

# Annual Report

2002 / 2003



**CHUN WO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*







## Company Culture

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

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

# Contents

|       |   |
|-------|---|
| 03    | Corporate Information                                   |
| 04-07 | Notice of Annual General Meeting                        |
| 09-15 | Chairman's Statement                                    |
| 17-19 | Biographical Details of Directors and Senior Management |
| 20-25 | Directors' Report                                       |
| 26    | Auditors' Report  |
| 27    | Consolidated Income Statement                           |
| 28-29 | Consolidated Balance Sheet                              |
| 30    | Balance Sheet   |
| 31    | Consolidated Statement of Changes in Equity             |
| 32-33 | Consolidated Cash Flow Statement                        |
| 34-71 | Notes to the Financial Statements                       |
| 72    | Financial Summary                                       |
| 73    | Practice Note 19 to the Listing Rules                   |
| 74    | Particulars of Properties                               |

# 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

## Secretary

Fung Yee Man, Iris

## Principal Bankers

Dao Heng Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

## Solicitors

Denton Wilde Sapte

Richards Butler

## 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

## Audit Committee

Chen Po Sum

Au Son Yiu

## Website

<http://www.chunwo.com>

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Tang Room, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 27th August, 2003 at 10:00 a.m. for the following purposes:

## **As ordinary business**

1. To receive and consider the statement of accounts and the reports of the Directors and Auditors for the year ended 31st March, 2003.
2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.

## **As special business**

4. To consider and, if thought fit, pass the following resolutions as ordinary resolutions with or without amendments:

### **A. "THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or any issue of shares of the Company under the share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws of the Company to be held; or
- (iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

**B. “THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws of the Company to be held; or
- (iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.”

- C. **“THAT** conditional on the passing of the resolution set out in paragraph 4B of the notice convening this meeting, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to the resolution set out in paragraph 4A of the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph 4B of the notice convening this meeting.”
5. To consider and, if thought fit, pass the following resolution as a special resolution with or without amendments:
- “THAT** Bye-law 84A of the Bye-laws of the Company be amended by deleting the words “section 2 of the Securities (Clearing Houses) Ordinance (Chapter 420 of the laws of Hong Kong)” and substituting therefor the words “the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong”.
6. To transact other business, if any.

By Order of the Board  
**Fung Yee Man, Iris**  
*Company Secretary*

Hong Kong, 30th July, 2003

*Registered Office:*  
Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*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

*Notes:*

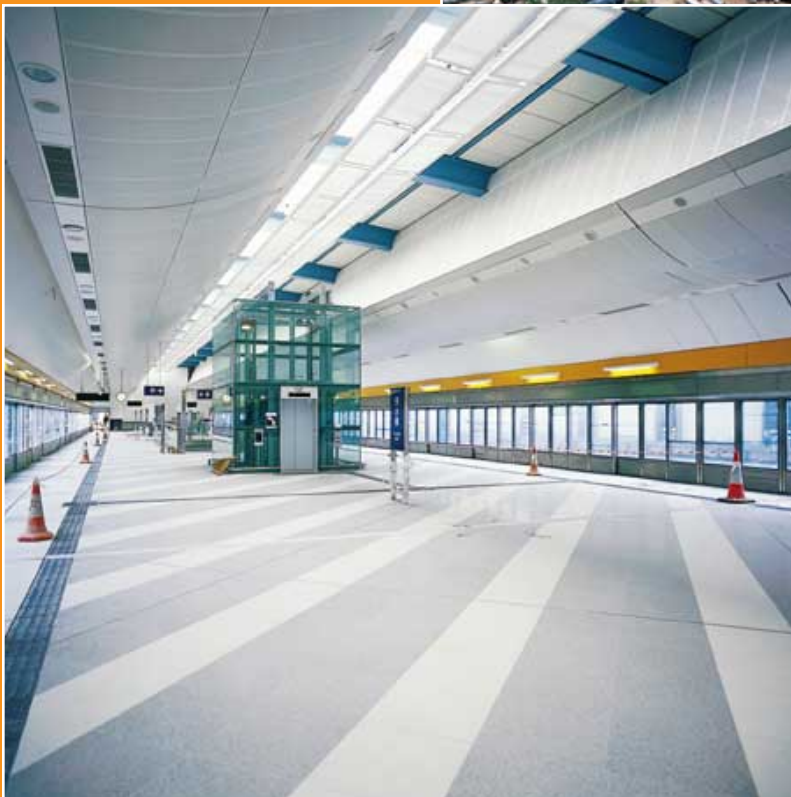
- (1) *A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
- (2) *To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the principal place of business of the Company not less than forty-eight hours before the time appointed for the holding of the meeting.*



- (3) *The register of members will be closed from Monday, 25th August, 2003 to Wednesday, 27th August, 2003 (both days inclusive) during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting of the Company, all transfers 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 Friday, 22nd August, 2003.*
- (4) *Concerning the resolution set out in paragraph 4A above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the members as a general mandate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").*
- (5) *Concerning the resolution set out in paragraph 4B above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. The Explanatory Statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, will be set out in a circular to shareholders dated 30th July, 2003.*

# Civil Engineering Projects

West Rail Phase 1 – Construction of viaducts



West Rail Phase 1 – Construction of  
Tin Shui Wai Station

# 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 2003.

## Results

The audited consolidated profit after taxation and minority interests of the Group for the year ended 31 March 2003 is HK\$5.6 million, as compared to last year's profit of HK\$41.33 million, representing a decrease of 86%. Turnover is HK\$2,450 million. Earnings per share for the reported year is HK0.8 cent.

## Dividends

The Directors do not recommend the payment of a final dividend for the year (2001/2002: HK1 cent). An interim dividend of HK0.75 cent (2001/2002: HK0.5 cent) per share was paid to shareholders during the year. Total distribution per share for the year is therefore HK0.75 cent (2001/2002: HK1.5 cents).

## Closure of Register of Members

The Register of Members of the Company will be closed from 25 August 2003 to 27 August 2003, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting of the Company, 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 22 August 2003.

## Business Review

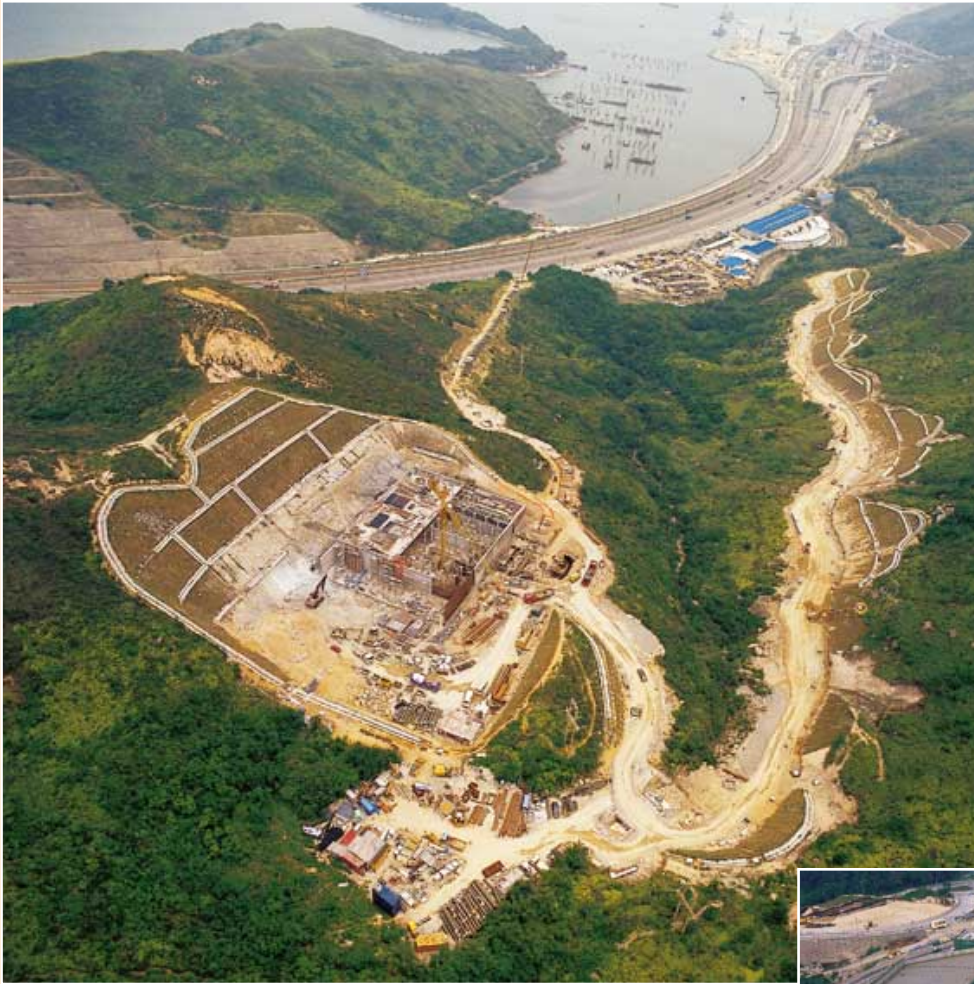
During the past year, the slowdown in the economy of Hong Kong continued. The construction industry in the reporting year continued to be at a difficult time, reflected by the decline in overall construction output.

