



CHUN WO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Annual Report

2003-2004

property development

civil engineering construction

building construction

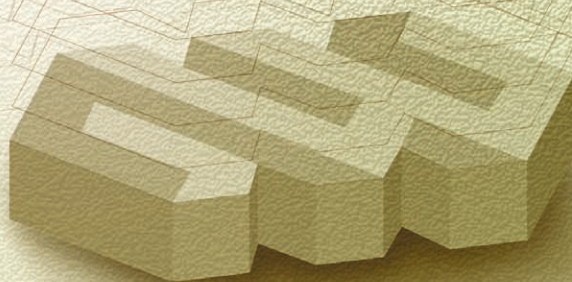
foundation construction

electrical &
mechanical installation

security service

property management

maintenance works



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.

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Corporate Information

Directors

Executive Directors

Pang Kam Chun (Chairman)
Kwok Yuk Chiu, Clement
(Managing Director)
Li Wai Hang, Christina

Independent Non-executive Directors

Chen Po Sum
Au Son Yiu
Wong Sai Wing, James
Woo Kam Wai

Audit Committee

Chen Po Sum
Au Son Yiu

Secretary

Fung Yee Man, Iris

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Solicitors

Richards Butler
Conyers Dill & Pearman

Auditors

Deloitte Touche Tohmatsu

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

C2, 5th Floor
Hong Kong Spinners Industrial Building
601-603 Tai Nan West Street
Cheung Sha Wan Road
Kowloon
Hong Kong

Principal Registrars

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Registrars

Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

Website

<http://www.chunwo.com>

Stock Code

711

Civil Engineering Projects



Public Transport
Interchange at Tai Wai
Station



Construction of Sunny Bay (previously named Yam O Tuk)
Fresh Water Service Reservoir

Chairman's Statement

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 2004.

Results

The audited consolidated profit after taxation and minority interests of the Group for the year ended 31 March 2004 is HK\$71.4 million, as compared to last year's profit of HK\$5.6 million, representing an increase of 1,175%. Turnover is HK\$3,159 million, representing an increase of 29%, as compared to last year's HK\$2,450 million. Earnings per share for the reported year is HK9.9 cents.

Dividends

The Directors recommended a final dividend of HK2.65 cents (2002/2003: Nil) per share. This together with the interim dividend of HK1.25 cents (2002/2003: HK0.75 cent) per share will make a total dividend payment of HK3.9 cents (2002/2003: HK0.75 cent) per share for the year ended 31 March 2004.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 26 August 2004 to Tuesday, 31 August 2004, 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 Wednesday, 25 August 2004.

Business Review

The devastating impact of Severe Acute Respiratory Syndrome ("SARS") outbreak in the first quarter of the year under review, had inevitably affected the property market and caused a temporary pullback in construction works. However, the second half of the year saw sustained economic growth across the border and a gradual economic recovery in Hong Kong, the formation of the Pan-Pearl River Delta Region Cooperation and Development Project in the South China Pearl River Delta region and the neighbouring provinces, all of which incited fresh hopes for better times. There was a corresponding drop in Hong Kong's unemployment rate from 8.8% in May 2003 to 7.1% in January 2004, reflecting the improving economic situation here. Overall, there has been increasing consensus towards a sustainable economic recovery.

At the time of writing of this report, the Group's estimated value of contracts in hand stands at HK\$7.0 billion, with about HK\$3.7 billion outstanding.

Our building construction team successfully completed the private residential development at Nos. 80-90 Des Voeux Road West and substantially completed the development "Vianni Cove" in Tin Shui Wai Town Lot 27. The construction of the residential development "The Pacifica" at NKIL 6275 West Kowloon Reclamation, the office building at Tsing Yi TYTL139 and the Cyberport Phase II residential development were all proceeding on schedule. During the year under review, the Group was awarded the contract for the residential development at IL 8972, Tai Hang after the Group had successfully completed the preceding foundation construction contract.

Civil Engineering Projects



Public Transport Interchange at Wu Kai Sha Station



Permanent Way for East Rail Extensions

On civil construction work, the Sunny Bay (previously named Yam O Tuk) Fresh Water Service Reservoir was completed on time and an opening ceremony was held on 12 May 2004 marking the milestone in providing permanent water supply to the Hong Kong Disneyland Resort. The Group was awarded the Considerate Contractors Site Award for this project. Among the five projects undertaken in the Hong Kong Disneyland Resort, the one on site development was first completed in June 2004. Construction work for the Adventureland, the Government Landscape Area and Public Transport Interchange, the Coach and Car Park and the railway for the Resort were all making progress. The specialist project on the Investigation of Sewers & Drains for the Drainage Services Department was smoothly underway. The West Rail Tin Shui Wai Station and its Public Transport Interchange ("PTI"), the West Rail Viaducts and the East Rail Hung Hom Station modification works were all completed. Tracklaying for the Ma On Shan Rail and the East Rail Tsim Sha Tsui Extension was proceeding on schedule. Construction of the PTIs and Property Development Enabling Works at KCR Wu Kai Sha Station and Tai Wai Station of the Ma On Shan Rail were progressing well.

Foundation works for the residential development at Tai Hang (Tiger Balm Garden), the KCR Wu Kai Sha Station PTI and Tai Wai Station PTI, and the redevelopment at Pok Oi Hospital at Yuen Long were completed. Foundation works for the Wan Po Road CLP Substation was completed according to schedule in April 2004. The foundation works for MTR Choi Hung Station Park and Ride Development was substantially completed.

On maintenance contracts, the Light Rail maintenance contract for KCRC and the building maintenance works for Hong Kong International Airport were completed successfully. The term contract for Waterworks in Hong Kong District for Water Supplies Department was also completed and, in succession, the Group was awarded another term on the same district during the reporting year. The works under the Minor Works contract with the Architectural Services Department and the building maintenance works for Kowloon Central for the Housing Authority were substantially completed. The term contract for Waterworks in Kowloon District was undertaken satisfactorily. A new contract Replacement and Rehabilitation of Water Mains in the New Territories was recently awarded to the Group. In addition, two term contracts for Alteration, Additions, Maintenance and Repair of Buildings and Lands were added to the Group's maintenance works.

