai Wing, James Woo Kam Wai Chan Chiu Ying
<b>Audit Committee</b>	Chen Po Sum (Chairman) Au Son Yiu Chan Chiu Ying
<b>Secretary</b>	Fung Yee Man, Iris
<b>Qualified Accountant</b>	Kwok Man Fai
<b>Principal Bankers</b>	DBS Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited Bank of China (Hong Kong) Limited
<b>Solicitors</b>	Richards Butler Conyers Dill & Pearman
<b>Auditors</b>	Deloitte Touche Tohmatsu
<b>Registered Office</b>	Clarendon House, Church Street Hamilton HM 11, Bermuda
<b>Head Office and Principal Place of Business</b>	C2, 5th Floor Hong Kong Spinners Industrial Building 601-603 Tai Nan West Street, Cheung Sha Wan Road Kowloon, Hong Kong
<b>Principal Registrars</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road Pembroke, Bermuda
<b>Hong Kong Branch Registrars</b>	Secretaries Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai, Hong Kong
<b>Website</b>	<a href="http://www.chunwo.com">http://www.chunwo.com</a>
<b>Share Listing</b>	The Stock Exchange of Hong Kong Limited Stock Code : 711

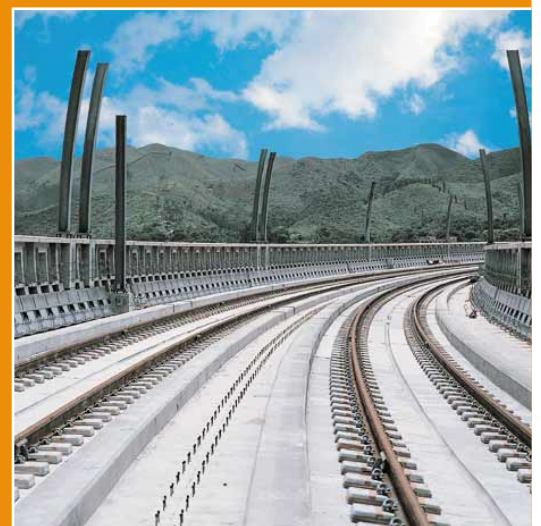


# Civil Engineering Projects

Public Transport Interchange at Wu Kai Sha Station



Public Transport Interchange at Tai Wai Station



Permanent Way for East Rail Extensions

On behalf of the Directors of Chun Wo Holdings Limited, I am pleased to present to the shareholders the Group's results and operations for the year ended 31 March 2005.

## Results

Due to fierce competition in the construction industry, the audited consolidated profit after taxation and minority interests of the Group for the year ended 31 March 2005 is HK\$51.6 million, as compared to last year's profit of HK\$71.4 million, representing a decrease of 28%. Turnover is HK\$2,525 million, representing a decrease of 20%, as compared to last year's HK\$3,159 million. Earnings per share for the reported year is HK7 cents.

## Dividends

The Directors recommended a final dividend of HK1.25 cents (2003/2004: HK2.65 cents) per share. This together with the interim dividend of HK1.25 cents (2003/2004: HK1.25 cents) per share will make a total dividend payment of HK2.5 cents (2003/2004: HK3.9 cents) per share for the year ended 31 March 2005.

## Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 19 August 2005 to Wednesday, 24 August 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 18 August 2005.

## Business Review

The reporting year has gone through a period of sustainable economic recovery as reflected by a rise in GDP by 4% as compared with the same time last year. Labour market conditions have improved significantly with unemployment rate falling to 5.7% at end June 2005, a 43-month low. However, recovery of the building and construction industry had been lagging behind due to keen competition.

At the time of writing this report, the Group's estimated value of contracts in hand stands at HK\$8.0 billion, with about HK\$4.2 billion outstanding.



# Civil Engineering Projects

SkyPlaza and Associated Works  
at Hong Kong International Airport



Construction Projects  
for Hong Kong Disneyland Resort

The Group continued with the construction of various building projects. In the private residential development sector, "The Pacifica" and Tsing Yi Office at TYTL139 were substantially completed while "The Legend", Cyberport Phase II, "No. 8 Clear Water Bay Road" were on track. Works on various term contracts in waterworks and building works in the public sector were well under way. In addition, the specialised project on the Investigation of Sewers & Drains for the Drainage Services Department continued to progress ahead of schedule.

Tracklaying works and other construction works for two Public Transport Exchanges along Ma On Shan Rail at Wu Kai Sha and Tai Wai Stations were substantially completed. Among the Group's four construction projects for the Hong Kong Disneyland Resort, one had been completed with the other three nearing completion to meet its opening in September. Tracklaying for 36 km (track-meter) of a high speed railway in Taiwan was also substantially completed.

Notwithstanding the keen competition in the construction industry, the Group was awarded further contracts in both the private and public sectors in the year under review. These included the SkyPlaza and associated SkyPier Automatic People Mover Tunnel (both joint venture projects) at the Hong Kong International Airport, Improvement to the San Tin Interchange and a term building work contract with Government.

As reported in the last interim report, the Group has been looking prudently for opportunities in diversifying its construction business outside Hong Kong. In the fourth quarter, the Group succeeded in the award of the building project at Huang Sha Station of the Guangzhou Metro Light Rail System in the Mainland and piling contracts for The Venetian in Macau which were all progressing on track.

The Group's foundation construction arm was awarded the site formation and foundation contracts respectively for Victoria Shanghai Academy at Shum Wan Road and a Secondary-cum-Primary school at Shatin. In addition, the Group's electrical and mechanical ("E&M") construction arm was undertaking the E&M works at SkyPlaza. With the continual and stable development of the Group's foundation and E&M subsidiaries, the Group's capability in providing a one-stop design and build service to clients was strengthened.

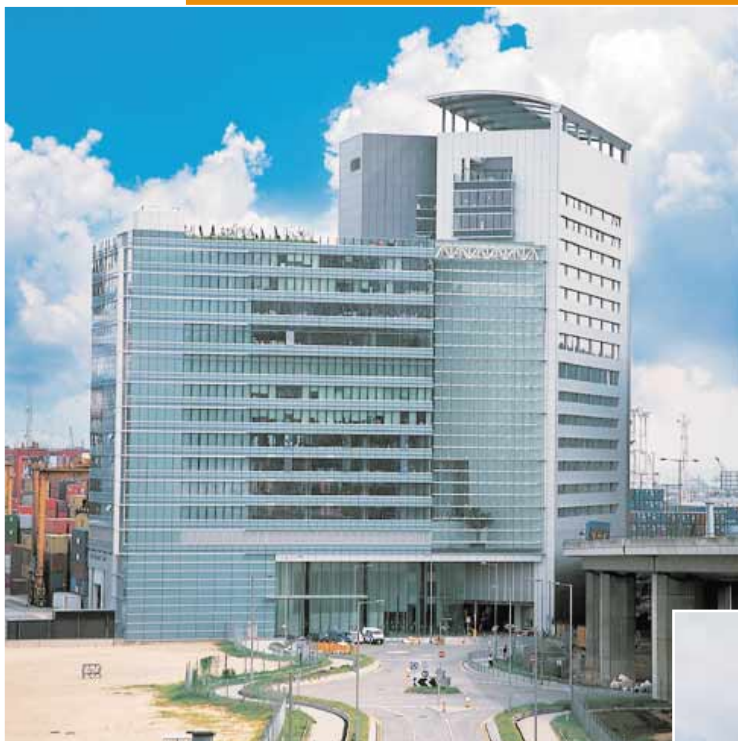
The Group's security business subsidiary, City Security Company Limited, and property management operation, City Professional Management Limited, continued to provide professional services to the Group's construction sites and other clients' premises.

To pursue continuous growth and to counteract the anticipated fiercely competitive construction market in Hong Kong, the Group has been diversifying its business into property development since 1997. The Group's current property development above the Choi Hung MTR Station – "No. 8 Clear Water Bay Road", a unique development in the district, was well received in its presale in last October and this February, with a substantial number of units sold. The Group is confident of the economic growth in the Mainland and following the completion of the Zhongshan project last year, it has been exploring opportunities to extend its property development business across the border. The launch of series of macro-regulation measures by the Chinese Government has provided better opportunities for overseas property developers and investors in land acquisition. Three new projects at Shijiazhuang, Yixing and Yangzhou involving residential and commercial property developments were secured during the year under review and were progressing well.



# Building Projects

Office Building at TYTL 139, Tsing Yi



The Pacifica at NKIL 6275 West Kowloon Reclamation

By virtue of its quality management and performance, the Group was awarded the Bronze Medal of the 2005 Hong Kong Management Association Quality Award. Various projects undertaken by the Group, like the waterworks project, the KCRC permanent way at the Northern Area project, were commended for performance in quality and safety. Working in a safe, environmentally responsible and considerate manner, the Group continued to receive the Considerate Construction Site Award and Safety Awards.

The Group is aware of its social responsibility and has been active in participating in charity and fund raising activities including the MTRC Hong Kong Walking Race 2005, Charity Day and Walk to Guangzhou organized by Sowers Action, lead sponsorship for The Hong Kong Coalition of Professional Services Fund Raising Walk, relief for South Asian tsunami, etc. In its environmental awareness, the Group had been adopting its Bio-Toilet system in remote construction sites. This system recycles waste water into flushing water without contaminating the ground or discharging them into the sewage system.

## Outlook and Prospects

The need for more accommodation and infrastructures resulting from closer economic relationship of Hong Kong and the Mainland, accompanied by the rallying land auction biddings and the forthcoming opening of more tourist attractions including the Disneyland Resort, continues to sustain the economic recovery. In the light of the Government budgetting a gradual increase of capital expenditure from HK\$39.8 billion for 2005-06 to an average of HK\$43 billion for the next five years, the construction industry will probably catch up with the economic recovery.

As regards the public sector, the Government has been increasing the construction activities through its focus on urban renewal projects and maintenance projects. Plans on infrastructures include Hong Kong – Zhuhai – Macau Bridge, parts of the Route 10 – North Lantau to Yuen Long Highway, a 13-km long dual 3-lane highway, Harbour Area Treatment Scheme Stage 2 Programme, etc.

Despite the recent trend of rising interest rate, the current mortgage interest level is still acceptable in a continuing expectation of a performing property market, thereby benefiting the building and construction sector. Among the construction opportunities arising from various property development schemes along the railway lines, MTRC and KCRC plan to invite in this year open tenders for development of altogether more than 30,000 residential units.

The green light for the West Island Line of MTRC extending the Hong Kong Line from Sheung Wan to Kennedy Town was given by Executive Council at end June. MTRC had also proposed to Government the South Island Line and to extend the Kwun Tong Line to Whampoa Garden. Meanwhile, KCRC plans to link West Rail to Lok Ma Chau. The Group, with its excellent track record, is in a favourable position in taking part in these constructions. In addition, the Group is pursuing tracklaying works opportunities outside Hong Kong.