The unfavourable economic climate had affected various business sectors of Hong Kong. Nevertheless, the Group experienced a slight increase in turnover in this year as compared with the last corresponding one, pursuing busily works in a diversified spectrum. Profit before taxation decreased significantly compared to that of the previous year due to provision made for a completed project at Hung Shui Kiu as well as fierce competition. At the time of reporting, the Group's reckoned value of contracts in hand is HK\$8.4 billion, with about HK\$4.1 billion outstanding.

The Group successfully completed several projects in the reporting year. On building construction, our housing team completed "Palm Cove", a private 5-block residential development at Tuen Mun Town Lot 386 and "Grandeur Terrace", a 11-block 4,100 units Private Sector Participation Scheme development at Tin Shui Wai. On maintenance contracts, two term contracts for Highways Department, Tuen Mun & Yuen Long Districts and Wong Tai Sin & Kwun Tong Districts, were completed. As for the joint-venture project on Mass Transit Railway Corporation



# Civil Engineering Projects



Construction of Yam O Tuk Fresh Water Service Reservoir



Public Transport Interchange at Wu Kai Sha Station



Permanent Way for East Rail Extensions

("MTRC") Tseung Kwan O extension, the tunnelling works of the Black Hill Tunnels was completed successfully, fitting well into MTRC's window of commissioning the railway extension in August 2002, four and a half months earlier than scheduled. Our quality performance was highly commended by the client.

Construction of the "Vianni Cove", a proposed residential development at Tin Shui Wai Town Lot 27, the private residential development at Nos. 80-90 Des Voeux Road West and the superstructure work for the proposed residential development at NKIL 6275 West Kowloon Reclamation were proceeding well. Construction of the two primary schools at Tin Shui Wai Area 111 and three schools at Fat Tseung Street was nearing completion, targeted before the summer vacation.

Regarding progress of the Kowloon – Canton Railway Corporation ("KCRC") contracts, the remaining works for the West Rail Viaducts were basically completed, and the Tin Shui Wai Station was also basically completed with its remaining roadworks and bridgeworks progressing smoothly. Tracklaying for the West Rail – North Section was completed and trial runs successfully carried out. Tracklaying for the Ma On Shan Line and Tsim Sha Tsui Extension was progressing well. The Hung Hom Station modification works were substantially complete at time of reporting. During the reporting year, three Public Transport Interchanges respectively at Tin Shui Wai Station, Wu Kai Sha Station and Tai Wai Station were added to the Group's railway related contracts. Works were progressing well.

On other civil construction works, the Yam O Tuk Fresh Water Service Reservoir, part of the infrastructural development for Phase 1 Hong Kong Disneyland, was proceeding on schedule.

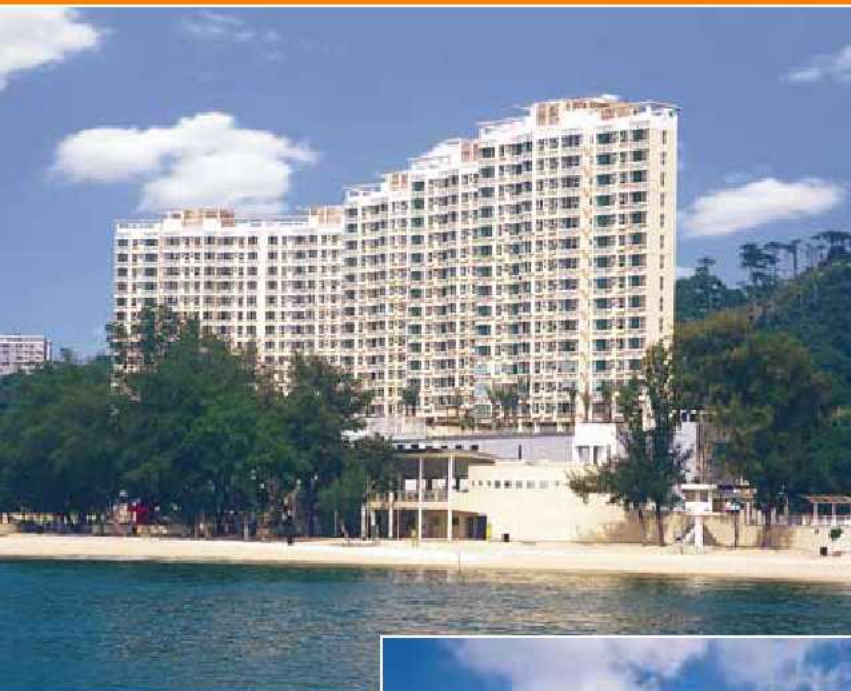
On foundation works, piling for the construction of two primary schools at Tin Shui Wai Area 111 and three schools at Fat Tseung Street, Sham Shui Po were completed. The additional piling works for housing development on the Black Hill Tunnel site was complete. Current works include the site formation and foundation works for the Proposed Residential Development at Tai Hang Road (Tiger Balm Garden), and the site formation and foundation works for the redevelopment of Pok Oi Hospital at Yuen Long. During the reporting year, a contract for bored piling works for the Public Transport Interchange at West Rail Tin Shui Wai Station was added to the Group's foundation works.

On maintenance works front, the Light Rail maintenance contract for KCRC, the building maintenance works for Hong Kong International Airport, and the term contract on waterworks for Water Supplies Department were undertaken smoothly. The works under the Minor Works contract with Architectural Services Department and the building maintenance works for Housing Authority were also progressing smoothly. During the reporting year, a Water Supplies Department's term contract for Waterworks District Kowloon, from Lai Chi Kok to Kwun Tong, and two Housing Authority's District term contracts for the Maintenance and Vacant Flat Refurbishment for Hong Kong East District and Sham Shui Po District respectively were added to the Group's maintenance works.

As for the MTRC Choi Hung Park and Ride Development, the foundation works within the tower portion, and the ground investigation works of the access ramp along Clear Water Bay Road were complete. Basement excavation and other works were progressing according to schedule.



# Building Projects



Palm Cove at TMTL 386, Tuen Mun



PSPS at Tin Shui Wai



During the reporting year, the second largest landscape contract under the Hong Kong Disneyland Resort Project – Site Development was awarded by Walt Disney Imagineering Hong Kong to the Group. Unprecedented in the contract portfolio of our Group, this landscape contract includes the plantation of 8,700 trees and 430,000 shrubs and installation of an advanced proprietary irrigation system. Works commenced in December 2002 and was progressing well. In addition, the Group was awarded a contract by the Drainage Services Department: the Investigation of Sewers & Drains Affecting the Safety of Slopes Features in the Catalogue of Slopes, Phase 2.