On electrical and mechanical ("E&M") work, the Group's E&M subsidiary successfully registered with the Government as an Approved Supplier of Materials and Specialist Contractor for Public Works in the Air Conditioning Installation category in April 2004 and continued to provide complementary technical support and installation services to our project teams for various projects of the Group, enhancing the Group's capability in providing a one-stop design and build service to clients from foundation construction to completion for occupation.

The Group has been diversifying its business into property development since 1997. "Grandeur Terrace", a PSPS development at Tin Shui Wai, was successfully completed in 2003. The shopping centre of "Grandeur Terrace" was opened in the third quarter of 2003 and began to generate rental income, a stable and recurring revenue for the Group. The current property development project, Choi Hung Park and Ride Development above Choi Hung MTR Station, was making its way into superstructure construction as planned.

Building Projects



The Pacifica at NKIL 6275
West Kowloon Reclamation



Vianni Cove at Tin Shui Wai Town Lot 27, Yuen Long



Choi Hung Park and Ride Development

The Group's security business arm, City Security Company Limited, continued to work in its normal core operation, providing high standard security services to the Group's construction sites and other clients' premises.

As for the Group's property management operation, City Professional Management Limited had been providing professional property management services to the Group's development "Grandeur Terrace" at Tin Shui Wai and several other private estates, as well as facility management services to other institutions. The managed units exceeded 5,000 in the year of 2004.

Outlook and Prospects

Following the SARS impact, a gradual rebound in economy has been evident with expected continual economic recovery in Hong Kong and the region. With more provinces in the Mainland China implementing the individual visa scheme, more tourists are coming over and spending, bringing about income as well as positive sentiments to Hong Kong. There is promising outlook in the property development market and related construction opportunities. There is scope, arising from requirements of the Pan-Pearl River Delta Region Cooperation and Development Project, for a safe, convenient and fast cross-border transportation network which calls for the swift development of a number of key infrastructural projects, the major one being the Hong Kong – Zhuhai – Macau Bridge with expected cost between HK\$16 billion to 28 billion. In tandem with the new framework provided by the Closer Economic Partnership Arrangement (CEPA), there is every likelihood of more and greater opportunities for the construction industry as a whole in Hong Kong and across the border in Mainland China.

On railway construction, KCRC is proceeding with The Kowloon Southern Link project and has plans to build The Northern Link to West Rail and the Shatin to Central Link. Meanwhile, MTRC has completed feasibility studies and submitted proposals for the South Island Line and the West Island Line to the Government. The MTRC project for the Shenzhen Line in Mainland China will also provide opportunities in the construction market. Having successfully completed various railway related works, the Group is confident of continuing its participation in forthcoming projects of KCRC and MTRC.

KCRC has submitted proposals to the Government for the development of the property along the West Rail and Ma On Shan Rail lines. Moreover, MTRC has unveiled its development plan in Tseung Kwan O Area 86. The Group's working experience with both KCRC and MTRC and our experience in building development above Choi Hung MTR station should help it secure further railway related building construction works.

Regarding public sector construction, new works continue to be provided by various Government works departments to cater for the construction industry. With the recent public debt program, future public works should be less susceptible to counter-deficit measure that may be implemented by the Government. At the same time, in order to allow certain Government projects, sometimes sizeable ones, to be pursued with less financial pressure on Government, there is increasing interest for the Government to adopt the Public Private Partnership ("PPP") arrangement. The Government has advocated its interest to contractors in a symposium. The Group being a contractor cum developer and with experience in gaining financing support from banks and collaborating with overseas international partners, will be interested to participate in forthcoming PPP projects.

Building Projects

Residential Development at Tai Hang



Office Building at TYTL 139, Tsing Yi



Cyberport Phase II Residential Development

The proposals for the West Kowloon Cultural District have been submitted by interested developers to Government. The Group has had good track record in undertaking construction work for them and believes that there are good opportunities to participate in the construction of relevant works.

The Group has been awarded the Third Zhan Tian You Project Award, one of industry's highest recognition in China, by the Chinese Civil Engineers Society for the Group's participation in the construction of the Hung Hom Bypass and Princess Margaret Road Link, attesting to the performance and capabilities of the Group. The Group has in joint venture with a specialist contractor from China registered with Government on its List of Approved Suppliers of Materials and Specialist Contractors for Public Works to carry out prestressing construction. The Group has been constantly equipping itself towards providing a comprehensive range of quality services to its clients and enhancing its competitiveness in procuring and undertaking construction contracts.

There is a rising trend in the confidence of property developers in the market and its future prospects, evidenced by the Land Sales Auction in May and June with successful premium offered well above the minimum prices to bid. In this revitalizing economic climate, the Group is confident that the future sale of its sophisticated Choi Hung Park and Ride Development will produce attractive revenue. With cumulating experience in property development and building construction, and coupled with the current economic recovery and healthy property market trend, the Group will prudently seek to continue its participation in suitable property development projects either by itself or through joint venture with developer partners. The Group would also continue its development in the property management sector in Hong Kong and hopefully in China.

Acknowledgment

I would like to extend my heartiest thanks to the Board, its Management and all our staff for their dedication and their hard work. I would also like to thank our shareholders, financiers, business partners and clients for their continuing support.

Pang Kam Chun
Chairman

Hong Kong, 19 July 2004

Minor Works & Maintenance Projects

Minor Works for Architectural Services Department



Term Contract for Hong Kong Housing Authority

Biographical Details of Directors and Senior Management

Executive Directors

Pang Kam Chun *Chairman*

Aged 61. Founder of the Group and has over 35 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 52. 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 30 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 53. Joined the Group in 1975 and has over 25 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992. Spouse of Mr Pang Kam Chun.

Independent Non-executive Directors

Chen Po Sum *MBE*

Aged 73. A stockbroker and has 34 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.

Independent Non-executive Directors > continued

Au Son Yiu

Aged 59. 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.

Wong Sai Wing, James

Aged 66. Chairman of Hon Kwok Land Investment Company, Limited, Chinney Investments, Limited, Shun Cheong Holdings 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 56. 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 25 years' experience in the construction industry. Appointed as an Independent Non-executive Director of the Company in July 1992.