# Building Projects

No. 8 Clear Water Bay Road Development  
above Choi Hung MTR Station



The Legend at Tai Hang



Cyberport Phase II Residential Development

In Macau, the construction activities ranging from tourism attractions to hotel accommodations promoted by the entertainment industry coupled with limited indigenous construction resources provide emerging opportunities to Hong Kong contractors in this thriving construction market. There is a correspondingly flourishing property market and therefore increasing the need to build. By the time of writing this report, the Group has substantially completed two piling contracts in Macau and is securing further building contracts in this sustaining and significant construction market.

Proceeds from sales of the residential units of the "No. 8 Clear Water Bay Road" project, now enjoying buoyant market conditions, will generate appreciable income and profit for the Group. The remaining unsold units, located at higher levels with better views, should sell at higher returns. Revenue produced from the "Grandeur Terrace" shopping arcade and the anticipated contribution from the commercial premises of "No. 8 Clear Water Bay Road", expected to be open at end of this year, together will generate a stable recurring income to the Group. The Group's financial strength would be increasingly enhanced thus enabling further pursuance of property development and investment opportunities in Hong Kong and the Mainland.

The Group has been cautiously looking for investment opportunities in the Mainland. Negotiations in relation to its potential investment in a biopharmaceutical company in Shijiazhuang focusing on cardiovascular drug market are under way. It is expected that the final agreement on this investment could be reached in the near future.

In this revitalizing economy, the Group continues to grasp appropriate opportunities to diversify and to increase the return of its businesses.

## Acknowledgment

I would like to extend my gratitude and appreciation to the Board and our Management, as well as to all our staff, for their excellent work. I would also like to thank our shareholders, financiers, business partners and clients for their continuing support.

**Pang Kam Chun**

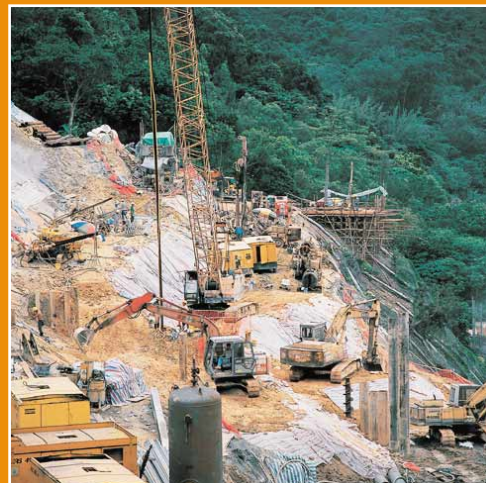
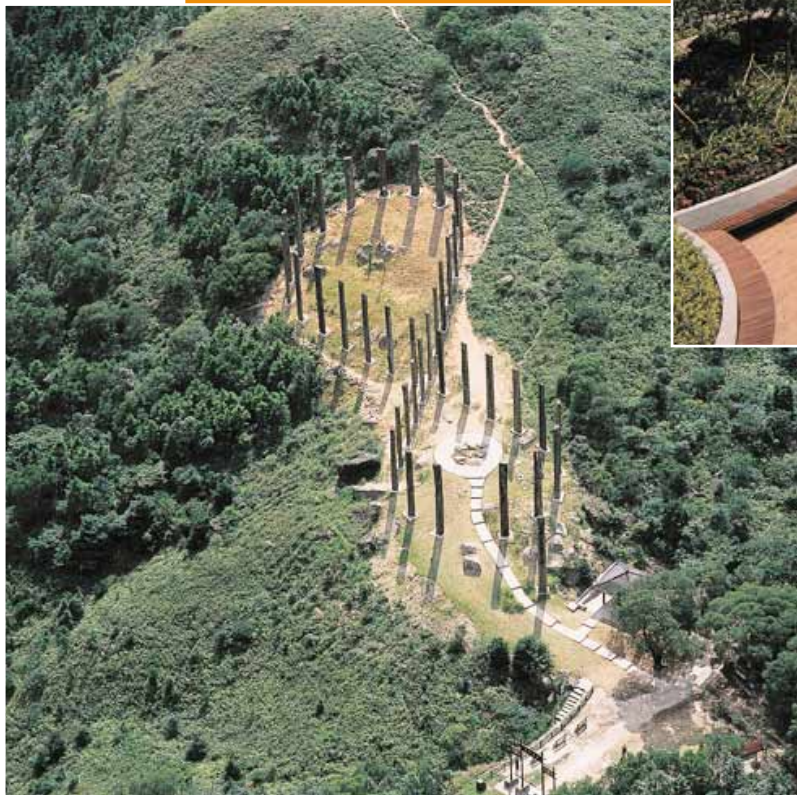
*Chairman*

Hong Kong, 26 July 2005



## Minor Works & Foundation Projects

Minor Works for  
Architectural Services Department



Site Formation and Foundation Works  
for School at Shum Wan Road

# Biographical Details of Directors and Senior Management

## Executive Directors

### **Pang Kam Chun** *Chairman*

Aged 62. Founder of the Group and has over 37 years' experience in civil engineering and building construction including construction management, supervision, planning and progress monitoring. Appointed as Chairman of the Company in July 1992. Spouse of Madam Li Wai Hang, Christina.

### **Kwok Yuk Chiu, Clement** *BSc (CEng), MICE, MHKIE, RSE, RPE Managing Director*

Aged 53. Graduated from the University of Hong Kong in 1974 with a bachelor of science degree in civil engineering. A member of the Hong Kong Institution of Engineers and is a Registered Structural Engineer. Joined the Group in 1981 and has over 31 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992 and Managing Director in February 1999.

### **Li Wai Hang, Christina**

Aged 54. Joined the Group in 1975 and has over 26 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992. Spouse of Mr Pang Kam Chun.

### **Nip Yun Wing** *MBA, FCCA, FCPA*

Aged 51. A MBA graduate of The Chinese University of Hong Kong. A fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Has extensive experience in corporate finance, investment and management and had served as an executive director of several listed companies in Hong Kong for many years. Currently is an independent non-executive director of Shenzhen International Holdings Limited. Appointed as an Executive Director of the Company in November 2004.

## Independent Non-executive Directors

### **Chen Po Sum** *MBE*

Aged 74. A stockbroker and has 35 years of experience in securities dealing business. Chairman of National Resources Securities Limited; Life Honorary President of the Institute of Securities Dealers Limited; Honorary Chairman of Estate Agents Management Association; Vice Chairman of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited; Committee Member of the Cash Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited; Member of the Election Committee (Financial Services Sector) for the First and Year 2000 Legislative Council of the Hong Kong Special Administrative Region; Committee Member of 渝港經濟合作促進會; Consultant to Society of Registered Financial Planners Limited. She is also a non-executive director of several public companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In addition, she had been a council member of the Stock Exchange for the period from 1989 to 1994 and from 1995 to March 2000, during which from 1992 to 1994, she had been the First Vice-Chairman. She had also been a director of the Hong Kong Securities Clearing Company Limited ("Hongkong Clearing") during the period from 1991 to 1994 and from 1995 to March 2000. Appointed as an Independent Non-executive Director of the Company in November 1992 and the Chairman of the Audit Committee of the Company in December 1998.

**Independent Non-executive Directors** continued**Au Son Yiu**

Aged 60. Has extensive experience in the securities industry. A director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Institute of Securities Dealers Limited, a consultant to Dao Heng Securities Limited and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. He is also an independent non-executive director for several public companies listed on the Stock Exchange. In addition, he is the Ex-Deputy Chairman of Hongkong Clearing (1992-1994) and Ex-Council member of the Stock Exchange (1988-1994). Appointed as an Independent Non-executive Director of the Company in July 1992 and a member of the Audit Committee of the Company in December 1998.

**Wong Sai Wing, James**

Aged 67. Chairman of Hon Kwok Land Investment Company, Limited, Chinney Investments, Limited and Chinney Alliance Group Limited, all of which are listed on the Stock Exchange. He was appointed an unofficial Justice of the Peace for Hong Kong in 1987. Appointed as an Independent Non-executive Director of the Company in October 1993.

**Woo Kam Wai** *MSc (Const Proj Mgt), FRICS, FHKIS, ACI Arb, SCV, RPS, AP*

Aged 57. Holds a master of science degree in construction project management from the University of Hong Kong. A Fellow of each of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors, an Associate of the Chartered Institute of Arbitrators, a senior certified valuer of the International Real Estate Institute and an Authorised Person with the Government. He is a Chartered Surveyor and has over 26 years' experience in the construction industry. Appointed as an Independent Non-executive Director of the Company in July 1992.

**Chan Chiu Ying** *F CPA, ACMA, MBA, MHKSI*

Aged 45. Has over 20 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Holds a master degree in business administration from the University of Bradford, the United Kingdom and is a consultant providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Institute of Management Accountants, the United Kingdom and an associate of the Hong Kong Securities Institute. Appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2004.

## Senior Management

**Chan Kwan Sang** *BSc, CEng, FHKIE, MICE, MCI Arb, RPE*

Aged 53. Graduated from the University of Hong Kong in 1974 with a bachelor of science degree in civil engineering. A Fellow of the Hong Kong Institution of Engineers, a member of each of the Institution of Civil Engineers and the Chartered Institute of Arbitrators, and a Chartered Engineer, United Kingdom and Registered Professional Engineer, Hong Kong. Joined the Group in 1999 and has over 31 years' experience in the construction industry including design and project management of civil engineering and building construction projects in Hong Kong, and project management of industrial development projects in Mainland China. Appointed as a director of Chun Wo Building Construction Limited in October 1999 and a director of Chun Wo Construction and Engineering Company Limited in November 1999.

**Chu Ming Wah** *MSc, BSc, MIEAust, CPEng, M.H.I.R.E.A.*

Aged 46. Graduated from the State University of Massachusetts (Lowell), U.S.A. in 1985 with a master degree in civil engineering. A chartered professional engineer in Australia and a member of each of the Hong Kong Institute of Real Estate Administration, the National Civil Engineering Honor Society in the U.S.A. and the Institution of Engineers of Australia. Joined the Group since 1999 and has more than 20 years of experience in the construction industry including construction supervision, project management, property development, property management and lease management. Appointed as a director of Chun Wo Building Construction Limited in September 2003 and managing director of City Professional Management Limited in July 2003.

**Kwok Man Fai**

Aged 44. Graduated from Macquarie University in 1984 with a bachelor degree in economics and obtained a Master of Commerce degree in information systems in 1991 from University of New South Wales. A member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in accounting, finance and management. Joined the Group in November 1994 and was appointed as a director of Chun Wo Foundations Limited in January 1998.

**Lai Kam Hung, Joseph**

Aged 47. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 29 years' experience in the building and civil engineering works including construction supervision, project management and subletting. Joined the Group during 1984-1987 and re-joined the Group in 1989 and was appointed as a director of Chun Long Construction Limited in April 2003.