On electrical and mechanical ("E&M") works, the Group's in-house E&M teams provided supports and E&M installation services to the building teams for satisfactory and smooth running of the Group's building projects.

The Group's security business arm, City Security Company Limited, continued to perform satisfactorily in its normal core operations in providing security services to construction sites and other premises.

During the reporting year, the Group was presented with an award under the "Considerate Contractors Site Award Scheme 2002" organized by The Environment, Transport and Works Bureau. This award recognized our outstanding standard of safety, law abiding, good site management, environmental consciousness and considerateness. Besides, the Group also received two construction site safety performance awards and four meritorious awards by the "Hong Kong Occupational Safety & Health Council", and one "Meritorious Award in the Building Sites (Public Sector) Category" by the Labour Department. At time of reporting, the Group received the Silver Award of Hong Kong Occupational Safety & Health Award 2003 under the Category "Safety Management System Award – Construction".

## Outlook and Prospects

The atypical pneumonia outbreak in Hong Kong had adversely affected the Hong Kong economy. Despite the recent removal of Hong Kong from the World Health Organization's list of affected areas, it will take some time for the economy to recover. Nevertheless, for the construction sector, according to the Financial Secretary's budget speech in March, an average of about HK\$29 billion annually for infrastructure works has already been earmarked over the next 5 years, similar to that for the past few years. Moreover, the Government has started to adopt the private finance initiatives by introducing a list of recreational and cultural facilities projects worth about HK\$2.5 billion for private sector participation on a trial basis, and will consider extending the scheme to cover projects under the purview of other bureaux if successful.

On railway construction, budget had been approved for the South Island Link. Moreover, KCRC had already awarded several design contracts for the Sha Tin to Central Line, and to prepare preliminary designs for the Kowloon Southern Link. Tendering for construction is expected to begin later this year or early 2004. As for Hung Hom Station, the KCRC had already earmarked budget for future expansion and for its future use as cross-platform interchanges. In addition, the first phase of a rail extension named the West Island Link, between Sheung Wan and the Belchers estate, will be pursued by the MTRC. Having successfully completed several projects in the railway sector, the Group is keen to pursue the upcoming projects from KCRC and MTRC.



# Building Projects

Choi Hung Park and Ride Development



Construction of three schools at Fat Tseung Street, Sham Shui Po



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





Regarding highway projects, prequalification submissions have been completed for the Stonecutters Bridge and are under way for a new boundary bridge alongside the existing one between Lok Ma Chau and Huanggang control points. On building construction in the public sector, Government projects on the pipeline include the construction of two new boundary crossing facilities, one at Shenzhen Western Corridor and the other at Huanggang, the residential training complex at Tuen Mun, etc. Furthermore, the Government will continue with school improvement works, building of teaching blocks for educational institutions, hospital improvement works, redevelopment works of medical centre and hospital staff quarters. For the private sector, tendering process on school improvement and building works for charities, residential development etc. had been started. On waterworks projects, prequalification on initial packages of the Replacement and Rehabilitation of Water Mains by the Water Suppliers Department had been completed. Moreover, tendering has started on Stage 1 Phase 1 – Mains on Hong Kong and Lantau Islands at time of reporting. With the good performance and track records in various civil engineering and building projects, the Group is keen to pursue these upcoming projects from both the public and private sectors.

For the coming year, various packages on the development of the Hong Kong Disneyland will be available for tendering. The Group's recent participation in the Disneyland works including the public construction work to provide fresh water supply facilities for the future theme park, and the landscape contract with Disney should increase our potential to benefit from such packages.

The Group has continued its diversification strategy and has extended its business into other business fields. The acquisition of an estate management company to serve the PSPS development "Grandeur Terrace" has further strengthened the Group's portfolio, paving the way for the Group's diversification in the property management sector. In the property development sector, apart from involvement in the Choi Hung Park and Ride Development in Hong Kong SAR, the Group is prudently extending its business into property development in Mainland China.

In the past, our Group had sustained through the economic downturn in Hong Kong. Our well diversified capabilities and improved productivity will certainly allow us to weather through these difficult times in the whole economy.

## Acknowledgment

I am deeply grateful to the Board, its Management and all our staff for their commitment to our vision and their hard work. I would also like to thank our shareholders, financiers and business partners for their continued strong supports.

**Pang Kam Chun**

*Chairman*

Hong Kong, 17 July 2003



# Building & Foundation Projects

Construction of two primary schools  
at Tin Shui Wai Area 111



Proposed Residential Development at  
NKIL 6275 West Kowloon Reclamation



Site Formation and Foundation Works for  
Redevelopment of Pok Oi Hospital at Yuen Long



# Biographical Details of Directors and Senior Management

## Executive Directors

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

Aged 60. Founder of the Group and has over 30 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 51. 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 29 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 52. Joined the Group in 1975 and has over 20 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 72. A stockbroker and has 33 years of experience in securities dealing business. Chairman of National Resources Securities Limited; Life Honorary President of the Institute of Securities Dealers Limited; 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. 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.

### **Au Son Yiu**

Aged 58. Has extensive experience in the securities industry. A Director of Realink Securities Limited, China Point Stock Brokers Limited and I & P Securities 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.

**Independent Non-executive Directors** | continued**Wong Sai Wing, James**

Aged 65. 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 55. 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 20 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 51. 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 29 years' experience in the construction industry including design and project management of civil engineering and building construction projects in Hong Kong, and project management of industrial development projects in Mainland China. Appointed as a director of Chun Wo Building Construction Limited in October 1999 and a director of Chun Wo Construction and Engineering Company Limited in November 1999.

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

Aged 44. 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 18 years of experience in the construction industry including construction supervision, project management, property development, property management and lease management. Appointed as a General Manager (Building and Development) of Chun Wo Building Construction Limited in January 2002.

**Kwok Man Fai**

Aged 42. 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 18 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.



## Senior Management | continued

### **Lai Kam Hung, Joseph**

Aged 45. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 27 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 28. 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 two 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 42. 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 19 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.

### **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 39. 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 18 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.

### **Tse Fai Hung** *BSc (Eng), MPhil, MICE*

Aged 52. Graduated from the University of Hong Kong in 1974 with a Bachelor of Science degree in civil engineering, and obtained a Master of Philosophy degree in 1976 from University of Hong Kong. A member of the Institution of Civil Engineers, United Kingdom. Joined the Group in 1997 and has over 27 years' experience in the construction industry. Appointed as a director of Chun Wo Construction and Engineering Company Limited and Chun Wo Foundations Limited in March 2001.

# 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 2003.

## 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 and property development.

## Results and Appropriations

The results of the Group and appropriations of the Company for the year ended 31 March 2003 are set out in the consolidated income statement on page 27.

An interim dividend of HK0.75 cent per share was paid to shareholders during the year. The Directors do not recommend the payment of a final dividend.

## Financial Summary

A financial summary of the Group is set out on page 72.

## Share Capital

Details of the share capital of the Company are set out in note 24 to the financial statements.

## Share Option Schemes

Particulars of the share option schemes are set out in note 25 to the financial statements. No option was granted under the share option schemes during the year ended 31 March 2003.

As at the date of the directors' report, the number of shares in the Company available for issue under the Company's share option scheme is 72,454,589 shares, representing 10% of the issued share capital of the Company.

## Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

## Investment Properties

The investment properties of the Group were revalued as at 31 March 2003 as set out in note 11 to the financial statements. There was no resulting surplus or deficit arising on revaluation of the investment properties.