Senior Management

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

Aged 52. 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 30 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.

Senior Management > continued

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

Aged 45. 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 19 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 43. 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 The Hong Kong Society of Accountants. He has over 19 years of experience in accounting, finance and management. Joined the Group in November 1994 and appointed as a director of Chun Wo Foundations Limited in January 1998.

Lai Kam Hung, Joseph

Aged 46. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 28 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 appointed as a director of Chun Long Construction Limited in April 2003.

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

Aged 29. 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 three years of construction experience in Hong Kong. Joined the Group in 2001 and 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 43. 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 20 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and appointed as a director of Chun Wo Building Construction Limited in March 1999.

Senior Management > continued

Tong Shing Ho, Eddy *Bsc. (Eng.), MSc. (Eng.), MBA, CEng., MHKIE,
MI Mech E, MCIBSE, MIOA, AI Fire E, MIP, RPE (B.S. & Mech.)*

Aged 40. Graduated from University of Hong Kong in 1985 with a Bachelor of Science Degree in Mechanical Engineering. Obtained a Master of Science Degree in Building Services Engineering from University of Hong Kong and a Master of Business Administration Degree from Asia International Open University, Macau in 1993. A member of each of the Hong Kong Institution of Engineers, the Institution of Mechanical Engineers, the Chartered Institution of Building Services Engineers and the Institution of Acoustic Limited, and also an associate of the Institution of Fire Engineers, a Chartered Engineer, United Kingdom and a Registered Professional Engineer, Hong Kong. He has over 19 years' experience in the electrical and mechanical discipline of the construction industry. Joined the Group in 1995 and appointed as a director of Chun Wo E & M Engineering Limited in March 1999.

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

Aged 50. 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 27 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 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 45. 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 22 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 2004.

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 2004 are set out in the consolidated income statement on page 24.

An interim dividend of HK1.25 cents per share amounting to HK\$9,057,000 was paid to the shareholders of the Company during the year. The Directors now recommend the payment of a final dividend of HK2.65 cents per share amounting to HK\$19,227,000 to the shareholders of the Company whose names appear on the register of members on 31 August 2004.

Financial Summary

A financial summary of the Group is set out on page 71.

Share Capital

Details of 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 a summary 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.

The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.28. 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.

As at the date of the Directors' Report, the total number of shares available for issue under the Chun Wo Scheme is 57,966,589 shares, representing 8% of the issued share capital of the Company at that date.

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 2004 as set out in note 11 to the financial statements.

During the year, the Group acquired investment properties at a cost of HK\$19,494,000 and revalued all its investment properties at the year end date. The surplus arising on the revaluation amounted to HK\$638,000 and HK\$38,099,000 have been credited directly to the consolidated income statement and the investment property revaluation reserve respectively.

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.

Subsidiaries, Associates and Jointly Controlled Entities

Particulars of the Company's principal subsidiaries and the Group's associates and jointly controlled entities as at 31 March 2004 are set out in notes 35, 36 and 37 to the financial statements respectively.

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.

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 2004, the total net debts of the Group amounted to HK\$361.6 million, representing total debts of HK\$707.4 million less bank balances and cash of HK\$345.8 million. The debt maturity profile of the Group at 31 March 2004 is analysed as follows:

	As at 31 March 2004 HK\$ Million	As at 31 March 2003 HK\$ Million
Repayable within one year or on demand	284.1	2,263.4
Repayable after 1 year, but within 2 years	357.2	15.0
Repayable after 2 years, but within 5 years	66.1	253.8
Repayable after 5 years	—	0.6
Total	707.4	2,532.8

At 31 March 2004, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.51 (2003: 3.84).

Liquidity and Financial Resources > continued

The substantial decrease in gearing ratio was mainly attributable to repayment of the project loan of the Private Sector Participation Scheme ("PSPS") project at Tin Shui Wai, Yuen Long from the sale proceeds of the PSPS project.

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 medium-term 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 2004, cash generated by operations and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

Employee and Remuneration Policies

The Group has approximately 1,800 employees at 31 March 2004. Total remuneration of employees for the year ended 31 March 2004 amounted to approximately HK\$372.3 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.

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

Independent Non-executive Directors:

Madam Chen Po Sum

Mr. Au Son Yiu

Dr. Wong Sai Wing, James

Mr. Woo Kam Wai

In accordance with Bye-laws 87 and 169(2), Mr. Au Son Yiu and Mr. Woo Kam Wai will retire at the forthcoming annual general meeting and, being eligible, will 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.

Directors and Service Contracts > continued

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 2004, 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 issued share capital of the Company as at 31 March 2004
	Personal interests	Family interests	Total	
Mr. Pang Kam Chun	259,672,950	10,148,875	269,821,825	37.24%
Mr. Kwok Yuk Chiu, Clement	2,993,540	—	2,993,540	0.41%
Madam Li Wai Hang, Christina	10,148,875	259,672,950	269,821,825	37.24%
Madam Chen Po Sum	825,000	—	825,000	0.11%
Mr. Au Son Yiu	866,000	—	866,000	0.12%
Mr. Woo Kam Wai	346,000	—	346,000	0.05%

Note: 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.

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.

Directors' and Chief Executives' Interests and Short Positions > continued

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 2004, 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

Other than the Chun Wo Scheme and Foundations Scheme as set out in note 26 to the financial statements, 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 2004, the register required to be kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") shows that the following shareholders had notified the Company of their relevant interests in the shares and underlying shares of the Company:

Name	Capacity/ Nature of interest	Number of shares held	Percentage of holding
(Long positions)			
Cheah Cheng Hye (Note)	Corporate	36,824,000	5.08%
Midland Realty (Holdings) Limited	Beneficial	73,372,000	10.13%
Value Partners Limited	Investment manager	36,824,000	5.08%

Note: Mr. Cheah Cheng Hye is deemed to be interested in the shares through his interests of 31.82% in the issued share capital of Value Partners Limited.

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 2004.

Convertible Securities, Options, Warrants or Similar Rights

Other than the grant of share options during the year disclosed in note 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2004.

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 2004 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.