## Senior Management continued

### **Robert Hoskins Lloyd** *BSc, CEng, MHKIE, FICE*

Aged 62. Graduated from Hatfield Polytechnic in 1969 with a Bachelor of Science degree in Civil Engineering. A Fellow of the Institution of Civil Engineers, United Kingdom since October 1997 and a member of the Hong Kong Institution of Engineers since 1973. He has over 35 years' experience in the construction industry, 32 years of which have been in Hong Kong. He retired from the Highways Department of the Government of the Hong Kong SAR in May 2003 after a 30-year career involved with the procurement of much of Hong Kong's major transport infrastructure. Joined the Group in July 2004 and was appointed as a Director (Business Development and Technical) of Chun Wo Construction and Engineering Company Limited.

### **Lui Kam Wai** *M.C.I.O.B.*

Aged 45. A chartered builder and obtained an Associateship in Building Technology and Management from the Hong Kong Polytechnic University. He has over 22 years of experience in working for the government sector, contractors and developers in Hong Kong, Australia, Singapore and the Mainland. He has been a visiting lecturer, adjunct professor of various universities in Hong Kong and the Mainland. Appointed as a director of Chun Wo (China) Limited in August 2002.

### **Pang Yat Bond, Derrick** *BSc, MEng, MICE, PE(US)*

Aged 30. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree in civil and environmental engineering and obtained a Master of Engineering degree in geotechnical engineering in 1998 from Massachusetts Institute of Technology. A member of the Institution of Civil Engineers, United Kingdom. Registered Professional Engineer for the state of California, U.S.A. He has over three years of geotechnical design experience in the U.S. and four years of construction experience in Hong Kong. Joined the Group in 2001 and was appointed as a director of Chun Wo Civil Engineering Limited in July 2002. Son of Mr Pang Kam Chun and Madam Li Wai Hang, Christina.

### **To Kai Yin**

Aged 44. Graduated from the Hong Kong Polytechnic University in 1983. Obtained an associateship in building technology and management from the Hong Kong Polytechnic University in 1987. He has over 21 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and was appointed as a director of Chun Wo Building Construction Limited in March 1999.

**Senior Management** continued

**Wong Chi Kwong** *BEng(Hons), MIEE, MHKIE, MCIBSE, MAPM, CEng, RPE(EL,BS)*

Aged 45. Graduated from Brighton Polytechnic University of United Kingdom in 1990 with a Bachelor degree in Electrical & Electronic Engineering. A member of each of the Institution of Electrical Engineers, Chartered Institution of Building Services Engineers, Hong Kong Institution of Engineers and Association for Project Management and also a Chartered Engineer and Registered Professional Engineer in both electrical and building services disciplines. He has over 23 years of experience in the building services industry including tendering, project administration, organizational management, sales and marketing and business development. Joined the Group in August 2004 as a director of Chun Wo E & M Engineering Limited.

**Yeung Ka Yin** *MBA, BSc, MHKIE, MICE, RPE(Civil)*

Aged 51. Graduated from the University of Hong Kong in 1977 with a Bachelor of Science degree in engineering and obtained a Master degree in business administration in 1995 from Asia International Open University (Macau). A member of the Hong Kong Institution of Engineers and the Institution of Civil Engineers, and also a Registered Professional Engineer, Hong Kong. Has more than 28 years of experience in the construction industry including construction supervision, project management and tendering of large-scale civil engineering and building construction projects. Joined the Group in 2002 and was appointed as a director of Chun Wo Construction and Engineering Company Limited in April 2004.

**Yeung Shiu Kin, Eddie** *BSc(Eng.), ACGI, MSc, DIC, PhD, MICE, MHKIE, MINZPE, MIEAust, MASCE, CEng, RPE*

Aged 46. Graduated from Imperial College of Science & Technology, University of London in 1981 with a Bachelor of Science degree in civil engineering, and in 1982 with a Master degree in soil mechanics. Obtained his Doctoral degree in geotechnical engineering from University of Sydney in 1989. A member of each of the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, the Institution of Professional Engineers, New Zealand, the Institution of Engineers of Australia and also the American Society of Civil Engineers. Registered Professional Engineer in Civil & Geotechnical discipline in Hong Kong. Joined the Group in 2002 and has more than 23 years of experience in the construction industry including design and project management of civil and foundation engineering projects in Australia and Hong Kong. Appointed as a director of Chun Wo Foundations Limited in January 2003.

# Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2005.

## Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment.

## Results and Appropriations

The results of the Group and appropriations of the Company for the year ended 31 March 2005 are set out in the consolidated income statement on page 27.

An interim dividend of HK1.25 cents per share amounting to HK\$9,307,000 was paid to the shareholders of the Company during the year. The Directors now recommend the payment of a final dividend of HK1.25 cents per share amounting to HK\$9,307,000 to the shareholders of the Company whose names appear on the register of members on 24 August 2005.

## Financial Summary

A financial summary of the Group is set out on page 77.

## Share Capital

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

## Share Option Schemes

Particulars of the share option schemes and the details of the movements in share options which were granted under the share option scheme of the Company ("Chun Wo Scheme") are set out in note 26 to the financial statements.

## Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 27 to the financial statements.

## Investment Properties

The investment properties of the Group were revalued as at 31 March 2005 as set out in note 11 to the financial statements.

## Property, Plant and Equipment

Movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements.

## Liquidity and Financial Resources

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 31 March 2005, the total net debts of the Group amounted to HK\$850.6 million, representing total debts of HK\$1,092.8 million less bank balances and cash of HK\$242.2 million. The debt maturity profile of the Group at 31 March 2005 is analysed as follows:

	As at 31 March 2005 HK\$ Million	As at 31 March 2004 HK\$ Million
Repayable within one year or on demand	691.5	284.1
Repayable after 1 year, but within 2 years	36.3	357.2
Repayable after 2 years, but within 5 years	365.0	66.1
Total	<u>1,092.8</u>	<u>707.4</u>

At 31 March 2005, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 1.12 (2004: 0.51).

The increase in gearing ratio was mainly attributable to drawdown of the bank loans for the acquisition of property development projects in the People's Republic of China.

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuation. Besides, the Group's borrowings have not been hedged by any interest rate financial instruments.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2005 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.



## Borrowings and Interest Capitalised

Details of the Group's borrowings are set out in notes 22 and 23 to the financial statements.

Interest capitalised by the Group during the year is set out in note 7 to the financial statements.

## Subsidiaries, Associates and Jointly Controlled Entities

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 March 2005 are set out in notes 36, 37 and 38 to the financial statements respectively.

## Employee and Remuneration Policies

The Group has approximately 1,860 employees at 31 March 2005. Total remuneration of employees for the year ended 31 March 2005 amounted to approximately HK\$430.8 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

## Major Customers and Suppliers

For the year ended 31 March 2005, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 81% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 25% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers.

## Donations

During the year, the Group made charitable and other donations totalling approximately HK\$387,000.

## Directors and Service Contracts

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors:

Mr. Pang Kam Chun

Mr. Kwok Yuk Chiu, Clement

Madam Li Wai Hang, Christina

Mr. Nip Yun Wing (appointed on 15 November 2004)

### Independent Non-executive Directors:

Madam Chen Po Sum

Mr. Au Son Yiu

Dr. Wong Sai Wing, James

Mr. Woo Kam Wai

Mr. Chan Chiu Ying (appointed on 27 September 2004)

In accordance with Bye-laws 86(2), 87 and 169(2), Mr. Chan Chiu Ying, Mr. Nip Yun Wing, Madam Chen Po Sum and Dr. Wong Sai Wing, James will retire at the forthcoming annual general meeting and be eligible for re-election. Mr. Chan Chiu Ying and Mr. Nip Yun Wing will offer themselves for re-election. Madam Chen Po Sum and Dr. Wong Sai Wing, James will not offer themselves for re-election. The remaining Directors will continue in office.

Each of the Independent Non-executive Directors has a service agreement for a term of one year. The agreement is renewable subject to consent given by the Company and the respective Directors. The Independent Non-executive Directors are also subject to retirement by rotation in accordance with the above Bye-laws.

Mr. Nip Yun Wing has entered into a service contract with the Company for a term of three years commencing from 15 November 2004 and Mr. Nip is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. The Company may terminate the service contract by giving not more than twelve months' written notice. If the service contract is to be terminated by the Company in the first two years, Mr. Nip is entitled to a terminal payment of not exceeding HK\$2,266,000.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' and Chief Executives' Interests and Short Positions

At 31 March 2005, the interests and short positions of the Directors, Chief Executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of shares held in the Company (Long Positions)			Percentage of the Company's issued share capital as at 31 March 2005	Outstanding option shares
	Personal interests	Family interests	Total		
		(Note 1)			(Note 2)
Pang Kam Chun	265,096,950	10,148,875	275,245,825	36.97%	732,000
Li Wai Hang, Christina	10,148,875	265,096,950	275,245,825	36.97%	–
Kwok Yuk Chiu, Clement	2,983,540	–	2,983,540	0.40%	7,326,000
Nip Yun Wing	–	–	–	–	3,200,000
Chen Po Sum	325,000	–	325,000	0.04%	732,000
Au Son Yiu	866,000	–	866,000	0.12%	732,000
Woo Kam Wai	346,000	–	346,000	0.05%	732,000
Wong Sai Wing, James	–	–	–	–	732,000

### Notes:

1. Madam Li Wai Hang, Christina is the spouse of Mr. Pang Kam Chun and is deemed to be interested in those shares of the Company in which Mr. Pang Kam Chun has an interest. Similarly, Mr. Pang Kam Chun is also deemed to be interested in those shares of the Company in which Madam Li Wai Hang, Christina has an interest.
2. Details of the share options granted to the Directors are stated under the heading "Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below.

In addition, Mr. Pang Kam Chun and Madam Li Wai Hang, Christina hold 8,347,500 and 90,000 non-voting deferred shares respectively in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and under the heading "Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below and other than certain nominee shares in the subsidiaries held by certain Directors in trust for the Group, at 31 March 2005, none of the Directors, Chief Executives and any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

## Directors' and Chief Executives' Rights to Acquire Shares or Debentures

Details of the movements in share options granted under the Chun Wo Scheme during the year ended 31 March 2005 are as follows:

	Date of grant	Exercise price per share HK\$	Exercisable period	Number of option shares			
				Outstanding at 1 April 2004	Granted during the year	Exercised during the year	Outstanding at 31 March 2005
<b>Directors</b>							
Pang Kam Chun	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	732,000	–	732,000
Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	7,326,000	–	7,326,000
Chen Po Sum	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	732,000	–	732,000
Au Son Yiu	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	732,000	–	732,000
Wong Sai Wing, James	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	732,000	–	732,000
Woo Kam Wai	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	732,000	–	732,000
Nip Yun Wing	15/11/2004	1.162	15/11/2004 – 14/11/2009	–	3,200,000	–	3,200,000
<b>Employees</b>							
	13/8/2004	0.904	21/8/2004 – 12/8/2014	–	7,326,000	–	7,326,000
	3/9/2004	0.950	4/10/2004 – 30/9/2009	–	11,650,000	(5,532,000)	6,118,000
<b>Consultants</b>							
	24/10/2003	0.290	24/10/2003 – 23/10/2004	14,488,000	–	(14,488,000)	–
	3/9/2004	0.950	4/10/2004 – 30/9/2009	–	400,000	–	400,000
				14,488,000	33,562,000	(20,020,000)	28,030,000

### Notes:

1. The closing prices of the shares of the Company immediately before the options granted on 13 August 2004, 3 September 2004 and 15 November 2004 were HK\$0.90, HK\$0.96 and HK\$1.16 respectively.
2. The weighted average closing price of the shares immediately before the dates of exercise by the consultants and employees was HK\$1.05.
3. No share options were cancelled or lapsed under the Chun Wo Scheme during the year.
4. The Directors consider it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.
5. As at the date of this Directors' Report, the total number of shares available for issue under the Chun Wo Scheme is 24,884,589 shares, representing 3.34% of the issued share capital of the Company at that date.