## 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 2003 are set out in notes 36, 37 and 38 to the financial statements respectively.

## Borrowings and Interest Capitalised

Details of the Group's borrowings are set out in notes 21 and 22 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 2003, the total net debts of the Group amounted to HK\$2,356.4 million, representing total debts of HK\$2,532.8 million less bank balances and cash of HK\$176.4 million. The debt maturity profile of the Group at 31 March 2003 is analysed as follows:

|   | <b>As at<br/>31 March<br/>2003<br/>HK\$ Million</b> | <b>As at<br/>31 March<br/>2002<br/>HK\$ Million</b> |
|---|---|---|
| Repayable within one year or on demand      | <b>2,263.4</b>                                      | 209.7   |
| Repayable after 1 year, but within 2 years  | <b>15.0</b>   | 1,340.3   |
| Repayable after 2 years, but within 5 years | <b>253.8</b>  | 193.0   |
| Repayable after 5 years                     | <b>0.6</b>  | 1.7   |
| Total                                       | <b>2,532.8</b>                                      | 1,744.7   |

At 31 March 2003, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 3.84 (2002: 2.59).

The increase in gearing ratio was mainly attributable to drawdown of the project loans for the financing of the Private Sector Participation Scheme ("PSPS") project at Tin Shui Wai, Yuen Long and the MTRC Choi Hung Park and Ride Development. Subsequent to 31 March 2003, the sale proceeds of stage 1 of PSPS project at Tin Shui Wai in the amount of HK\$1,222 million was received and applied to prepay the PSPS project loan accordingly. The gearing ratio of the Group decreased to approximately 2.14 as at the date of the loan prepayment.

## Liquidity and Financial Resources | continued

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 yet been hedged by any interest rate financial instruments due to the easing of interest rate in light of the current and continuing slack economic condition.

The Group's financial position is sound. With available bank balances and cash, 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 1,750 employees as at 31 March 2003. 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.

## 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), Madam Li Wai Hang, Christina and Dr. Wong Sai Wing, James 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.

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 in Securities

As at 31 March 2003, the interests of the Directors, Chief Executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name of Director             | Number of shares held |                         |
|------------------------------|-----------------------|-------------------------|
|                              | Personal interests    | Family interests (Note) |
| Mr. Pang Kam Chun            | 316,230,950           | 10,148,875              |
| Mr. Kwok Yuk Chiu, Clement   | 2,993,540             | —                       |
| Madam Li Wai Hang, Christina | 10,148,875            | 316,230,950             |
| Madam Chen Po Sum            | 825,000               | —                       |
| Mr. Au Son Yiu               | 2,300,000             | —                       |
| Dr. Wong Sai Wing, James     | 831,875               | —                       |
| Mr. Woo Kam Wai              | 346,000               | —                       |

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

Save as disclosed above and under the heading "Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, at 31 March 2003, none of the Directors, Chief Executives or any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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

Save as disclosed in note 25 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or 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 or 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 in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the issued share capital of the Company as at 31 March 2003.

## Connected Transaction

On 7 July 2003, Perfect Year Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire from Mr. Pang Yat Ting, Dominic a commercial property situated in Guangzhou, The People's Republic of China for investment purpose. The consideration for the acquisition is RMB20,000,000 (approximately HK\$18,868,000). Mr. Pang Yat Ting, Dominic is the son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina, both are directors and shareholders of the Company.

## Major Customers and Suppliers

For the year ended 31 March 2003, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 51% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 29% 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.

## Convertible Securities, Options, Warrants or Similar Rights

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2003.

## 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 2003 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.

## Donations

During the year, the Group made charitable and other donations totalling approximately HK\$144,000.

## Post Balance Sheet Event

Details of the significant post balance sheet event are set out in note 35 to the financial statements.

## 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, 17 July 2003

# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE SHAREHOLDERS OF CHUN WO HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 27 to 71 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 statements and to report our opinion to you.

### 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 2003 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, 17 July 2003

# Consolidated Income Statement

For the year ended 31 March 2003

|   | Notes | 2003<br>HK\$'000   | 2002<br>HK\$'000 |
|---|-------|--------------------|------------------|
| Turnover  | 4     | <b>2,450,101</b>   | 2,310,152        |
| Cost of sales                                   |       | <b>(2,342,702)</b> | (2,173,174)      |
| Gross profit                                    |       | <b>107,399</b>     | 136,978          |
| Other operating income                          |       | <b>53,852</b>      | 49,860           |
| General and administrative expenses             |       | <b>(135,026)</b>   | (130,000)        |
| Surplus on revaluation of investment properties |       | —                  | 153              |
| Profit from operations                          | 5     | <b>26,225</b>      | 56,991           |
| Finance costs                                   | 7     | <b>(4,254)</b>     | (5,251)          |
| Share of results of jointly controlled entities |       | <b>5,093</b>       | 16,048           |
| Gain on disposal of interests in subsidiaries   |       | —                  | 319              |
| Loss on disposal of an associate                |       | —                  | (7,040)          |
| Profit from ordinary activities before taxation |       | <b>27,064</b>      | 61,067           |
| Taxation  | 8     | <b>(21,284)</b>    | (20,218)         |
| Profit before minority interests                |       | <b>5,780</b>       | 40,849           |
| Minority interests                              |       | <b>(185)</b>       | 481              |
| Profit attributable to shareholders             |       | <b>5,595</b>       | 41,330           |
| Dividends                                       | 9     | <b>12,680</b>      | 12,680           |
| Earnings per share – basic                      | 10    | <b>0.8 cent</b>    | 5.7 cents        |
| – diluted                                       |       | <b>N/A</b>         | 5.7 cents        |

# Consolidated Balance Sheet

At 31 March 2003

|  | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                    |       |                  |                  |
| Investment properties                        | 11    | 31,089           | 31,089           |
| Property, plant and equipment                | 12    | 303,198          | 319,764          |
| Properties under development                 | 13    | 500,053          | 458,571          |
| Interests in associates                      | 15    | 79,742           | 77,851           |
| Interests in jointly controlled entities     | 16    | 15,823           | 23,811           |
| Investments                                  | 17    | 1,002            | 1,602            |
|  |       | <b>930,907</b>   | <b>912,688</b>   |
| <b>Current assets</b>                        |       |                  |                  |
| Amounts due from customers for contract work | 18    | 298,970          | 256,726          |
| Properties under development                 | 13    | 2,014,695        | 1,292,569        |
| Debtors, deposits and prepayments            | 19    | 375,369          | 337,597          |
| Amounts due from associates                  |       | 487              | 10,042           |
| Amounts due from jointly controlled entities |       | 43,198           | 94,021           |
| Investments                                  | 17    | 10,000           | 10,000           |
| Taxation recoverable                         |       | 1,288            | 850              |
| Pledged bank deposits                        |       | 21,976           | 3,607            |
| Bank balances and cash                       |       | 154,463          | 135,298          |
|  |       | <b>2,920,446</b> | <b>2,140,710</b> |
| <b>Current liabilities</b>                   |       |                  |                  |
| Amounts due to customers for contract work   | 18    | 144,273          | 183,181          |
| Creditors and accrued charges                | 20    | 526,470          | 475,967          |
| Amounts due to jointly controlled entities   |       | 11,539           | 9,292            |
| Taxation payable                             |       | 7,341            | 12,069           |
| Obligations under finance leases             |       |                  |                  |
| – due within one year                        | 21    | 24,072           | 42,374           |
| Borrowings – due within one year             | 22    | 2,239,380        | 167,301          |
|  |       | <b>2,953,075</b> | <b>890,184</b>   |
| <b>Net current (liabilities) assets</b>      |       | <b>(32,629)</b>  | <b>1,250,526</b> |
| <b>Total assets less current liabilities</b> |       | <b>898,278</b>   | <b>2,163,214</b> |

|                                  | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|----------------------------------|-------|------------------|------------------|
| <b>Non-current liabilities</b>   |       |                  |                  |
| Obligations under finance leases |       |                  |                  |
| – due after one year             | 21    | 14,434           | 29,148           |
| Borrowings – due after one year  | 22    | 254,908          | 1,505,907        |
| Deferred taxation                | 23    | 13,322           | 7,718            |
|                                  |       | <b>282,664</b>   | <b>1,542,773</b> |
| <b>Minority interests</b>        |       |                  |                  |
|                                  |       | <b>2,365</b>     | <b>107</b>       |
| <b>Net assets</b>                |       |                  |                  |
|                                  |       | <b>613,249</b>   | <b>620,334</b>   |
| <b>Capital and reserves</b>      |       |                  |                  |
| Share capital                    | 24    | 72,455           | 72,455           |
| Reserves                         | 26    | 540,794          | 547,879          |
|                                  |       | <b>613,249</b>   | <b>620,334</b>   |