Major Customers and Suppliers

For the year ended 31 March 2004, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 65% 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\$1,676,000.

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, 19 July 2004

Auditors' Report



TO THE SHAREHOLDERS OF CHUN WO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 70 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 Society of 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 2004 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
19 July 2004

Consolidated Income Statement

> for the year ended 31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	3,158,818	2,450,101
Cost of sales		(2,983,206)	(2,342,702)
Gross profit		175,612	107,399
Other operating income		46,441	53,852
General and administrative expenses		(145,873)	(135,026)
Surplus on revaluation of investment properties		638	—
Profit from operations	5	76,818	26,225
Finance costs	7	(3,921)	(4,254)
Share of results of jointly controlled entities		23,072	5,093
Profit before taxation		95,969	27,064
Taxation	8	(24,583)	(21,284)
Profit before minority interests		71,386	5,780
Minority interests		(18)	(185)
Profit attributable to shareholders		71,368	5,595
Dividends	9	9,057	12,680
Earnings per share – basic	10	9.9 cents	0.8 cent
– diluted		9.8 cents	N/A

Consolidated Balance Sheet

> at 31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Investment properties	11	231,393	31,089
Property, plant and equipment	12	266,365	303,198
Properties under development	13	447,307	500,053
Interests in associates	15	79,742	79,742
Interests in jointly controlled entities	16	34,746	15,823
Investments	17	2,003	1,002
		1,061,556	930,907
Current assets			
Amounts due from customers for contract work	18	258,201	298,970
Properties under development	13	—	2,014,695
Properties held for sale	19	29,687	—
Debtors, deposits and prepayments	20	532,896	375,369
Amount due from an associate		487	487
Amounts due from jointly controlled entities		41,828	43,198
Investments	17	8,047	10,000
Taxation recoverable		4,526	1,288
Pledged bank deposits		62,964	21,976
Bank balances and cash		282,840	154,463
		1,221,476	2,920,446
Current liabilities			
Amounts due to customers for contract work	18	238,331	144,273
Creditors and accrued charges	21	514,011	526,470
Amounts due to jointly controlled entities		78,746	11,539
Taxation payable		5,931	7,341
Obligations under finance leases – due within one year	22	14,890	24,072
Borrowings – due within one year	23	269,197	2,239,380
		1,121,106	2,953,075
Net current assets (liabilities)		100,370	(32,629)
Total assets less current liabilities		1,161,926	898,278

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current liabilities			
Obligations under finance leases – due after one year	22	8,285	14,434
Borrowings – due after one year	23	415,029	254,908
Deferred taxation	24	22,166	13,322
		445,480	282,664
Minority interests		2,787	2,365
Net assets		713,659	613,249
Capital and reserves			
Share capital	25	72,455	72,455
Reserves	27	641,204	540,794
		713,659	613,249

The financial statements on pages 24 to 70 were approved and authorised for issue by the Board of Directors on 19 July 2004 and are signed on its behalf by:

Kwok Yuk Chiu, Clement
Director

Li Wai Hang, Christina
Director

Balance Sheet

> at 31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Property, plant and equipment	12	38,707	39,962
Interests in subsidiaries	14	731,214	685,914
		769,921	725,876
Current assets			
Debtors, deposits and prepayments		142	149
Investments	17	5,000	10,000
Taxation recoverable		—	172
Bank balances and cash		404	305
		5,546	10,626
Current liabilities			
Accrued charges		1,117	1,331
Taxation payable		121	—
Borrowings – due within one year	23	2,032	1,938
		3,270	3,269
Net current assets		2,276	7,357
Total assets less current liabilities		772,197	733,233
Non-current liabilities			
Amounts due to subsidiaries		393,221	353,075
Borrowings – due after one year	23	4,582	6,613
		397,803	359,688
Net assets		374,394	373,545
Capital and reserves			
Share capital	25	72,455	72,455
Reserves	27	301,939	301,090
		374,394	373,545

Kwok Yuk Chiu, Clement
Director

Li Wai Hang, Christina
Director

Consolidated Statement of Changes in Equity

> for the year ended 31 March 2004

	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
THE GROUP								
At 1 April 2002	72,455	242,572	—	(7,340)	8,531	676	303,440	620,334
Profit attributable to shareholders	—	—	—	—	—	—	5,595	5,595
Dividends paid	—	—	—	—	—	—	(12,680)	(12,680)
At 31 March 2003	72,455	242,572	—	(7,340)	8,531	676	296,355	613,249
Profit attributable to shareholders	—	—	—	—	—	—	71,368	71,368
Surplus on revaluation of investment properties not recognised in the consolidated income statement	—	—	38,099	—	—	—	—	38,099
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

Consolidated Cash Flow Statement

> for the year ended 31 March 2004

	2004 HK\$'000	2003 HK\$'000
Operating activities		
Profit from operations	76,818	26,225
Adjustments for:		
Interest income	(673)	(812)
Depreciation and amortisation	12,484	3,966
(Gain) loss on disposal of property, plant and equipment	(4,460)	778
Surplus on revaluation of investment properties	(638)	—
Unrealised holding loss on other investments	279	—
Impairment loss recognised in respect of unlisted investment	—	600
Operating cash flows before movements in working capital	83,810	30,757
Decrease (increase) in amounts due from (to) customers for contract work	173,984	(29,293)
Decrease in properties under development	2,014,695	—
Increase in properties held for sale	(29,687)	—
Increase in debtors, deposits and prepayments	(157,527)	(37,772)
Decrease in amounts due from associates	—	9,555
Decrease in amounts due from jointly controlled entities	1,370	50,823
(Decrease) increase in creditors and accrued charges	(12,459)	50,503
Increase in amounts due to jointly controlled entities	67,207	2,247
Cash generated from operations	2,141,393	76,820
Hong Kong Profits Tax paid	(14,582)	(15,605)
Foreign Enterprise Income Tax in the People's Republic of China paid	(1,721)	(273)
Hong Kong Profits Tax refunded	65	13
Net cash from operating activities	2,125,155	60,955
Investing activities		
Costs incurred in properties under development	(73,383)	(712,594)
Increase in pledged bank deposits	(40,988)	(18,369)
Purchase of investment properties	(19,494)	—
Purchase of property, plant and equipment	(6,208)	(26,407)
Increase in other investments	(3,326)	—
Purchase of investment securities	(1,001)	—
Proceeds from disposal of property, plant and equipment	8,183	1,839
Redemption of other investment	5,000	—
Interest received	673	812
Dividend received from a jointly controlled entity	—	8,100
Advances to associates	—	(1,891)
Net cash used in investing activities	(130,544)	(748,510)