Save as disclosed above and other than the Foundations Scheme as set out in note 26, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and Chief Executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and Chief Executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.



## Substantial Shareholders

Other than the interests of certain Directors disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions" above, as at 31 March 2005, the register required to be kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") shows that the following shareholder had notified the Company of its relevant interests in the shares and underlying shares of the Company:

Name	Capacity	Number of shares held (Long Positions)	Percentage of the Company's issued share capital as at 31 March 2005
Midland Realty (Holdings) Limited	Beneficial Owner	52,748,000	7.08%

Save as disclosed above, the Register of Substantial Shareholders discloses no other person as having a notifiable interest or a short position in the shares and underlying shares of the Company as at 31 March 2005.

## Connected Transactions

On 13 August 2004, Chun Wo (China) Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its beneficial interest in Bright Wealth Profits Limited to Prosper Wisdom Developments Limited, a company wholly and beneficially owned by Mr. Pang Kam Chun, a director and shareholder of the Company. The consideration for the disposal is HK\$7,830,000. The gain on disposal is approximately HK\$5,430,000.

On 30 June 2005, Chun Wo Construction and Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a Sub-contracting Agreement with Kin Wing Engineering Company Limited (the "Sub-contractor"), an associate of Dr. Wong Sai Wing, James, a director of the Company, to sub-contract the mini piling works for construction of lift tower at Lei Cheng UK Estate, Sham Shui Po, Kowloon to the Sub-contractor at a sub-contract sum of HK\$3,090,000.

## Convertible Securities, Options, Warrants or Similar Rights

Other than the grant of share options during the year disclosed under "Share Option Schemes" above and in note 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2005.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Corporate Governance

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as 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 1 January 2005.

During the year, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the year.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Directors' Report, the Company has maintained sufficient public float as required under the Listing Rules.

## Auditors

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board

**PANG KAM CHUN**

*Chairman*

Hong Kong, 26 July 2005

# Auditors' Report



## TO THE SHAREHOLDERS OF CHUN WO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
26 July 2005

# Consolidated Income Statement

for the year ended 31 March 2005

27

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	4	2,524,508	3,158,818
Cost of sales		(2,405,599)	(2,983,206)
Gross profit		118,909	175,612
Other operating income		97,934	46,441
General and administrative expenses		(175,623)	(145,873)
Surplus on revaluation of investment properties		–	638
Profit from operations	5	41,220	76,818
Finance costs	7	(3,279)	(3,921)
Gain on disposal of a subsidiary		5,430	–
Share of results of jointly controlled entities		22,238	23,072
Profit before taxation		65,609	95,969
Taxation	8	(14,129)	(24,583)
Profit before minority interests		51,480	71,386
Minority interests		150	(18)
Profit attributable to shareholders		51,630	71,368
Dividends paid	9	28,753	9,057
Earnings per share – basic	10	7.0 cents	9.9 cents
– diluted		7.0 cents	9.8 cents



# Consolidated Balance Sheet

at 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Investment properties	11	232,819	231,393
Property, plant and equipment	12	234,882	266,365
Properties under development	13	469,348	447,307
Interests in associates	15	122,524	79,742
Interests in jointly controlled entities	16	29,426	34,746
Investments	17	1,002	2,003
		<b>1,090,001</b>	<b>1,061,556</b>
<b>Current assets</b>			
Amounts due from customers for contract work	18	321,253	258,201
Properties under development	13	620,836	–
Properties held for sale	19	–	29,687
Debtors, deposits and prepayments	20	380,026	532,896
Amounts due from associates		1,027	487
Amounts due from jointly controlled entities		71,021	41,828
Investments	17	6,672	8,047
Taxation recoverable		4,834	4,526
Pledged bank deposits		38,705	62,964
Bank balances and cash		203,455	282,840
		<b>1,647,829</b>	<b>1,221,476</b>
<b>Current liabilities</b>			
Amounts due to customers for contract work	18	215,889	238,331
Creditors, deposits and accrued charges	21	552,241	514,011
Amounts due to jointly controlled entities		93,016	78,746
Taxation payable		11,111	5,931
Obligations under finance leases – due within one year	22	5,833	14,890
Borrowings – due within one year	23	685,731	269,197
		<b>1,563,821</b>	<b>1,121,106</b>
<b>Net current assets</b>		<b>84,008</b>	<b>100,370</b>
<b>Total assets less current liabilities</b>		<b>1,174,009</b>	<b>1,161,926</b>

	Notes	2005 HK\$'000	2004 HK\$'000
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year	22	2,465	8,285
Borrowings – due after one year	23	398,796	415,029
Deferred taxation	24	13,208	22,166
		<b>414,469</b>	<b>445,480</b>
<b>Minority interests</b>		<b>2,722</b>	<b>2,787</b>
<b>Net assets</b>		<b>756,818</b>	<b>713,659</b>
<b>Capital and reserves</b>			
Share capital	25	74,457	72,455
Reserves	27	682,361	641,204
		<b>756,818</b>	<b>713,659</b>

The financial statements on pages 27 to 76 were approved and authorised for issue by the Board of Directors on 26 July 2005 and are signed on its behalf by:

**Kwok Yuk Chiu, Clement**  
Director

**Li Wai Hang, Christina**  
Director

# Balance Sheet

at 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	37,452	38,707
Interests in subsidiaries	14	987,852	731,214
		<b>1,025,304</b>	<b>769,921</b>
<b>Current assets</b>			
Debtors, deposits and prepayments		588	142
Investments	17	–	5,000
Taxation recoverable		45	–
Bank balances and cash		272	404
		<b>905</b>	<b>5,546</b>
<b>Current liabilities</b>			
Accrued charges		1,105	1,117
Taxation payable		–	121
Borrowings – due within one year	23	1,749	2,032
		<b>2,854</b>	<b>3,270</b>
<b>Net current (liabilities) assets</b>		<b>(1,949)</b>	<b>2,276</b>
<b>Total assets less current liabilities</b>		<b>1,023,355</b>	<b>772,197</b>
<b>Non-current liabilities</b>			
Amounts due to subsidiaries		636,369	393,221
Borrowings – due after one year	23	2,833	4,582
		<b>639,202</b>	<b>397,803</b>
<b>Net assets</b>		<b>384,153</b>	<b>374,394</b>
<b>Capital and reserves</b>			
Share capital	25	74,457	72,455
Reserves	27	309,696	301,939
		<b>384,153</b>	<b>374,394</b>

**Kwok Yuk Chiu, Clement**  
Director

**Li Wai Hang, Christina**  
Director

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2005

31

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
				(Note 27)	(Note 27)			
<b>THE GROUP</b>								
At 1 April 2003	72,455	242,572	–	(7,340)	8,531	676	296,355	613,249
Surplus on revaluation of investment properties not recognised in the consolidated income statement	–	–	38,099	–	–	–	–	38,099
Profit attributable to shareholders	–	–	–	–	–	–	71,368	71,368
Dividends paid	–	–	–	–	–	–	(9,057)	(9,057)
At 31 March 2004	72,455	242,572	38,099	(7,340)	8,531	676	358,666	713,659
Exchange differences arising on translation of financial statements of operations in the People's Republic of China (the "PRC")	–	–	–	–	–	596	–	596
Shares issued on exercise of share options at premium	2,002	7,454	–	–	–	–	–	9,456
Surplus on revaluation of investment properties not recognised in the consolidated income statement	–	–	9,232	–	–	–	–	9,232
Deferred tax liability arising on revaluation of an investment property	–	–	(520)	–	–	–	–	(520)
Realised to consolidated income statement on disposal of an investment property	–	–	1,518	–	–	–	–	1,518
Profit attributable to shareholders	–	–	–	–	–	–	51,630	51,630
Dividends paid	–	–	–	–	–	–	(28,753)	(28,753)
At 31 March 2005	74,457	250,026	48,329	(7,340)	8,531	1,272	381,543	756,818



# Consolidated Cash Flow Statement

for the year ended 31 March 2005

Note	2005 HK\$'000	2004 HK\$'000
<b>Operating activities</b>		
Profit from operations	41,220	76,818
Adjustments for:		
Interest income	(907)	(673)
Dividend income from other investments	(61)	–
Depreciation and amortisation	21,007	12,484
Loss (gain) on disposal of property, plant and equipment	1,700	(4,460)
Loss on disposal of an investment property	2,033	–
Surplus on revaluation of investment properties	–	(638)
Unrealised holding loss on other investments	285	279
Operating cash flows before movements in working capital	65,277	83,810
(Increase) decrease in amounts due from (to) customers for contract work	(61,985)	173,984
(Increase) decrease in properties under development	(244,695)	2,014,695
Decrease (increase) in properties held for sale	15,493	(29,687)
Decrease (increase) in debtors, deposits and prepayments	150,870	(157,527)
Increase in amounts due from associates	(540)	–
(Increase) decrease in amounts due from jointly controlled entities	(29,193)	1,370
Increase (decrease) in creditors, deposits and accrued charges	38,237	(12,459)
Increase in amounts due to jointly controlled entities	14,270	67,207
Cash (used in) generated from operations	(52,266)	2,141,393
Hong Kong Profits Tax paid	(13,340)	(14,582)
Foreign Enterprise Income Tax in the PRC paid	(693)	(1,721)
Hong Kong Profits Tax refunded	1,106	65
Dividends received from jointly controlled entities	21,750	–
<b>Net cash (used in) from operating activities</b>	<b>(43,443)</b>	<b>2,125,155</b>