The financial statements on pages 27 to 71 were approved and authorised for issue by the Board of Directors on 17 July 2003 and are signed on its behalf by:

**Kwok Yuk Chiu, Clement**  
*Director*

**Li Wai Hang, Christina**  
*Director*

# Balance Sheet

At 31 March 2003

|  | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                    |       |                  |                  |
| Property, plant and equipment                | 12    | 39,962           | 41,218           |
| Interests in subsidiaries                    | 14    | 685,914          | 626,527          |
| Investments                                  | 17    | —                | 600              |
|  |       | <b>725,876</b>   | <b>668,345</b>   |
| <b>Current assets</b>                        |       |                  |                  |
| Debtors, deposits and prepayments            |       | 149              | 183              |
| Investments                                  | 17    | 10,000           | 10,000           |
| Tax recoverable                              |       | 172              | —                |
| Bank balances and cash                       |       | 305              | 224              |
|  |       | <b>10,626</b>    | <b>10,407</b>    |
| <b>Current liabilities</b>                   |       |                  |                  |
| Accrued charges                              |       | 1,331            | 1,402            |
| Taxation payable                             |       | —                | 432              |
| Borrowings – due within one year             | 22    | 1,938            | 3,943            |
|  |       | <b>3,269</b>     | <b>5,777</b>     |
| <b>Net current assets</b>                    |       | <b>7,357</b>     | <b>4,630</b>     |
| <b>Total assets less current liabilities</b> |       | <b>733,233</b>   | <b>672,975</b>   |
| <b>Non-current liabilities</b>               |       |                  |                  |
| Amounts due to subsidiaries                  |       | 353,075          | 290,588          |
| Borrowings – due after one year              | 22    | 6,613            | 8,553            |
|  |       | <b>359,688</b>   | <b>299,141</b>   |
| <b>Net assets</b>                            |       | <b>373,545</b>   | <b>373,834</b>   |
| <b>Capital and reserves</b>                  |       |                  |                  |
| Share capital                                | 24    | 72,455           | 72,455           |
| Reserves                                     | 26    | 301,090          | 301,379          |
|  |       | <b>373,545</b>   | <b>373,834</b>   |

**Kwok Yuk Chiu, Clement**  
Director

**Li Wai Hang, Christina**  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------------|---------------------------------|-------------------|
| <b>THE GROUP</b>  |                              |                              |                                |                                |                                    |                                 |                   |
| At 1 April 2001   | 72,455                       | 242,572                      | (7,340)                        | 8,301                          | 676                                | 274,790                         | 591,454           |
| Goodwill released on disposal of<br>interests in subsidiaries | —                            | —                            | —                              | 230                            | —                                  | —                               | 230               |
| Profits attributable to shareholders                          | —                            | —                            | —                              | —                              | —                                  | 41,330                          | 41,330            |
| Dividends paid  | —                            | —                            | —                              | —                              | —                                  | (12,680)                        | (12,680)          |
| At 31 March 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)          |
| <b>At 31 March 2003</b>                                       | <b>72,455</b>                | <b>242,572</b>               | <b>(7,340)</b>                 | <b>8,531</b>                   | <b>676</b>                         | <b>296,355</b>                  | <b>613,249</b>    |

# Consolidated Cash Flow Statement

For the year ended 31 March 2003

|   | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000<br>(restated) |
|---|-------|------------------|--------------------------------|
| <b>Operating activities</b>   |       |                  |                                |
| Profit from operations  |       | 26,225           | 56,991                         |
| Adjustments for:  |       |                  |                                |
| Interest income   |       | (812)            | (1,165)                        |
| Depreciation and amortisation   |       | 3,966            | 3,870                          |
| Loss on disposal of property, plant and equipment                           |       | 778              | 1,094                          |
| Surplus on revaluation of investment properties                             |       | —                | (153)                          |
| Impairment loss recognised in respect of<br>unlisted investment             |       | 600              | —                              |
| Operating cash flows before movements in working capital                    |       | 30,757           | 60,637                         |
| (Increase) decrease in amounts due from (to) customers<br>for contract work |       | (29,293)         | 104,173                        |
| (Increase) decrease in debtors, deposits and prepayments                    |       | (37,772)         | 195,372                        |
| Decrease in amounts due from associates                                     |       | 9,555            | 2,377                          |
| Decrease (increase) in amounts due from jointly<br>controlled entities      |       | 50,823           | (3,468)                        |
| Increase (decrease) in creditors and accrued charges                        |       | 50,503           | (42,634)                       |
| Increase in amounts due to jointly controlled entities                      |       | 2,247            | 405                            |
| Cash generated from operations  |       | 76,820           | 316,862                        |
| Hong Kong Profits Tax paid  |       | (15,605)         | (14,554)                       |
| Foreign Enterprise Income Tax in the People's<br>Republic of China paid     |       | (273)            | (156)                          |
| Hong Kong Profits Tax refunded  |       | 13               | 3,125                          |
| <b>Net cash from operating activities</b>                                   |       | 60,955           | 305,277                        |
| <b>Investing activities</b>   |       |                  |                                |
| Costs incurred in properties under development                              |       | (712,594)        | (909,108)                      |
| Purchase of property, plant and equipment                                   |       | (26,407)         | (8,939)                        |
| Increase in pledged bank deposits   |       | (18,369)         | (3,607)                        |
| Advances to associates  |       | (1,891)          | (327)                          |
| Dividend received from a jointly controlled entity                          |       | 8,100            | 9,000                          |
| Capital contributed by minority shareholders                                |       | 2,073            | —                              |
| Proceeds from disposal of property, plant and equipment                     |       | 1,839            | 3,228                          |
| Interest received   |       | 812              | 1,165                          |
| Proceeds on disposal of interests in subsidiaries                           | 27    | —                | (37)                           |
| Purchase of investments   |       | —                | (1,602)                        |
| <b>Net cash used in investing activities</b>                                |       | (746,437)        | (910,227)                      |

|   | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000<br>(restated) |
|---|-------|------------------|--------------------------------|
| <b>Financing activities</b>   |       |                  |                                |
| Interest paid   |       | (62,315)         | (64,521)                       |
| Dividends paid  |       | (12,680)         | (12,680)                       |
| New obligations under finance leases                                  |       | 2,394            | 26,122                         |
| Repayment of principal portion of obligations<br>under finance leases |       | (43,832)         | (46,445)                       |
| New bank loans raised   |       | 827,938          | 788,795                        |
| Repayment of bank loans   |       | (78,900)         | (47,000)                       |
| New mortgage loans raised   |       | 5,640            | —                              |
| Repayment of mortgage loans   |       | (5,416)          | (8,422)                        |
| Increase (decrease) in trust receipt loans                            |       | 71,818           | (37,144)                       |
| <b>Net cash from financing activities</b>                             |       | <b>704,647</b>   | <b>598,705</b>                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>           |       | <b>19,165</b>    | <b>(6,245)</b>                 |
| <b>Cash and cash equivalents at beginning of the year</b>             |       | <b>135,298</b>   | <b>141,543</b>                 |
| <b>Cash and cash equivalents at end of the year</b>                   |       | <b>154,463</b>   | <b>135,298</b>                 |
| <b>Analysis of the balances of cash and cash equivalents</b>          |       |                  |                                |
| Cash and cash equivalents as previously reported                      |       |                  | 96,882                         |
| Effect of reclassification of trust receipt loans                     |       |                  | 38,416                         |
| Cash and cash equivalents as restated                                 |       |                  | 135,298                        |
| Being:  |       |                  |                                |
| Bank balances and cash  |       | 154,463          | 135,298                        |

# Notes to the Financial Statements

For the year ended 31 March 2003

## 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 and property development.

## 2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in Note 3. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and the inclusion of statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

### Foreign currencies

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of subsidiaries operating outside Hong Kong at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate.

### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, interest and dividends paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amount shown in the cash flow statement.

### Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

### 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.

#### **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.

**3. Significant Accounting Policies** | continued**Negative goodwill** | continued

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.

**Associates**

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

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

**Jointly controlled entities**

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

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

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture, 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 contracts 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.

### 3. Significant Accounting Policies | continued

#### Revenue recognition | continued

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.

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.

**3. Significant Accounting Policies** | continued**Investment properties** | continued

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

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

**Property, plant and equipment**

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

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

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

Depreciation is provided to write off the cost of other property, plant and equipment 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.



### 3. Significant Accounting Policies | continued

#### Properties under development | continued

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.

#### 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**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### **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.

#### **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 two operating divisions – construction works and property development. 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 2003

|  | Construction<br>works<br>HK\$'000 | Property<br>development<br>HK\$'000 | Other<br>activities<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------------------|-------------------------------------|---------------------------------|--------------------------|
|  | (Note)                            |                                     |                                 |                          |
| <b>TURNOVER</b>                                    |                                   |                                     |                                 |                          |
| External sales                                     | <u>2,450,101</u>                  | <u>—</u>                            | <u>—</u>                        | <u>2,450,101</u>         |
| <b>RESULT</b>                                      |                                   |                                     |                                 |                          |
| Segment result                                     | <u>40,315</u>                     | <u>(758)</u>                        | <u>384</u>                      | 39,941                   |
| Interest income                                    |                                   |                                     |                                 | 812                      |
| Unallocated corporate expenses                     |                                   |                                     |                                 | <u>(14,528)</u>          |
| Profit from operations                             |                                   |                                     |                                 | 26,225                   |
| Finance costs                                      |                                   |                                     |                                 | (4,254)                  |
| Share of results of jointly<br>controlled entities | 5,093                             |                                     |                                 | <u>5,093</u>             |
| Profit from ordinary activities<br>before taxation |                                   |                                     |                                 | 27,064                   |
| Taxation   |                                   |                                     |                                 | <u>(21,284)</u>          |
| Profit before minority interests                   |                                   |                                     |                                 | 5,780                    |
| Minority interests                                 |                                   |                                     |                                 | <u>(185)</u>             |
| Profit attributable to shareholders                |                                   |                                     |                                 | <u>5,595</u>             |

**4. Business and Geographical Segments** | continued**Business segments** | continued**At 31 March 2003****BALANCE SHEET**

|   | <b>Construction<br/>works<br/>HK\$'000</b> | <b>Property<br/>development<br/>HK\$'000</b> | <b>Other<br/>activities<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|---|--|--|--|----------------------------------|
|   | (Note)                                     |  |  |                                  |
| <b>ASSETS</b>                                 |  |  |  |                                  |
| Segment assets                                | 2,814,102                                  | 631,780                                      | 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                     |  |  |  | 3,851,353                        |
| <b>LIABILITIES</b>                            |  |  |  |                                  |
| Segment liabilities                           | 2,468,195                                  | 460,922                                      | 485                                      | 2,929,602                        |
| Amounts due to jointly<br>controlled entities | 11,539                                     |  |  | 11,539                           |
| Unallocated corporate liabilities             |  |  |  | 294,598                          |
| Consolidated total liabilities                |  |  |  | 3,235,739                        |

**OTHER INFORMATION**

|   | <b>Construction<br/>works<br/>HK\$'000</b> | <b>Property<br/>development<br/>HK\$'000</b> | <b>Other<br/>activities<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|---|--|--|--|---------------------------------|----------------------------------|
| Capital expenditure   | 34,778                                     | —  | 51                                       | —                               | 34,829                           |
| Depreciation and amortisation                                   | 48,521                                     | —  | 257                                      | —                               | 48,778                           |
| Impairment loss recognised in<br>respect of unlisted investment | —  | —  | —  | 600                             | 600                              |
| Loss on disposal of property,<br>plant and equipment            | 778  | —  | —  | —                               | 778                              |

## 4. Business and Geographical Segments | continued

### Business segments | continued

For the year ended 31 March 2002

|  | Construction<br>works<br>HK\$'000 | Property<br>development<br>HK\$'000 | Other<br>activities<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------------------|-------------------------------------|---------------------------------|--------------------------|
|  | (Note)                            |                                     |                                 |                          |
| TURNOVER   |                                   |                                     |                                 |                          |
| External sales                                     | <u>2,310,152</u>                  | <u>—</u>                            | <u>—</u>                        | <u>2,310,152</u>         |
| RESULT   |                                   |                                     |                                 |                          |
| Segment result                                     | <u>79,142</u>                     | <u>(52)</u>                         | <u>(8,632)</u>                  | 70,458                   |
| Interest income                                    |                                   |                                     |                                 | 1,165                    |
| Surplus on revaluation of<br>investment properties |                                   |                                     |                                 | 153                      |
| Unallocated corporate expenses                     |                                   |                                     |                                 | <u>(14,785)</u>          |
| Profit from operations                             |                                   |                                     |                                 | 56,991                   |
| Finance costs                                      |                                   |                                     |                                 | (5,251)                  |
| Share of results of jointly<br>controlled entities | 16,048                            |                                     |                                 | 16,048                   |
| Gain on disposal of interests<br>in subsidiaries   |                                   |                                     |                                 | 319                      |
| Loss on disposal of an associate                   |                                   |                                     | (7,040)                         | <u>(7,040)</u>           |
| Profit from ordinary activities<br>before taxation |                                   |                                     |                                 | 61,067                   |
| Taxation   |                                   |                                     |                                 | <u>(20,218)</u>          |
| Profit before minority interests                   |                                   |                                     |                                 | 40,849                   |
| Minority interests                                 |                                   |                                     |                                 | <u>481</u>               |
| Profit attributable to shareholders                |                                   |                                     |                                 | <u>41,330</u>            |

**4. Business and Geographical Segments** | continued**Business segments** | continued**At 31 March 2002****BALANCE SHEET**

|  | <b>Construction<br/>works<br/>HK\$'000</b> | <b>Property<br/>development<br/>HK\$'000</b> | <b>Other<br/>activities<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|--|--|--|--|----------------------------------|
|  | (Note)                                     |  |  |                                  |
| <b>ASSETS</b>                                |  |  |  |                                  |
| Segment assets                               | 2,130,813                                  | 490,145                                      | 3,870                                    | 2,624,828                        |
| Interests in jointly controlled entities     | 117,832                                    |  |  | 117,832                          |
| Interests in associates                      | 87,893                                     |  |  | 87,893                           |
| Unallocated corporate assets                 |  |  |  | <u>222,845</u>                   |
| Consolidated total assets                    |  |  |  | <u>3,053,398</u>                 |
| <b>LIABILITIES</b>                           |  |  |  |                                  |
| Segment liabilities                          | 1,788,884                                  | 346,105                                      | 110                                      | 2,135,099                        |
| Amount due to a jointly<br>controlled entity | 9,292                                      |  |  | 9,292                            |
| Unallocated corporate liabilities            |  |  |  | <u>288,566</u>                   |
| Consolidated total liabilities               |  |  |  | <u>2,432,957</u>                 |