	2004 HK\$'000	2003 HK\$'000
Financing activities		
Interest paid	(27,961)	(62,315)
Dividends paid	(9,057)	(12,680)
New obligations under finance leases	6,075	2,394
Repayment of principal portion of obligations under finance leases	(25,633)	(43,832)
New bank loans raised	304,207	827,938
Repayment of bank loans	(2,080,189)	(78,900)
New mortgage loans raised	—	5,640
Repayment of mortgage loans	(2,994)	(5,416)
(Decrease) increase in trust receipt loans	(31,086)	71,818
Capital contributed by minority shareholders	404	2,073
Net cash (used in) from financing activities	(1,866,234)	706,720
Net increase in cash and cash equivalents	128,377	19,165
Cash and cash equivalents at beginning of the year	154,463	135,298
Cash and cash equivalents at end of the year	282,840	154,463
Being:		
Bank balances and cash	282,840	154,463

Notes to the Financial Statements

> for the year ended 31 March 2004

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. Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted for the first time the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAPs”) and interpretations approved by the HKSA:

SSAP 12 (Revised)

Income Taxes

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required.

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 associates 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-sales prior to completion of development, is recognised on the execution of a binding sales agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the percentage of completion method, measured by reference to the value of work carried out during the period.

Service income is recognised when services are provided.

3. Significant Accounting Policies > continued

Revenue recognition > continued

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.

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.

3. Significant Accounting Policies > continued

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 other than properties under development, 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.

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 and those which have been pre-sold prior to completion of development 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.

3. Significant Accounting Policies > continued

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.

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.

3. Significant Accounting Policies > continued

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.

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 currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars 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 subsidiaries operating outside Hong Kong 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.

3. Significant Accounting Policies > continued**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 2004

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
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	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
ASSETS					
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					<u>2,283,032</u>
LIABILITIES					
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					<u>1,566,586</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	10,424	—	19,494	11	—	29,929
Depreciation and amortisation	43,300	—	—	245	—	43,545
Unrealised holding loss on other investments	—	—	—	—	279	279

4. Business and Geographical Segments > continued**Business segments** > continued

For the year ended 31 March 2003

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
TURNOVER					
External sales	2,448,378	—	1,723	—	2,450,101
RESULT					
Segment result	38,663	(758)	1,652	384	39,941
Interest income					812
Unallocated corporate expenses					(14,528)
Profit from operations					26,225
Finance costs					(4,254)
Share of results of jointly controlled entities	5,093				5,093
Profit before taxation					27,064
Taxation					(21,284)
Profit before minority interests					5,780
Minority interests					(185)
Profit attributable to shareholders					5,595

4. Business and Geographical Segments > continued

Business segments > continued

At 31 March 2003

BALANCE SHEET

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
ASSETS					
Segment assets	2,783,013	631,780	31,089	6,951	3,452,833
Interests in jointly controlled entities	59,021				59,021
Interests in associates	80,229				80,229
Unallocated corporate assets					259,270
Consolidated total assets					<u>3,851,353</u>
LIABILITIES					
Segment liabilities	2,467,724	460,922	471	485	2,929,602
Amounts due to jointly controlled entities	11,539				11,539
Unallocated corporate liabilities					294,598
Consolidated total liabilities					<u>3,235,739</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	34,778	—	—	51	—	34,829
Depreciation and amortisation	48,521	—	—	257	—	48,778
Impairment loss recognised in respect of unlisted investment	—	—	—	—	600	600
Loss on disposal of property, plant and equipment	778	—	—	—	—	778

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 and the MTRC Choi Hung Park and Ride Development in Kowloon are classified under construction works and property development respectively for segment reporting disclosure purpose.

Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (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.

5. Profit from Operations

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,432	1,583
Depreciation and amortisation on:		
Owned assets	33,683	28,962
Assets held under finance leases	9,862	19,816
	43,545	48,778
Less: Amount attributable to contract work	(31,061)	(44,812)
	12,484	3,966
Impairment loss recognised in respect of unlisted investment (charged to general and administrative expenses)	—	600
Loss on disposal of property, plant and equipment	—	778
Unrealised holding loss on other investments	279	—
Operating lease rentals for:		
Land and buildings	5,244	4,884
Plant and machinery	19,462	26,960
	24,706	31,844
Less: Amount attributable to contract work	(21,174)	(28,455)
	3,532	3,389
Staff costs, including Directors' emoluments	372,326	393,930
Less: Amount attributable to contract work	(300,285)	(317,591)
Amount attributable to properties under development	(2,292)	(5,667)
	69,749	70,672
and after crediting:		
Interest income	673	812
Gain on disposal of property, plant and equipment	4,460	—
Rental income from investment properties, net of outgoings of HK\$768,000 (2003: HK\$71,000)	17,594	1,652

6. Directors' and Employees' Emoluments

(a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive Directors	—	—
Independent Non-executive Directors	564	660
Other emoluments to Executive Directors:		
Salaries and other benefits	9,688	8,958
Retirement benefit scheme contributions	213	218
	<u>10,465</u>	<u>9,836</u>

The Directors' emoluments were within the following bands:

	2004 Number of Directors	2003
Nil to HK\$1,000,000	4	4
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$5,500,001 to HK\$6,000,000	<u>1</u>	<u>—</u>

6. Directors' and Employees' Emoluments > continued**(b) Employees' emoluments**

The five highest paid individuals included three (2003: three) Executive Directors whose emoluments are included above. The emoluments of the remaining two (2003: two) individuals are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	4,067	4,698
Retirement benefit scheme contributions	110	100
	4,177	4,798

The employees' emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	2	—
HK\$2,500,001 to HK\$3,000,000	—	1