	Note	2005 HK\$'000	2004 HK\$'000
<b>Investing activities</b>			
Costs incurred in properties under development		(389,149)	(73,383)
Acquisition of investments in associates		(42,782)	–
Purchase of property, plant and equipment		(11,357)	(6,208)
Increase in other investments		(3,410)	(3,326)
Decrease (increase) in pledged bank deposits		24,259	(40,988)
Proceeds from disposal of an investment property		21,485	–
Disposal of a subsidiary	29	7,423	–
Redemption of other investment		5,000	5,000
Proceeds from disposal of property, plant and equipment		3,116	8,183
Interest received		907	673
Proceeds from disposal of investment securities		501	–
Dividend received from other investments		61	–
Purchase of investment properties		–	(19,494)
Purchase of investment securities		–	(1,001)
<b>Net cash used in investing activities</b>		<b>(383,946)</b>	<b>(130,544)</b>
<b>Financing activities</b>			
Interest paid		(18,804)	(27,961)
Dividends paid		(28,753)	(9,057)
New obligations under finance leases		–	6,075
Repayment of principal portion of obligations under finance leases		(14,877)	(25,633)
New bank loans raised		561,698	304,207
Repayment of bank loans		(224,617)	(2,080,189)
Repayment of mortgage loans		(3,132)	(2,994)
Increase (decrease) in trust receipt loans		66,352	(31,086)
Capital contributed by minority shareholders		85	404
Proceeds from issue of shares		9,456	–
<b>Net cash from (used in) financing activities</b>		<b>347,408</b>	<b>(1,866,234)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(79,981)</b>	<b>128,377</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>282,840</b>	<b>154,463</b>
<b>Effect of foreign exchange rate change</b>		<b>596</b>	<b>–</b>
<b>Cash and cash equivalents at end of the year</b>		<b>203,455</b>	<b>282,840</b>
Being:			
Bank balances and cash		203,455	282,840

# Notes to the Financial Statements

for the year ended 31 March 2005

## 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment.

## 2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005, except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective dates of acquisition or disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

### 3. Significant Accounting Policies continued

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

#### Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.



### 3. Significant Accounting Policies continued

#### Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

#### Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred.

#### Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Income from property development project undertaken by the Group under the Private Sector Participation Scheme is recognised, when the outcome of the project can be estimated reliably, over the development period on the percentage of completion method, measured by reference to the value of work carried out during the period.

Income from properties developed for sale, where there are no pre-sale prior to completion of development, is recognised on the execution of a binding sales agreement.

### 3. Significant Accounting Policies continued

#### Revenue recognition continued

Income from properties under pre-sale arrangements prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to completion of the development are recorded as customer's deposits received on sale of properties and presented as current liabilities.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

#### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors, deposits and prepayments.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

### 3. Significant Accounting Policies continued

#### Investment properties continued

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held on lease with unexpired terms, including the renewable period, of more than twenty years.

#### Property, plant and equipment

Property, plant and equipment, other than properties under development, are stated at cost less depreciation or amortisation and accumulated impairment losses, if any.

Amortisation is provided to write off the cost of leasehold land over the terms of the relevant leases using the straight line method.

The cost of buildings is depreciated over their estimated useful lives of twenty-five years or, where shorter, the terms of the relevant leases using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the terms of the leases on the same basis as owned assets.

### 3. Significant Accounting Policies continued

#### Assets held under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding principal portions of the commitments are shown as obligations to the Group. The finance charges, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement using actuarial method over the period of the respective leases.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the respective leases.

#### Properties under development

Properties under development under Private Sector Participation Scheme are stated at cost plus development profit recognised to date less any impairment loss where appropriate.

Other properties under development are stated at cost less any impairment loss where appropriate.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

#### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

### 3. Significant Accounting Policies continued

#### Investments in securities continued

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.



### 3. Significant Accounting Policies continued

#### **Taxation** continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All exchange differences arising on consolidation are classified as equity and transferred to translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Retirement benefits scheme contributions**

The retirement benefit costs charged in the consolidated income statement represent the contributions payable in respect of the current year to the Group's retirement benefits schemes.

## 4. Business and Geographical Segments

### Business segments

For management purposes, the Group is currently organised into three operating divisions – construction works, property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

### For the year ended 31 March 2005

### INCOME STATEMENT

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)	(Note)			
<b>TURNOVER</b>					
External sales	2,468,450	23,767	28,734	3,557	2,524,508
<b>RESULT</b>					
Segment result	41,455	1,702	19,352	(527)	61,982
Interest income					907
Unallocated corporate expenses					(21,669)
Profit from operations					41,220
Finance costs					(3,279)
Gain on disposal of a subsidiary					5,430
Share of results of jointly controlled entities	22,238				22,238
Profit before taxation					65,609
Taxation					(14,129)
Profit before minority interests					51,480
Minority interests					150
Profit attributable to shareholders					51,630

#### 4. Business and Geographical Segments continued

##### Business segments continued

At 31 March 2005

##### BALANCE SHEET

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)	(Note)			
ASSETS					
Segment assets	861,547	1,094,328	248,931	23,992	2,228,798
Interests in jointly controlled entities	100,447				100,447
Interests in associates		43,322	80,229		123,551
Unallocated corporate assets					285,034
Consolidated total assets					<u>2,737,830</u>
LIABILITIES					
Segment liabilities	600,901	835,640	18,306	1,185	1,456,032
Amounts due to jointly controlled entities	93,016				93,016
Unallocated corporate liabilities					429,242
Consolidated total liabilities					<u>1,978,290</u>

##### OTHER INFORMATION

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	11,345	–	–	12	–	11,357
Depreciation and amortisation	37,860	–	–	164	–	38,024
Loss on disposal of property, plant and equipment	1,700	–	–	–	–	1,700
Loss on disposal of an investment property	–	–	2,033	–	–	2,033
Unrealised holding loss on other investments	–	–	–	–	285	285

#### 4. Business and Geographical Segments continued

##### Business segments continued

For the year ended 31 March 2004

##### INCOME STATEMENT

	Construction works HK\$'000 (Note)	Property development HK\$'000 (Note)	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	3,080,784	59,672	18,362	–	3,158,818
RESULT					
Segment result	66,586	5,866	18,232	559	91,243
Interest income					673
Unallocated corporate expenses					(15,098)
Profit from operations					76,818
Finance costs					(3,921)
Share of results of jointly controlled entities	23,072				23,072
Profit before taxation					95,969
Taxation					(24,583)
Profit before minority interests					71,386
Minority interests					(18)
Profit attributable to shareholders					71,368

#### 4. Business and Geographical Segments continued

##### Business segments continued

At 31 March 2004

##### BALANCE SHEET

	Construction works HK\$'000 (Note)	Property development HK\$'000 (Note)	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>					
Segment assets	1,005,011	486,234	234,855	5,950	1,732,050
Interests in jointly controlled entities	76,574				76,574
Interests in associates			80,229		80,229
Unallocated corporate assets					394,179
Consolidated total assets					<b>2,283,032</b>
<b>LIABILITIES</b>					
Segment liabilities	730,239	337,006	8,639	650	1,076,534
Amounts due to jointly controlled entities	78,746				78,746
Unallocated corporate liabilities					411,306
Consolidated total liabilities					<b>1,566,586</b>

##### OTHER INFORMATION

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	10,424	–	19,494	11	–	29,929
Depreciation and amortisation	43,300	–	–	245	–	43,545
Unrealised holding loss on other investments	–	–	–	–	279	279

Note: Turnover, segment results, and respective segment assets and segment liabilities derived from the property development project under the Private Sector Participation Scheme in Yuen Long are classified under construction works for segment reporting disclosure purpose.

Turnover, segment results, and respective segment assets and segment liabilities derived from the MTRC Choi Hung Park and Ride Development in Kowloon and other property development projects in the PRC are classified under property development for segment reporting disclosure purpose.

#### 4. Business and Geographical Segments continued

##### Geographical segments

The Group's operations are mainly located in Hong Kong and elsewhere in the PRC.

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	31 March 2005 HK\$'000	31 March 2004 HK\$'000	Year ended 31 March 2005 HK\$'000	Year ended 31 March 2004 HK\$'000
Hong Kong	2,349,524	2,199,557	11,357	10,435
Elsewhere in the PRC	388,306	83,475	–	19,494
	<b>2,737,830</b>	<b>2,283,032</b>	<b>11,357</b>	<b>29,929</b>



## 5. Profit from Operations

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,580	1,432
Depreciation and amortisation on:		
Owned assets	34,319	33,683
Assets held under finance leases	3,705	9,862
	38,024	43,545
Less: Amount attributable to contract work	(17,017)	(31,061)
	21,007	12,484
Loss on disposal of property, plant and equipment	1,700	—
Loss on disposal of an investment property	2,033	—
Unrealised holding loss on other investments	285	279
Operating lease rentals for:		
Land and buildings	5,118	5,244
Plant and machinery	31,233	19,462
	36,351	24,706
Less: Amount attributable to contract work	(33,086)	(21,174)
	3,265	3,532
Staff costs, including Directors' emoluments	430,750	372,326
Less: Amount attributable to contract work	(349,461)	(300,285)
Amount attributable to properties under development	(2,028)	(2,292)
	79,261	69,749
and after crediting:		
Interest income	907	673
Dividend income from other investments	61	—
Gain on disposal of property, plant and equipment	—	4,460
Rental income from investment properties, net of outgoings of HK\$1,352,000 (2004: HK\$768,000)	27,382	17,594

## 6. Directors' and Employees' Emoluments

### (a) Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive Directors	–	–
Independent Non-executive Directors	536	564
Other emoluments to Executive Directors:		
Salaries and other benefits	12,440	9,688
Retirement benefit scheme contributions	353	213
	<b>13,329</b>	<b>10,465</b>

The Directors' emoluments were within the following bands:

	2005 Number of Directors	2004 Number of Directors
Nil to HK\$1,000,000	6	4
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–

### (b) Employees' emoluments

The five highest paid individuals included three (2004: three) Executive Directors whose emoluments are included above. The emoluments of the remaining two (2004: two) individuals are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	4,611	4,067
Retirement benefit scheme contributions	117	110
	<b>4,728</b>	<b>4,177</b>

The employees' emoluments were within the following bands:

	2005 Number of employees	2004 Number of employees
HK\$2,000,001 to HK\$2,500,000	2	2

## 7. Finance Costs

	2005 HK\$'000	2004 HK\$'000
Interest payable on:		
Bank borrowings wholly repayable within five years	18,380	27,009
Finance leases	424	952
	18,804	27,961
Less: Amount attributable to contract work	(6,492)	(8,096)
Amount attributable to properties under development	(9,033)	(15,944)
	3,279	3,921

## 8. Taxation

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	16,513	11,012
– under(over)provision in prior years	593	(1,142)
	17,106	9,870
– Foreign Enterprise Income Tax in the PRC	693	1,720
	17,799	11,590
Deferred taxation		
– Hong Kong Profits Tax		
– current year	(9,478)	7,595
– attributable to a change in tax rate	–	1,249
	8,321	20,434
Share of taxation attributable to jointly controlled entities	5,808	4,149
	14,129	24,583

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

Details of the deferred taxation are set out in note 24.