**OTHER INFORMATION**

|  | <b>Construction<br/>works<br/>HK\$'000</b> | <b>Property<br/>development<br/>HK\$'000</b> | <b>Other<br/>activities<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|--|--|--|--|----------------------------------|
| Capital expenditure                                  | 12,047                                     | —  | 167                                      | 12,214                           |
| Depreciation and amortisation                        | 54,707                                     | —  | 236                                      | 54,943                           |
| Loss on disposal of property, plant<br>and equipment | <u>1,094</u>                               | <u>—</u>                                     | <u>—</u>                                 | <u>1,094</u>                     |

*Note: Turnover, segment results, and respective segment assets and segment liabilities derived from Private Sector Participation Scheme are classified under construction works 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

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Profit from operations has been arrived at after charging:               |                  |                  |
| Auditors' remuneration   | 1,583            | 1,589            |
| Depreciation and amortisation on:  |                  |                  |
| Owned assets   | 28,962           | 28,567           |
| Assets held under finance leases   | 19,816           | 26,376           |
|  | 48,778           | 54,943           |
| Less: Amount attributable to contract work                               | (44,812)         | (51,073)         |
|  | 3,966            | 3,870            |
| Impairment loss recognised in respect of unlisted investment             | 600              | —                |
| Loss on disposal of property, plant and equipment                        | 778              | 1,094            |
| Operating lease rentals for:   |                  |                  |
| Land and buildings   | 4,884            | 4,548            |
| Plant and machinery  | 26,960           | 16,462           |
|  | 31,844           | 21,010           |
| Less: Amount attributable to contract work                               | (28,455)         | (17,855)         |
|  | 3,389            | 3,155            |
| Staff costs, including Directors' emoluments                             | 393,930          | 360,748          |
| Less: Amount attributable to contract work                               | (317,591)        | (287,368)        |
| Amount attributable to properties under development                      | (5,667)          | (2,240)          |
|  | 70,672           | 71,140           |
| and after crediting:   |                  |                  |
| Interest income  | 812              | 1,165            |
| Rental income from investment properties,<br>net of negligible outgoings | 1,652            | 1,723            |

## 6. Directors' and Employees' Emoluments

### (a) Directors' emoluments

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Fees:                                    |                  |                  |
| Executive Directors                      | —                | —                |
| Independent Non-executive Directors      | 660              | 660              |
| Other emoluments to Executive Directors: |                  |                  |
| Salaries and other benefits              | 8,958            | 8,167            |
| Retirement benefit scheme contributions  | 218              | 192              |
|  | <b>9,836</b>     | <b>9,019</b>     |

The Directors' emoluments were within the following bands:

|                                | 2003<br>Number of Directors | 2002<br>Number of Directors |
|--------------------------------|-----------------------------|-----------------------------|
| Nil to HK\$1,000,000           | 4                           | 4                           |
| HK\$1,500,001 to HK\$2,000,000 | —                           | 2                           |
| HK\$2,000,001 to HK\$2,500,000 | 2                           | —                           |
| HK\$5,000,001 to HK\$5,500,000 | 1                           | 1                           |

### (b) Employees' emoluments

The five highest paid individuals included three (2002: two) Executive Directors whose emoluments are included above. The emoluments of the remaining two (2002: three) individuals are as follows:

|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|------------------|------------------|
| Salaries and other benefits             | 4,698            | 5,422            |
| Retirement benefit scheme contributions | 100              | 177              |
|   | <b>4,798</b>     | <b>5,599</b>     |

The employees' emoluments were within the following bands:

|                                | 2003<br>Number of employees | 2002<br>Number of employees |
|--------------------------------|-----------------------------|-----------------------------|
| HK\$1,500,001 to HK\$2,000,000 | 1                           | 3                           |
| HK\$2,500,001 to HK\$3,000,000 | 1                           | —                           |



## 7. Finance Costs

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Interest payable on:                                   |                  |                  |
| Bank borrowings wholly repayable within five years     | 59,863           | 51,702           |
| Other borrowing wholly repayable within five years     | 8                | 223              |
| Bank borrowings not wholly repayable within five years | 91               | 562              |
| Finance leases   | 2,353            | 4,362            |
|  | 62,315           | 56,849           |
| Less: Amount attributable to contract work             | (7,047)          | (12,975)         |
| Amount attributable to properties under development    | (51,014)         | (38,623)         |
|  | 4,254            | 5,251            |

## 8. Taxation

|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|------------------|------------------|
| The charge comprises:   |                  |                  |
| Current taxation  |                  |                  |
| – Hong Kong Profits Tax                                       |                  |                  |
| – current year  | 11,874           | 11,464           |
| – (over) underprovision in prior year                         | (1,438)          | 3,267            |
|   | 10,436           | 14,731           |
| – Foreign Enterprise Income Tax in the PRC                    | 263              | 175              |
|   | 10,699           | 14,906           |
| Deferred taxation   |                  |                  |
| – Hong Kong Profits Tax                                       | 5,604            | 814              |
|   | 16,303           | 15,720           |
| Share of taxation attributable to jointly controlled entities | 4,981            | 4,498            |
|   | 21,284           | 20,218           |

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both years.

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 23.

## 9. Dividends

|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|------------------|------------------|
| Interim dividend paid in respect of 2003 of 0.75 cent<br>(2002: 0.5 cent) per share | 5,434            | 3,623            |
| Final dividend paid in respect of 2002 of 1 cent<br>(2001: 1.25 cents) per share    | 7,246            | 9,057            |
|   | <b>12,680</b>    | <b>12,680</b>    |

## 10. Earnings per Share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$5,595,000 (2002: HK\$41,330,000) and 724,545,896 shares (2002: 724,545,896 shares) in issue during the year.

There were no share options outstanding during the year ended 31 March 2003. The computation of diluted earnings per share for 2002 did not assume the exercise of the Company's outstanding share options during the year as the exercise prices of options were higher than the average market prices of the Company's shares in that year.

## 11. Investment Properties

|  | THE GROUP        |                  |
|--|------------------|------------------|
|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| VALUATION                                  |                  |                  |
| At beginning of the year                   | 31,089           | 28,840           |
| Transfer from leasehold land and buildings | —                | 2,096            |
| Surplus on revaluation                     | —                | 153              |
| At end of the year                         | <b>31,089</b>    | <b>31,089</b>    |

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued as at 31 March 2003 on an open market value basis by Centaline Surveyors Limited, a firm of independent professional valuers. There was no resulting surplus or deficit arising on revaluation as at 31 March 2003. In prior year, the resulting surplus arising on revaluation as at 31 March 2002 of HK\$153,000 was credited to the consolidated income statement.

The investment properties are situated in the PRC and are held under medium-term lease.