7. Finance Costs

	2004 HK\$'000	2003 HK\$'000
Interest payable on:		
Bank borrowings wholly repayable within five years	27,009	59,863
Other borrowing wholly repayable within five years	—	8
Bank borrowings not wholly repayable within five years	—	91
Finance leases	952	2,353
	27,961	62,315
Less: Amount attributable to contract work	(8,096)	(7,047)
Amount attributable to properties under development	(15,944)	(51,014)
	3,921	4,254

8. Taxation

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	11,012	11,874
– overprovision in prior years	(1,142)	(1,438)
	9,870	10,436
– Foreign Enterprise Income Tax in the PRC	1,720	263
	11,590	10,699
Deferred taxation		
– Hong Kong Profits Tax		
– current year	7,595	5,604
– attributable to a change in tax rate	1,249	—
	20,434	16,303
Share of taxation attributable to jointly controlled entities	4,149	4,981
	24,583	21,284

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the year of assessment 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 March 2004.

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 per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	95,969	27,064
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	16,795	4,330
Tax effect of share of results of jointly controlled entities	111	4,166
Tax effect of expenses not deductible for tax purpose	902	281
Tax effect of income not taxable for tax purpose	(300)	(220)
Overprovision in respect of prior years	(1,142)	(1,438)
Tax effect of tax losses and other deductible temporary differences for current year not recognised	4,779	12,556
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	(746)	(614)
Effect of tax exemptions granted to PRC subsidiaries	—	(1,354)
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	1,793	288
Others	1,142	3,289
Tax expense for the year	24,583	21,284

9. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid in respect of 2004 of HK1.25 cents (2003: HK0.75 cent) per share	9,057	5,434
Final dividend paid in respect of 2003 of nil (2002: HK1 cent) per share	—	7,246
	9,057	12,680

The final dividend of HK2.65 cents (2003: Nil) 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:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purposes of basic and diluted earnings per share		
– Profit attributable to shareholders	71,368	5,595
	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	724,545,896	724,545,896
Effect of dilutive potential shares in respect of share options	3,876,395	
Weighted average number of shares for the purpose of diluted earnings per share	728,422,291	

Diluted earnings per share for 2003 has not been presented as there were no dilutive potential ordinary shares outstanding during the year ended 31 March 2003.

11. Investment Properties

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
VALUATION		
At beginning of the year	31,089	31,089
Transfer from properties under development	142,073	—
Addition	19,494	—
Revaluation increase	38,737	—
At end of the year	231,393	31,089

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, FPD Savills (Hong Kong) Limited and RHL Appraisal Limited, firms of independent professional valuers, as at 31 March 2004 on an open market value basis. These valuations gave rise to a net revaluation increase of HK\$38,737,000, of which surplus of HK\$638,000 is credited to consolidated income statement to the extent of the deficit previously charged. The remaining surplus of HK\$38,099,000 is credited to the investment property revaluation reserve.

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

	2004	2003
	HK\$'000	HK\$'000
Hong Kong	181,000	—
Elsewhere in the PRC	50,393	31,089
	231,393	31,089

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
COST						
At 1 April 2003	66,265	499,882	43,870	30,537	640,554	49,086
Additions	—	6,668	3,282	485	10,435	—
Disposals	—	(9,908)	—	(29)	(9,937)	—
At 31 March 2004	66,265	496,642	47,152	30,993	641,052	49,086
DEPRECIATION AND AMORTISATION						
At 1 April 2003	10,391	284,313	24,716	17,936	337,356	9,124
Provided for the year	1,613	34,687	5,249	1,996	43,545	1,255
Eliminated on disposals	—	(6,193)	—	(21)	(6,214)	—
At 31 March 2004	12,004	312,807	29,965	19,911	374,687	10,379
NET BOOK VALUES						
At 31 March 2004	54,261	183,835	17,187	11,082	266,365	38,707
At 31 March 2003	55,874	215,569	19,154	12,601	303,198	39,962

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Properties in Hong Kong held under medium-term lease	50,866	52,419	38,707	39,962
Properties in the PRC held under:				
Long lease	965	981	—	—
Medium-term lease	2,430	2,474	—	—
	54,261	55,874	38,707	39,962

The net book value of the Group's property, plant and equipment includes an amount of HK\$40,636,000 (2003: HK\$85,853,000) and HK\$8,543,000 (2003: HK\$12,111,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.

13. Properties under Development

The Group

At 31 March 2004, the properties under development represent the property development project under the MTRC Choi Hung Park and Ride Development in Kowloon, Hong Kong. The land portion included in properties under development is held under a medium-term lease. During the year, the property development project under the Private Sector Participation Scheme in Yuen Long, Hong Kong and the property development project in Zhongshan City, Guangdong Province of the PRC were completed. At 31 March 2004, interest capitalised included in properties under development amounted to HK\$15,130,000 (2003: HK\$127,996,000).

14. Interests in Subsidiaries

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	77,192	77,192
Amounts due from subsidiaries	654,022	608,722
	731,214	685,914

Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 35.

At 31 March 2003, an amount of approximately HK\$204,125,000 due from a subsidiary was subordinated in favour of a financial institution to secure credit facilities of HK\$65,000,000 granted to that subsidiary. The aforesaid subordination arrangement was released during the year ended 31 March 2004 subsequent to the full settlement of the related borrowing.

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	
	2004	2003
	HK\$'000	HK\$'000
Investment cost	1	1
Amounts due from associates	79,741	79,741
	79,742	79,742

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.

Particulars of the associates as at 31 March 2004 are set out in note 36.

16. Interests in Jointly Controlled Entities

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets of jointly controlled entities	34,746	15,823

Particulars of the jointly controlled entities as at 31 March 2004 are set out in note 37.