## 8. Taxation continued

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	65,609	95,969
Tax at the Hong Kong Profits Tax rate of 17.5%	11,482	16,795
Tax effect of share of results of jointly controlled entities	1,916	111
Tax effect of expenses not deductible for tax purpose	996	902
Tax effect of income not taxable for tax purpose	(399)	(300)
Under(over)provision in prior years	593	(1,142)
Tax effect of tax losses and other deductible temporary differences for current year not recognised	1,086	4,779
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	(5,374)	(746)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	–	1,249
Effect of different tax rates of operations in other jurisdictions	1,905	1,793
Others	1,924	1,142
Tax charge for the year	14,129	24,583

## 9. Dividends Paid

	2005 HK\$'000	2004 HK\$'000
Interim dividend paid in respect of 2005 of HK1.25 cents (2004: HK1.25 cents) per share	9,307	9,057
Final dividend paid in respect of 2004 of HK2.65 cents (2003: Nil) per share	19,446	–
	28,753	9,057

The final dividend of HK1.25 cents (2004: HK2.65 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

## 10. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2005 HK\$'000	2004 HK\$'000
Earnings for the purposes of basic and diluted earnings per share – Profit attributable to shareholders	51,630	71,368
	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	736,211,770	724,545,896
Effect of dilutive potential shares in respect of share options	5,688,459	3,876,395
Weighted average number of shares for the purpose of diluted earnings per share.	741,900,229	728,422,291

## 11. Investment Properties

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
VALUATION		
At beginning of the year	231,393	31,089
Transfer from properties held for sales (Note 19)	14,194	–
Transfer from properties under development	–	142,073
Addition	–	19,494
Disposal	(22,000)	–
Revaluation increase	9,232	38,737
At end of the year	232,819	231,393

The investment properties of the Group were leased out for rental purposes under operating leases. The investment properties in Hong Kong and the PRC were revalued by Centaline Surveyors Limited, Savills (Hong Kong) Limited, RHL Appraisal Limited and Vigers Appraisal & Consulting Limited, firms of independent professional valuers, as at 31 March 2005 on an open market value basis. These valuations gave rise to a net revaluation increase of HK\$9,232,000, which is credited to the investment property revaluation reserve.

The investment properties are held under medium-term lease and are situated in the following locations:

	2005 HK\$'000	2004 HK\$'000
Hong Kong	186,000	181,000
Elsewhere in the PRC	46,819	50,393
	232,819	231,393

## 12. Property, Plant and Equipment

	THE GROUP				THE COMPANY	
	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Leasehold land and buildings HK\$'000
<b>COST</b>						
At 1 April 2004	66,265	496,642	47,152	30,993	641,052	49,086
Additions	–	6,251	3,778	1,328	11,357	–
Disposals	–	(6,815)	(173)	(684)	(7,672)	–
<b>At 31 March 2005</b>	<b>66,265</b>	<b>496,078</b>	<b>50,757</b>	<b>31,637</b>	<b>644,737</b>	<b>49,086</b>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1 April 2004	12,004	312,807	29,965	19,911	374,687	10,379
Provided for the year	1,613	30,033	4,659	1,719	38,024	1,255
Eliminated on disposals	–	(2,316)	(120)	(420)	(2,856)	–
<b>At 31 March 2005</b>	<b>13,617</b>	<b>340,524</b>	<b>34,504</b>	<b>21,210</b>	<b>409,855</b>	<b>11,634</b>
<b>NET BOOK VALUES</b>						
<b>At 31 March 2005</b>	<b>52,648</b>	<b>155,554</b>	<b>16,253</b>	<b>10,427</b>	<b>234,882</b>	<b>37,452</b>
At 31 March 2004	54,261	183,835	17,187	11,082	266,365	38,707

The net book values of leasehold land and buildings held by the Group and the Company at the balance sheet date comprise the following:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Properties in Hong Kong held under medium-term lease	49,351	50,866	37,452	38,707
Properties in the PRC held under:				
Long lease	949	965	–	–
Medium-term lease	2,348	2,430	–	–
	<b>52,648</b>	<b>54,261</b>	<b>37,452</b>	<b>38,707</b>

The net book value of the Group's property, plant and equipment includes an amount of HK\$7,499,000 (2004: HK\$40,636,000) and HK\$6,351,000 (2004: HK\$8,543,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.



### 13. Properties under Development

#### The Group

At 31 March 2005, the properties under development represent the property development project under the MTRC Choi Hung Park and Ride Development in Kowloon, Hong Kong and other property development projects in the PRC.

The carrying amounts of land portion included in properties under development comprise:

	2005 HK\$'000	2004 HK\$'000
Land in Hong Kong		
Medium-term lease	313,690	207,000
Land in the PRC		
Long lease	147,798	–
Medium-term lease	190,392	–
	<b>651,880</b>	<b>207,000</b>

At 31 March 2005, interest capitalised included in properties under development amounted to HK\$24,163,000 (2004: HK\$15,130,000).

The residential portion of the MTRC Choi Hung Park and Ride Development in Kowloon, Hong Kong included in properties under development is held for sale and classified as current assets.

### 14. Interests in Subsidiaries

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	77,192	77,192
Amounts due from subsidiaries	910,660	654,022
	<b>987,852</b>	<b>731,214</b>

Particulars of the Company's principal subsidiaries at 31 March 2005 are set out in note 36.

Amounts due from subsidiaries are unsecured, interest free and will not be repayable within the next twelve months from the balance sheet date.

## 15. Interests in Associates

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	42,783	1
Amount due from an associate	79,741	79,741
	<b>122,524</b>	<b>79,742</b>

The Group's share of results of associates have not been accounted for in the consolidated income statement as, in the opinion of the Directors, the results of the associates attributable to the Group are insignificant.

The amount due from an associate is unsecured, interest free and will not be repayable within the next twelve months from the balance sheet date.

Particulars of the Group's principal associates as at 31 March 2005 are set out in note 37.

## 16. Interests in Jointly Controlled Entities

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets of jointly controlled entities	29,426	34,746

Particulars of the jointly controlled entities as at 31 March 2005 are set out in note 38.

## 17. Investments

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other investments:				
– Debt securities:				
Unlisted	–	5,000	–	5,000
– Equity securities:				
Listed – Hong Kong	6,172	3,047	–	–
– Guaranteed fund:				
Listed – Hong Kong	1,002	1,002	–	–
	7,174	9,049	–	5,000
Investment securities:				
– Equity securities:				
Unlisted	500	1,001	–	–
	7,674	10,050	–	5,000
Total securities:				
Unlisted	500	6,001	–	5,000
Listed – Hong Kong	7,174	4,049	–	–
	7,674	10,050	–	5,000
Market value of listed securities	7,236	4,112	–	–
Carrying amount analysed for reporting purposes as:				
Non-current	1,002	2,003	–	–
Current	6,672	8,047	–	5,000
	7,674	10,050	–	5,000

## 18. Amounts due from (to) Customers for Contract Work

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Costs incurred to date plus recognised profits		
less recognised losses	7,669,823	6,377,062
Less: Progress billings	(7,564,459)	(6,357,192)
	105,364	19,870
Represented by:		
Due from customers included in current assets	321,253	258,201
Due to customers included in current liabilities	(215,889)	(238,331)
	105,364	19,870

## 19. Properties Held for Sale

The properties held for sale at 31 March 2004, which were stated at cost, are located in Zhongshan City, Guangdong Province of the PRC. During the year, properties held for sale amounting to HK\$14,194,000 were transferred to investment properties.

## 20. Debtors, Deposits and Prepayments

Interim applications for progress payments in construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of trade debtors of HK\$158,367,000 (2004: HK\$307,269,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2005	2004
	HK\$'000	HK\$'000
Not yet due	155,285	285,552
0 to 30 days	2,945	9,116
31 to 90 days	102	10,701
91 to 180 days	35	969
Over 180 days	—	931
	158,367	307,269

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK\$160,868,000 (2004: HK\$163,865,000).

The Company did not have any trade debtors at the balance sheet date.

## 21. Creditors, Deposits and Accrued Charges

The ageing analysis of trade creditors of HK\$267,659,000 (2004: HK\$337,582,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2005 HK\$'000	2004 HK\$'000
Not yet due	197,447	221,019
0 to 30 days	33,313	84,096
31 to 90 days	25,557	17,304
91 to 180 days	3,640	8,661
Over 180 days	7,702	6,502
	<b>267,659</b>	<b>337,582</b>

At the balance sheet date, deposits received from pre-sale of properties under development included in creditors, deposits and accrued charges amounted to HK\$138,590,000 (2004: Nil).

The Company did not have any trade creditors at the balance sheet date.

## 22. Obligations under Finance Leases

	Minimum payments		Present value of minimum payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP				
Within one year	6,062	15,219	5,833	14,890
More than one year, but not exceeding two years	2,085	5,974	2,031	5,877
More than two years, but not exceeding five years	442	2,433	434	2,408
	<b>8,589</b>	<b>23,626</b>	<b>8,298</b>	<b>23,175</b>
Less: Future finance charges	(291)	(451)	–	–
Present value of lease obligations	<b>8,298</b>	<b>23,175</b>	<b>8,298</b>	<b>23,175</b>
Less: Amount due within one year shown under current liabilities			(5,833)	(14,890)
Amount due after one year			<b>2,465</b>	<b>8,285</b>

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms ranging from two to three years. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

## 23. Borrowings

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings comprise:				
Trust receipt loans	145,500	79,148	–	–
Bank loans	931,390	594,309	–	–
Mortgage loans	7,637	10,769	4,582	6,614
	<b>1,084,527</b>	<b>684,226</b>	<b>4,582</b>	<b>6,614</b>
Analysed as:				
Secured	778,727	512,078	4,582	6,614
Unsecured	305,800	172,148	–	–
	<b>1,084,527</b>	<b>684,226</b>	<b>4,582</b>	<b>6,614</b>
The borrowings are repayable as follows:				
Within one year or on demand	685,731	269,197	1,749	2,032
More than one year, but not exceeding two years	34,264	351,299	1,081	1,761
More than two years, but not exceeding five years	364,532	63,730	1,752	2,821
	<b>1,084,527</b>	<b>684,226</b>	<b>4,582</b>	<b>6,614</b>
Less: Amount due within one year shown under current liabilities	(685,731)	(269,197)	(1,749)	(2,032)
Amount due after one year	<b>398,796</b>	<b>415,029</b>	<b>2,833</b>	<b>4,582</b>



## 24. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other temporary difference HK\$'000	Revaluation of investment properties HK\$'000	Total HK\$'000
At 1 April 2003	(37,287)	10,640	13,325	–	(13,322)
(Charge) credit to consolidated income statement for the year	5,491	(7,080)	(6,006)	–	(7,595)
Effect of change in tax rate	(3,496)	998	1,249	–	(1,249)
At 31 March 2004	(35,292)	4,558	8,568	–	(22,166)
(Charge) credit to consolidated income statement for the year	3,977	(3,097)	8,598	–	9,478
Charge to equity for the year	–	–	–	(520)	(520)
At 31 March 2005	(31,315)	1,461	17,166	(520)	(13,208)

At 31 March 2005, the Group has unused tax losses of HK\$112,833,000 (2004: HK\$149,901,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$8,349,000 (2004: HK\$26,047,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$104,484,000 (2004: HK\$123,854,000) losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$4,139,000 (2004: HK\$599,000) that will expire from 2005 to 2010. Other losses may be carried forward indefinitely.