17. Investments

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other investments:				
– Debt securities:				
Unlisted	5,000	10,000	5,000	10,000
– Equity securities:				
Listed – Hong Kong	3,047	—	—	—
– Guaranteed fund:				
Listed – Hong Kong	1,002	1,002	—	—
	9,049	11,002	5,000	10,000
Investment securities:				
– Equity securities:				
Unlisted	1,001	—	—	—
	10,050	11,002	5,000	10,000
Total securities:				
Unlisted	6,001	10,000	5,000	10,000
Listed – Hong Kong	4,049	1,002	—	—
	10,050	11,002	5,000	10,000
Market value of listed securities	4,112	1,015	—	—
Carrying amount analysed for reporting purposes as:				
Non-current	2,003	1,002	—	—
Current	8,047	10,000	5,000	10,000
	10,050	11,002	5,000	10,000

18. Amounts Due from (to) Customers for Contract Work

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Costs incurred to date plus recognised profits		
less recognised losses	6,377,062	9,957,322
Less: Progress billings	(6,357,192)	(9,802,625)
	19,870	154,697
Represented by:		
Due from customers included in current assets	258,201	298,970
Due to customers included in current liabilities	(238,331)	(144,273)
	19,870	154,697

19. Properties Held for Sale

The properties held for sale at 31 March 2004, which are stated at cost, are located in Zhongshan City, Guangdong Province of the PRC.

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\$307,269,000 (2003: HK\$230,027,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2004	2003
	HK\$'000	HK\$'000
Not yet due	285,552	209,271
0 to 30 days	9,116	4,671
31 to 90 days	10,701	3,009
91 to 180 days	969	—
Over 180 days	931	13,076
	307,269	230,027

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK\$163,865,000 (2003: HK\$116,423,000).

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

21. Creditors and Accrued Charges

The ageing analysis of trade creditors of HK\$337,582,000 (2003: HK\$348,410,000), which are included in the Group's creditors and accrued charges, are as follows:

	2004 HK\$'000	2003 HK\$'000
Not yet due	221,019	231,429
0 to 30 days	84,096	65,237
31 to 90 days	17,304	21,561
91 to 180 days	8,661	4,198
Over 180 days	6,502	25,985
	337,582	348,410

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP				
Within one year	15,219	24,993	14,890	24,072
More than one year, but not exceeding two years	5,974	12,138	5,877	11,830
More than two years, but not exceeding five years	2,433	2,639	2,408	2,604
	23,626	39,770	23,175	38,506
Less: Future finance charges	(451)	(1,264)	—	—
Present value of lease obligations	23,175	38,506	23,175	38,506
Less: Amount due within one year shown under current liabilities			(14,890)	(24,072)
Amount due after one year			8,285	14,434

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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings comprise:				
Trust receipt loans	79,148	110,234	—	—
Bank loans	594,309	2,370,291	—	—
Mortgage loans	10,769	13,763	6,614	8,551
	684,226	2,494,288	6,614	8,551
Analysed as:				
Secured	512,078	2,301,054	6,614	8,551
Unsecured	172,148	193,234	—	—
	684,226	2,494,288	6,614	8,551
The borrowings are repayable as follows:				
Within one year or on demand	269,197	2,239,380	2,032	1,938
More than one year, but not exceeding two years	351,299	3,133	1,761	2,032
More than two years, but not exceeding five years	63,730	251,185	2,821	3,991
More than five years	—	590	—	590
	684,226	2,494,288	6,614	8,551
Less: Amount due within one year shown under current liabilities	(269,197)	(2,239,380)	(2,032)	(1,938)
Amount due after one year	415,029	254,908	4,582	6,613

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 differences HK\$'000	Total HK\$'000
At 1 April 2002	(38,162)	17,922	12,522	(7,718)
(Charge) credit to consolidated income statement for the year	875	(7,282)	803	(5,604)
At 31 March 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)

At 31 March 2004, the Group has unused tax losses of HK\$149,901,000 (2003: HK\$164,349,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$26,047,000 (2003: HK\$66,503,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$123,854,000 (2003: HK\$97,846,000) losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$599,000 (2003: HK\$1,670,000) that will expire from 2004 to 2009. Other losses may be carried forward indefinitely.

At 31 March 2004, the Group has deductible temporary differences of HK\$25,004,000 (2003: HK\$27,969,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. Share Capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At beginning and at end of the years 2003 and 2004	1,500,000,000	150,000
Issued and fully paid:		
At beginning and at end of the years 2003 and 2004	724,545,896	72,455

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.

No option had been granted under the Chun Wo Scheme since its adoption up to 23 October 2003. A summary of the movements in share options granted during the year ended 31 March 2004 is as follows:

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options		
				Outstanding at 1 April 2003	Granted during the year	Outstanding at 31 March 2004
Directors	—	—	—	—	—	—
Consultants	24 October 2003	0.29	24 October 2003 to 23 October 2004	—	14,488,000	14,488,000
				—	14,488,000	14,488,000

The Group received HK\$2 as consideration during the year from consultants for taking up the options granted.

26. Share Option Schemes > continued

(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 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.

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.

26. Share Option Schemes > continued

(b) Foundations Scheme > continued

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 register of outstanding options.

27. Reserves

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SHARE PREMIUM				
At beginning and end of the year	242,572	242,572	242,572	242,572
INVESTMENT PROPERTY REVALUATION RESERVE				
Surplus on revaluation of investment properties and balance at end of the year	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 and end of the year	676	676	—	—
RETAINED PROFITS				
At beginning of the year	296,355	303,440	5,966	6,255
Profit attributable to shareholders	71,368	5,595	9,906	12,391
Dividends paid	(9,057)	(12,680)	(9,057)	(12,680)
At end of the year	358,666	296,355	6,815	5,966
TOTAL RESERVES	641,204	540,794	301,939	301,090

Included in the retained profits of the Group as at 31 March 2004 is an amount attributable to jointly controlled entities of HK\$34,746,000 (2003: HK\$15,823,000).

27. Reserves > continued

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

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	52,552	52,552
Retained profits	6,815	5,966
	59,367	58,518

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

During the year, 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 (2003: HK\$8,422,000).

29. 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\$14,998,000 (2003: HK\$14,327,000) after forfeited contributions utilised of HK\$1,164,000 (2003: HK\$3,154,000).

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.

30. 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 which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Land and buildings		
Within one year	1,691	3,579
In the second to fifth year inclusive	318	278
	<u>2,009</u>	<u>3,857</u>

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.

The Group as lessor:

Property rental income earned during the year was HK\$18,362,000 (2003: HK\$1,723,000). The properties held have committed tenants for an average term of three 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	
	2004	2003
	HK\$'000	HK\$'000
Within one year	28,683	781
In the second to fifth year inclusive	44,190	280
After five years	4,869	—
	<u>77,742</u>	<u>1,061</u>

31. Capital Commitments

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	3,424	6,645

At 31 March 2004, the Group had no outstanding capital contribution to any subsidiary (2003: HK\$4,867,000).

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

32. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:				
– subsidiaries	258,663	405,710	109,584	299,957
– an associate	22,400	22,400	22,400	22,400
– jointly controlled entities	84,443	311,393	46,195	245,716
	365,506	739,503	178,179	568,073
Extent of guarantees issued to financial institutions to secure credit facilities granted to:				
– subsidiaries	—	—	1,384,026	3,287,344
– an associate	48,000	52,400	48,000	52,400
	48,000	52,400	1,432,026	3,339,744
Extent of guarantee issue to a customer to indemnify contract work of a subsidiary	115,900	—	115,900	—

32. Contingent Liabilities > continued

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 extent of such facilities utilised by the jointly controlled entity at 31 March 2004 amounted to approximately HK\$75,000 (2003: HK\$637,000).

33. Pledge of Assets

- (a) At 31 March 2004, the Group's leasehold properties in Hong Kong with carrying values of approximately HK\$30,310,000 (2003: HK\$31,351,000), bank deposits of HK\$5,851,000 (2003: HK\$21,976,000), 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 2004, all the Group's interests in the properties under development in Hong Kong with carrying values of approximately HK\$447,307,000 (2003: HK\$2,462,894,000) and bank deposit of HK\$50,000,000 (2003: Nil) have been pledged to certain banks as securities for a syndicated bank loan amounting to HK\$700,000,000 (2003: HK\$2,775,000,000) granted to a subsidiary.
- (c) At 31 March 2004, the Group's investment properties with carrying values of approximately HK\$172,000,000 (2003: Nil) and bank deposit of HK\$7,113,000 (2003: Nil) have been pledged to certain banks as securities for a bank loan amounting to HK\$95,000,000 (2003: Nil) granted to a subsidiary.

34. Related Party Transactions

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

		Associates		Jointly controlled entities	
		2004	2003	2004	2003
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the year:					
Contract revenue recognised	(a)	—	—	55,735	144,075
Project management fee received	(a)	—	—	8,511	17,538
Rental income received	(a)	—	—	255	—
Security guard services income received	(a)	—	—	1,661	5,736
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties		22,400	22,400	84,443	311,393
Extent of guarantees issued to financial institutions to secure credit facilities granted to related parties		48,000	52,400	—	—
Amounts due from related parties:					
Due from associates (note 15)	(b)	79,741	79,741	—	—
Trade balances shown under current assets	(c)	487	487	41,828	43,198
		80,228	80,228	41,828	43,198
Amounts due to related parties:					
Trade balances shown under current liabilities	(c)	—	—	78,746	11,539

34. 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 (2003: HK\$20,000,000) granted to a jointly controlled entity as detailed in note 32.
- (ii) During the year, 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 is 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.

35. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries %	Percentage of issued/ contributed capital attributable to the Group %	Principal activities
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\$2 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)		

35. Particulars of Principal Subsidiaries > continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries %	Percentage attributable to the Group %	Principal activities
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")	People's Republic of China	RMB13,750,000 registered capital	(Note 2 below)		Construction
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.	People's Republic of China	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

35. 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.

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 2004 or at any time during the year.

36. Particulars of Associates

Particulars of the Group's associates as at 31 March 2004 are as follows:

Name of associate	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group %	Principal activities
Grand View Properties Limited	Hong Kong	HK\$10 ordinary shares	40	Property investment
Hoi Kin Property Management Limited	Hong Kong	HK\$490,000 ordinary shares	46	Property management
		HK\$10,000 non-voting deferred shares		

37. Particulars of Jointly Controlled Entities

Particulars of the Group's jointly controlled entities as at 31 March 2004 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

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

Financial Summary

	Year ended 31 March				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
RESULTS					
Turnover	3,319,225	2,719,882	2,310,152	2,450,101	3,158,818
Profit before taxation	51,457	53,816	61,067	27,064	95,969
Taxation	(8,555)	(7,945)	(20,218)	(21,284)	(24,583)
Profit before minority interests	42,902	45,871	40,849	5,780	71,386
Minority interests	624	510	481	(185)	(18)
Profit attributable to shareholders	43,526	46,381	41,330	5,595	71,368
	At 31 March				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
ASSETS AND LIABILITIES					
Total assets	1,628,314	2,373,817	3,053,398	3,851,353	2,283,032
Total liabilities	(1,063,387)	(1,782,053)	(2,432,957)	(3,235,739)	(1,566,586)
Minority interests	(152)	(311)	(107)	(2,365)	(2,787)
Shareholders' funds	564,775	591,453	620,334	613,249	713,659

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 2004 is as follows:

	Unaudited proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Property, plant and equipment	303,053	123,366
Current assets	328,363	205,488
Current liabilities	(342,174)	(170,832)
Non-current liabilities	(307,874)	(123,276)
	(18,632)	34,746
Capital and reserves	(18,632)	34,746

Particulars of Properties

> at 31 March 2004

Properties Held for Development/Sale

Location	Stage of completion	Expected date of completion	Usage	Estimated site area (square metres)	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%
The junction of Qi Guan Xi Road and Ti Yu Road, Zhongshan City, Guangdong Province The People's Republic of China	Completed	—	Residential, commercial and carpark	6,954	31,745	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
Level 23, Wing Kin Square, No. 31 Jiansheliu Road, Dongshan District, Guangzhou City, The People's Republic of China	Commercial	Medium

Properties Held for Investment > continued

Location	Usage	Lease term
Unit 1-5, Level 16, Habour Ring Plaza, No. 18 Xizangzhong Road and No. 102 Jinlingdong Road, Huangpu District, Shanghai, 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
Unit 101, Level 1, Wing Kin Square, No. 31 Jiansheliu Road, Dongshan District, Guangzhou City, The People's Republic of China	Commercial	Medium