## 25. Share Capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At beginning and at end of the years 2004 and 2005	1,500,000,000	150,000
Issued and fully paid:		
At beginning and at end of the year 2004	724,545,896	72,455
Exercise of share options	20,020,000	2,002
At end of the year 2005	744,565,896	74,457

## 26. Share Option Schemes

### (a) Chun Wo Scheme

On 28 August 2002, a new share option scheme was adopted by the Company (the "Chun Wo Scheme") for the primary purpose of providing the directors and employees of, as well as technical, financial or corporate managerial advisers and consultants to, the Company and its subsidiaries (the "Eligible Personnel") with the opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Directors of the Company (the "Board") will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Chun Wo Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the "Scheme Limit"). No options will be granted under the Chun Wo Scheme at any time if such grant will result in the Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo Scheme and all other share option schemes of the Company shall not exceed 10% of the shares in issue on the adoption date (the "Scheme Mandate Limit"), subject to refresher of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Chun Wo Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. HK\$1 is payable by the eligible personnel upon acceptance of the share options within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the relevant date of grant, in excess of HK\$5 million,

such further grant of options must be approved (voting by way of poll) by the shareholders of the Company.

## 26. Share Option Schemes continued

### (a) Chun Wo Scheme continued

The option period of a particular option is the period during which the option can be exercised, such period is to be notified by the Board to each grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the date of grant.

The subscription price shall be such price determined by the Board in its absolute discretion and will be notified to the Eligible Personnel in the offer and shall be no less than the highest of:

- (i) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

The Chun Wo Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002.

Details of the movements in share options are as follows:

#### For the year ended 31 March 2005

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options			
				Outstanding at 1 April 2004	Granted during the year	Exercised during the year	Outstanding at 31 March 2005
Directors	13 August 2004	0.904	21 August 2004–12 August 2014	–	10,986,000	–	10,986,000
	15 November 2004	1.162	15 November 2004–14 November 2009	–	3,200,000	–	3,200,000
Consultants	24 October 2003	0.290	24 October 2003–23 October 2004	14,488,000	–	(14,488,000)	–
	3 September 2004	0.950	4 October 2004–30 September 2009	–	400,000	–	400,000
Employees	13 August 2004	0.904	21 August 2004–12 August 2014	–	7,326,000	–	7,326,000
	3 September 2004	0.950	4 October 2004–30 September 2009	–	11,650,000	(5,532,000)	6,118,000
				14,488,000	33,562,000	(20,020,000)	28,030,000

## 26. Share Option Schemes continued

### (a) Chun Wo Scheme continued

For the year ended 31 March 2004

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options			
				Outstanding at 1 April 2003	Granted during the year	Exercised during the year	Outstanding at 31 March 2004
Directors	–	–	–	–	–	–	–
Consultants	24 October 2003	0.290	24 October 2003–23 October 2004	–	14,488,000	–	14,488,000
				–	14,488,000	–	14,488,000

The Group received HK\$54 (2004: HK\$2) as consideration during the year for taking up the options granted.

The weighted average closing price of the shares at the dates on which the option was exercised was HK\$1.05.

### (b) Foundations Scheme

On 28 August 2002, a new share option scheme of Chun Wo Foundations Limited ("CWF"), an indirect wholly-owned subsidiary of the Company, (the "Foundations Scheme") was approved by the Company for the primary purpose of providing the directors and employees of, as well as technical, financial or corporate managerial advisers and consultants (the "eligible personnel") to, CWF, the Company and their respective subsidiaries with the opportunity to acquire proprietary interests in CWF, which will encourage the grantees of such options to work towards enhancing the value of CWF and its shares for the benefit of CWF and its shareholders as a whole. The directors of CWF (the "Board of CWF") will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board of CWF either on a case-by-case basis or generally.

The overall limit on the number of shares in CWF which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Foundations Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time ("Chun Wo Foundations Scheme Limit"). No options will be granted under the Foundations New Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations Scheme and all other share option schemes of CWF shall not exceed 10% of the shares in CWF in issue on the adoption date (the "Chun Wo Foundations Scheme Mandate Limit"), subject to refresher of the Chun Wo Foundations Scheme Mandate Limit. Options lapsed in accordance with the terms of the Foundations Scheme or any other share option schemes of CWF shall not be counted for the purpose of calculating the Chun Wo Foundations Scheme Mandate Limit.

## 26. Share Option Schemes continued

### (b) Foundations Scheme continued

The total number of shares in CWF issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in CWF in issue. HK\$1 is payable by the eligible personnel upon acceptance of the share options within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director of CWF or the Company, or any of their respective associates, would result in the shares in CWF issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in CWF in issue; and
- (b) having an aggregate value, assuming such option were exercised and based on the net asset value per share by reference to the latest audited accounts of CWF, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll).

The option period of a particular option is the period during which the option can be exercised, such period is to be notified by the Board of CWF to each grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the date of grant.

The Foundations Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Foundations Scheme eligible personnel in the offer and shall be no less than the higher of:

- (a) the net asset value per share of CWF as calculated by dividing (a) the audited net asset value of CWF as set out in the audited financial statements immediately preceding the offer date by (b) the number of shares of CWF in issue and credited as fully paid as at the offer date; and
- (b) the nominal value of a share of CWF on the offer date.

The Foundations Scheme is valid and effective for a period for 10 years commencing on the adoption date, i.e. 28 August 2002.

No option has been granted under the Foundations Scheme since its adoption.

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the outstanding options.

## 27. Reserves

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
SHARE PREMIUM				
At beginning of the year	242,572	242,572	242,572	242,572
Shares issued on exercise of share options at premium	7,454	—	7,454	—
At end of the year	250,026	242,572	250,026	242,572
INVESTMENT PROPERTY REVALUATION RESERVE				
At beginning of the year	38,099	—	—	—
Surplus on revaluation of investment properties	9,232	38,099	—	—
Deferred tax liability arising on revaluation of an investment property	(520)	—	—	—
Realised to consolidated income statement on disposal of an investment property	1,518	—	—	—
At end of the year	48,329	38,099	—	—
SPECIAL RESERVE				
At beginning and end of the year	(7,340)	(7,340)	—	—
CONTRIBUTED SURPLUS				
At beginning and end of the year	—	—	52,552	52,552
CAPITAL RESERVE				
At beginning and end of the year	8,531	8,531	—	—
TRANSLATION RESERVE				
At beginning of the year	676	676	—	—
Exchange differences arising on translation of financial statements of operations in the PRC	596	—	—	—
At end of the year	1,272	676	—	—
RETAINED PROFITS				
At beginning of the year	358,666	296,355	6,815	5,966
Profit attributable to shareholders	51,630	71,368	29,056	9,906
Dividends paid	(28,753)	(9,057)	(28,753)	(9,057)
At end of the year	381,543	358,666	7,118	6,815
TOTAL RESERVES	682,361	641,204	309,696	301,939

Included in the retained profits of the Group as at 31 March 2005 is an amount attributable to jointly controlled entities of HK\$29,426,000 (2004: HK\$34,746,000).



## 27. Reserves continued

In the opinion of the Directors, the Company's reserves available for distribution to the shareholders were as follows:

	2005 HK\$'000	2004 HK\$'000
Contributed surplus	52,552	52,552
Retained profits	7,118	6,815
	<b>59,670</b>	<b>59,367</b>

The special reserve of the Group represents the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

The capital reserve of the Group mainly represents the amount of profit capitalisation upon allotment of share capital of Chun Wo Foundations Limited during the year ended 31 March 1997.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Chun Wo Hong Kong Limited at the date on which the group reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation in 1993.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

## 28. Non-cash Transactions

- (a) During the year ended 31 March 2004, the Group entered into finance leases in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$4,227,000. The Group did not enter into any finance lease during the year ended 31 March 2005.
- (b) During the year ended 31 March 2005, properties held for sale of HK\$14,194,000 were transferred to investment properties.

## 29. Disposal of a Subsidiary

During the year, the Group entered into a sale and purchase agreement to dispose of its beneficial interest in Bright Wealth Profits Limited, a wholly-owned subsidiary of the Group, to a company which is wholly and beneficially owned by Mr. Pang Kam Chun, a director and shareholder of the Company, at a net consideration of HK\$7,427,000 (consideration of HK\$7,830,000 less administrative expenses of HK\$403,000).

	2005 HK\$'000	2004 HK\$'000
NET ASSETS DISPOSED OF		
Debtors, deposits and prepayments	2,000	—
Bank balances and cash	4	—
Creditors, deposits and accrued charges	(7)	—
	1,997	—
Gain on disposal	5,430	—
	7,427	—
Satisfied by:		
Net cash consideration	7,427	—
Net cash inflow arising on disposal:		
Bank balances and cash disposed of	(4)	—
Net cash consideration	7,427	—
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	7,423	—

The subsidiary disposed of during the year did not have any material effect on the turnover and the operating profit of the Group.

### 30. Retirement Benefit Scheme

#### Hong Kong

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions of HK\$14,825,000 (2004: HK\$14,998,000) after forfeited contributions utilised of HK\$486,000 (2004: HK\$1,164,000).

At the balance sheet date, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

#### PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the respective schemes.

### 31. Operating Lease Arrangements

#### The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	3,774	1,691
In the second to fifth year inclusive	401	318
	<b>4,175</b>	<b>2,009</b>

Operating leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company did not have any operating lease commitments at the balance sheet date.

### 31. Operating Lease Arrangements continued

#### The Group as lessor:

Property rental income earned during the year was HK\$28,734,000 (2004: HK\$18,362,000). The properties held have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	19,134	28,683
In the second to fifth year inclusive	18,033	44,190
After five years	3,249	4,869
	<b>40,416</b>	<b>77,742</b>

### 32. Capital Commitments

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	<b>101</b>	<b>3,424</b>

The Company did not have any significant capital commitments at the balance sheet date.

### 33. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:				
– subsidiaries	147,685	258,663	87,666	109,584
– an associate	22,400	22,400	22,400	22,400
– jointly controlled entities	134,417	84,443	134,417	46,195
	<b>304,502</b>	<b>365,506</b>	<b>244,483</b>	<b>178,179</b>
Extent of guarantees issued to financial institutions to secure credit facilities granted to:				
– subsidiaries	–	–	2,043,716	1,384,026
– an associate	48,000	48,000	48,000	48,000
	<b>48,000</b>	<b>48,000</b>	<b>2,091,716</b>	<b>1,432,026</b>
Extent of guarantee issued to a customer to indemnify contract work of a subsidiary	<b>115,900</b>	<b>115,900</b>	<b>115,900</b>	<b>115,900</b>

During the year ended 31 March 2002, a guarantee was issued by a joint venture partner of a jointly controlled entity in favour of a financial institution to the extent of HK\$20,000,000 in respect of credit facilities granted to that jointly controlled entity. In consideration of the joint venture partner entering into the aforesaid guarantee, the Company has, accordingly, entered into a deed of indemnity to indemnify the joint venture partner in proportion to the Group's interest in the jointly controlled entity of any payments which are required to be made by the joint venture partner in respect of the aforesaid guarantee. The deed of indemnity was released subsequent to the balance sheet date.

The extent of such facilities utilised by the jointly controlled entity at 31 March 2005 amounted to Nil (2004: approximately HK\$75,000).

### 34. Pledge of Assets

- (a) At 31 March 2005, the Group's leasehold properties in Hong Kong with carrying values of approximately HK\$29,269,000 (2004: HK\$30,310,000), bank deposits of HK\$5,866,000 (2004: HK\$5,851,000), and the benefits under a construction contract have been pledged to banks as securities for credit facilities granted to the Group.
- (b) At 31 March 2005, all the Group's interests in the properties under development in Hong Kong with carrying values of approximately HK\$749,802,000 (2004: HK\$447,307,000) and bank deposit of HK\$23,381,000 (2004: HK\$50,000,000) have been pledged to certain banks as securities for bank loans amounting to HK\$1,300,000,000 (2004: HK\$700,000,000) granted to subsidiaries.
- (c) At 31 March 2005, the Group's investment properties with carrying values of approximately HK\$175,000,000 (2004: HK\$172,000,000) and bank deposit of HK\$9,458,000 (2004: HK\$7,113,000) have been pledged to certain banks as securities for a bank loan amounting to HK\$95,000,000 (2004: HK\$95,000,000) granted to a subsidiary.

### 35. Related Party Transactions

During the year, the Group had the following related party transactions:

		Associates		Jointly controlled entities	
	Notes	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Transactions during the year:					
Contract revenue recognised	(a)	—	—	125,668	55,735
Project management fee received	(a)	—	—	2,684	8,511
Rental income received	(a)	—	—	50	255
Security guard services income received	(a)	—	—	1,332	1,661
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties		22,400	22,400	134,417	84,443
Extent of guarantee issued to a financial institution to secure a credit facility granted to a related party		48,000	48,000	—	—
Amounts due from related parties:					
Due from an associate (note 15)	(b)	79,741	79,741	—	—
Trade balances shown under current assets	(c)	1,027	487	71,021	41,828
		80,768	80,228	71,021	41,828
Amounts due to related parties:					
Trade balances shown under current liabilities	(c)	—	—	93,016	78,746



### 35. Related Party Transactions continued

In addition to the above, the Group had the following related party transactions:

- (i) A subsidiary of the Company acts as one of the co-borrowers to a financial institution for credit facilities of HK\$20,000,000 (2004: HK\$20,000,000) granted to a jointly controlled entity as detailed in note 33.
- (ii) During the year ended 31 March 2005, the Group entered into a sale and purchase agreement to dispose of its beneficial interest in Bright Wealth Profits Limited, a wholly-owned subsidiary of the Group, to a company which is wholly and beneficially owned by Mr. Pang Kam Chun, a director and shareholder of the Company, at a net consideration of HK\$7,427,000.
- (iii) During the year ended 31 March 2004, the Group entered into a sale and purchase agreement to acquire a commercial property for investment purpose from the son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina, both are directors and shareholders of the Company. The consideration for the acquisition was RMB20,000,000 (approximately HK\$18,868,000).

Notes:

- (a) The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- (b) The amount is unsecured, interest free and will not be repayable within the next twelve months.
- (c) The amounts are unsecured, interest free and are repayable on demand.

### 36. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company/ subsidiaries		Principal activities
			%	attributable to the Group %	
Caine Developments Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding and construction
Chun Wo Civil Engineering Limited	Hong Kong	HK\$18,000,000 ordinary shares	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$4,100,000 ordinary shares	100	100	Construction
		HK\$9,000,000 non-voting deferred shares	(note 1 below)		
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	Security guard services
Guangzhou Wah Chun Construction and Engineering Company Limited ("Guangzhou Wah Chun")	PRC	RMB13,750,000 registered capital	(note 2 below)		Construction

### 36. Particulars of Principal Subsidiaries continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company/ subsidiaries		Principal activities
			%	attributable to the Group %	
Kamlight Construction Company Limited	Hong Kong	HK\$8,000,000 ordinary shares	100	100	Securities investment
Racing Way Group Limited	British Virgin Islands	US\$1 ordinary	100	100	Investment holding
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property development
Rich Score Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment
Shanghai Jin Chun Wo Construction Engineering Co., Ltd.	PRC	US\$3,000,000 registered capital	99 (note 3 below)	99 (note 3 below)	Construction
Smart Rise Investment Limited	Hong Kong	HK\$2 ordinary shares	100	100	Securities investment
石家莊俊景房地產開發有限公司	PRC	HK\$150,000,000 registered capital	100 (note 4 below)	100 (note 4 below)	Property development
揚州俊杰房地產開發有限公司	PRC	HK\$45,000,000 registered capital	100 (note 4 below)	100 (note 4 below)	Property development
宜興龍譽房地產開發有限公司	PRC	US\$20,000,000 registered capital (note 5 below)	100 (note 4 below)	100 (note 4 below)	Property development

### 36. Particulars of Principal Subsidiaries continued

Notes:

1. The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.
2. Pursuant to an agreement with the joint venture partner of Guangzhou Wah Chun, the Group is responsible for contributing all of the equity capital totalling RMB13,750,000 to Guangzhou Wah Chun. The Group is only entitled to 60% of the results of the subsidiary. The subsidiary is registered as a sino-foreign cooperative joint venture company.
3. The subsidiary is registered as a sino-foreign equity joint venture company.
4. The subsidiaries are wholly foreign owned enterprise.
5. The Group has submitted an application to relevant government authorities for reduction of registered capital from US\$20,000,000 to US\$5,000,000.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31 March 2005 or at any time during the year.

### 37. Particulars of Principal Associates

Particulars of the Group's principal associates as at 31 March 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Nominal value of issued share capital	Percentage of issued share capital held by the Group %	Principal activities
Grand View Properties Limited	Incorporated	Hong Kong	HK\$10 ordinary shares	40	Property investment
Vietnam Land (HK) Limited	Incorporated	British Virgin Islands	US\$25,000,000 ordinary shares	20	Investment holding

The above table lists the associates of the Group which, in the opinion of the Directors, principally formed a substantial portion of the share of net assets of the associates of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

### 38. Particulars of Jointly Controlled Entities

Particulars of the Group's jointly controlled entities as at 31 March 2005 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Principal activities
Maeda – Chun Wo Joint Venture	Unincorporated	Hong Kong	30	Construction
Dumez GTM – Chun Wo Joint Venture	Unincorporated	Hong Kong	25	Construction
Maeda – Chun Wo Joint Venture (Viaducts)	Unincorporated	Hong Kong	45	Construction
Chun Wo – Fujita – Henryvicy Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo – Henryvicy – China Railway Construction Corporation Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo – Henryvicy – China Railway Construction Corporation – Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	Construction
Chun Wo – U-Tech Joint Venture	Unincorporated	Hong Kong	60	Construction
Chun Wo – Fujita Joint Venture	Unincorporated	Hong Kong	60	Construction
Cheng Long – Chan Chun – Chun Wo Joint Venture	Unincorporated	Taiwan	33	Construction

Notes: No capital has been contributed by the joint venture partners of all the above jointly controlled entities.

	Year ended 31 March				
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
<b>RESULTS</b>					
Turnover	2,719,882	2,310,152	2,450,101	3,158,818	2,524,508
Profit before taxation	53,816	61,067	27,064	95,969	65,609
Taxation	(7,945)	(20,218)	(21,284)	(24,583)	(14,129)
Profit before minority interests	45,871	40,849	5,780	71,386	51,480
Minority interests	510	481	(185)	(18)	150
Profit attributable to shareholders	46,381	41,330	5,595	71,368	51,630
	At 31 March				
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	2,373,817	3,053,398	3,851,353	2,283,032	2,737,830
Total liabilities	(1,782,053)	(2,432,957)	(3,235,739)	(1,566,586)	(1,978,290)
Minority interests	(311)	(107)	(2,365)	(2,787)	(2,722)
Shareholders' funds	591,453	620,334	613,249	713,659	756,818

## Practice Note 19 to the Listing Rules

In compliance with Practice Note 19 to the Listing Rules, the information in relation to the proforma combined balance sheet of certain affiliates and the Group's attributable interest in these affiliates based on the unaudited management accounts as at 31 March 2005 is as follows:

	Unaudited proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	480,875	159,246
Current assets	627,075	359,433
Current liabilities	(633,367)	(323,741)
Non-current liabilities	(306,780)	(122,729)
	167,803	72,209
Capital and reserves	167,803	72,209



## Properties Held for Development/Sale

Location	Stage of completion	Expected date of completion	Usage	Total estimated site area (square metres)	Total estimated gross floor area (square metres)	Group's interest
New Kowloon Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Superstructure work in progress	August 2005	Residential, commercial and carpark	3,197	32,504	100%
A parcel of land located at southern portion of Jiunan Road, Henan Village Huanke Garden, Yixing Jiangsu Province The People's Republic of China	Design work in progress	March 2007	Commercial and carpark	22,417	26,900	100%
A parcel of land located between northern portion of He Ping Road and southern portion of Guang Hua Road, Shijiazhuang Hebei Province The People's Republic of China	Design work in progress	December 2009	Residential, commercial and carpark	111,554	381,000	100%
A parcel of land located at the western portion of Yangzijiang Road Central Yangzhou, Jiangsu Province The People's Republic of China	Design work in progress	June 2007	Residential, commercial and carpark	17,505	29,759	100%

## Properties Held for Investment

Location	Usage	Lease term
Commercial Shops and Kindergarten Grandeur Terrace 88 Tin Shui Road, Yuen Long New Territories Hong Kong	Commercial and kindergarten	Medium
The junction of Qi Guan Xi Road and Ti Yu Road Zhongshan City, Guangdong Province The People's Republic of China	Commercial	Medium
Unit 101 of Level 1 and Level 23, Wing Kin Square No. 31 Jiansheliu Road Dongshan District, Guangzhou City The People's Republic of China	Commercial	Medium
Unit B, Level 11, Tower 1 Onward Science & Trade Centre No. 2 Dong Huan South Road, Chao Yang District Beijing, The People's Republic of China	Commercial	Medium