## 12. Property, Plant and Equipment

|  | THE GROUP                                      |                                    |                               |   | THE COMPANY       |  |
|--|--|------------------------------------|-------------------------------|---|-------------------|--|
|  | Leasehold<br>land and<br>buildings<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Total<br>HK\$'000 | Leasehold<br>land and<br>buildings<br>HK\$'000 |
| <b>COST</b>                              |  |                                    |                               |   |                   |  |
| At 1 April 2002                          | 55,798   | 490,385                            | 33,504                        | 29,810  | 609,497           | 49,086   |
| Additions                                | 10,467   | 12,840                             | 10,794                        | 728   | 34,829            | —  |
| Disposals                                | —  | (3,343)                            | (428)                         | (1)   | (3,772)           | —  |
| <b>At 31 March 2003</b>                  | <b>66,265</b>                                  | <b>499,882</b>                     | <b>43,870</b>                 | <b>30,537</b>                                       | <b>640,554</b>    | <b>49,086</b>                                  |
| <b>DEPRECIATION AND<br/>AMORTISATION</b> |  |                                    |                               |   |                   |  |
| At 1 April 2002                          | 8,827  | 244,893                            | 20,310                        | 15,703  | 289,733           | 7,868  |
| Provided for the year                    | 1,564  | 40,266                             | 4,714                         | 2,234   | 48,778            | 1,256  |
| Eliminated on disposals                  | —  | (846)                              | (308)                         | (1)   | (1,155)           | —  |
| <b>At 31 March 2003</b>                  | <b>10,391</b>                                  | <b>284,313</b>                     | <b>24,716</b>                 | <b>17,936</b>                                       | <b>337,356</b>    | <b>9,124</b>                                   |
| <b>NET BOOK VALUES</b>                   |  |                                    |                               |   |                   |  |
| <b>At 31 March 2003</b>                  | <b>55,874</b>                                  | <b>215,569</b>                     | <b>19,154</b>                 | <b>12,601</b>                                       | <b>303,198</b>    | <b>39,962</b>                                  |
| At 31 March 2002                         | 46,971   | 245,492                            | 13,194                        | 14,107  | 319,764           | 41,218   |

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      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Properties in Hong Kong held under medium-term lease | 52,419           | 43,418           | 39,962           | 41,218           |
| Properties in the PRC held under:                    |                  |                  |                  |                  |
| Long lease   | 981              | 997              | —                | —                |
| Medium-term lease                                    | 2,474            | 2,556            | —                | —                |
|  | <b>55,874</b>    | <b>46,971</b>    | <b>39,962</b>    | <b>41,218</b>    |

The net book value of the Group's property, plant and equipment includes an amount of HK\$85,853,000 (2002: HK\$119,474,000) and HK\$12,111,000 (2002: HK\$7,468,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.

### 13. Properties under Development

#### THE GROUP

The properties under development represent the property development projects under the Private Sector Participation Scheme in Yuen Long, Hong Kong, the MTRC Choi Hung Park and Ride Development in Kowloon, Hong Kong, and a property development project in Zhongshan City, Guangdong Province of the PRC. The land portion included in properties under development is held under medium-term leases.

### 14. Interests in Subsidiaries

|                               | THE COMPANY      |                  |
|-------------------------------|------------------|------------------|
|                               | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted shares, at cost      | 77,192           | 77,192           |
| Amounts due from subsidiaries | 608,722          | 549,335          |
|                               | <b>685,914</b>   | <b>626,527</b>   |

Particulars of the Company's principal subsidiaries at 31 March 2003 are set out in note 36.

An amount of approximately HK\$204,125,000 (2002: HK\$200,791,000) due from a subsidiary has been subordinated in favour of a financial institution to secure credit facilities of HK\$65,000,000 (2002: HK\$65,000,000) granted to that subsidiary.

Amounts due from (to) 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        |                  |
|-----------------------------|------------------|------------------|
|                             | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Investment costs            | 1                | 1                |
| Amounts due from associates | 79,741           | 77,850           |
|                             | <b>79,742</b>    | <b>77,851</b>    |

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

Particulars of the associates as at 31 March 2003 are set out in note 37.

## 16. Interests in Jointly Controlled Entities

|  | THE GROUP        |                  |
|--|------------------|------------------|
|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Share of net assets of jointly controlled entities | <b>15,823</b>    | 23,811           |

Particulars of the jointly controlled entities as at 31 March 2003 are set out in note 38.

## 17. Investments

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Other investments:                                  |                  |                  |                  |                  |
| – Debt securities:                                  |                  |                  |                  |                  |
| Unlisted  | <b>10,000</b>    | 10,000           | <b>10,000</b>    | 10,000           |
| – Equity securities:                                |                  |                  |                  |                  |
| Unlisted  | —                | 600              | —                | 600              |
| – Guaranteed fund:                                  |                  |                  |                  |                  |
| Listed – Hong Kong                                  | <b>1,002</b>     | 1,002            | —                | —                |
|   | <b>11,002</b>    | 11,602           | <b>10,000</b>    | 10,600           |
| Total securities:                                   |                  |                  |                  |                  |
| Unlisted  | <b>10,000</b>    | 10,600           | <b>10,000</b>    | 10,600           |
| Listed – Hong Kong                                  | <b>1,002</b>     | 1,002            | —                | —                |
|   | <b>11,002</b>    | 11,602           | <b>10,000</b>    | 10,600           |
| Market value of listed securities                   | <b>1,015</b>     | 1,002            | —                | —                |
| Carrying amount analysed for reporting purposes as: |                  |                  |                  |                  |
| Non-current   | <b>1,002</b>     | 1,602            | —                | 600              |
| Current   | <b>10,000</b>    | 10,000           | <b>10,000</b>    | 10,000           |
|   | <b>11,002</b>    | 11,602           | <b>10,000</b>    | 10,600           |

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

|  | THE GROUP          |                  |
|--|--------------------|------------------|
|  | 2003<br>HK\$'000   | 2002<br>HK\$'000 |
| Costs incurred to date plus recognised profits   |                    |                  |
| less recognised losses                           | <b>9,957,322</b>   | 10,829,136       |
| Less: Progress billings                          | <b>(9,802,625)</b> | (10,755,591)     |
|  | <b>154,697</b>     | 73,545           |
| Represented by:                                  |                    |                  |
| Due from customers included in current assets    | <b>298,970</b>     | 256,726          |
| Due to customers included in current liabilities | <b>(144,273)</b>   | (183,181)        |
|  | <b>154,697</b>     | 73,545           |

## 19. Debtors, Deposits and Prepayments

Interim applications for progress payments in construction contracts are normally on a monthly basis and settled within one month. The ageing analysis of trade debtors of HK\$230,027,000 (2002: HK\$171,995,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

|                | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|----------------|------------------|------------------|
| Not yet due    | <b>209,271</b>   | 122,167          |
| 0 to 30 days   | <b>4,671</b>     | 6,039            |
| 31 to 90 days  | <b>3,009</b>     | 7,339            |
| 91 to 180 days | —                | 37               |
| Over 180 days  | <b>13,076</b>    | 36,413           |
|                | <b>230,027</b>   | 171,995          |

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK\$116,423,000 (2002: HK\$127,964,000).

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

## 20. Creditors and Accrued Charges

The ageing analysis of trade creditors of HK\$348,410,000 (2002: HK\$334,869,000), which are included in the Group's creditors and accrued charges, are as follows:

|                | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|----------------|------------------|------------------|
| Not yet due    | 231,429          | 198,458          |
| 0 to 30 days   | 65,237           | 74,876           |
| 31 to 90 days  | 21,561           | 9,920            |
| 91 to 180 days | 4,198            | 633              |
| Over 180 days  | 25,985           | 50,982           |
|                | <b>348,410</b>   | <b>334,869</b>   |

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

## 21. Obligations under Finance Leases

|   | Minimum payments |                  | Present value<br>of minimum payments |                  |
|---|------------------|------------------|--------------------------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000                     | 2002<br>HK\$'000 |
| THE GROUP   |                  |                  |                                      |                  |
| Within one year   | 24,993           | 44,751           | 24,072                               | 42,374           |
| More than one year, but not<br>exceeding two years                  | 12,138           | 21,653           | 11,830                               | 20,821           |
| More than two years, but not<br>exceeding five years                | 2,639            | 8,533            | 2,604                                | 8,327            |
|   | <b>39,770</b>    | 74,937           | <b>38,506</b>                        | 71,522           |
| Less: Future finance charges  | (1,264)          | (3,415)          | —                                    | —                |
| Present value of lease obligations                                  | <b>38,506</b>    | 71,522           | <b>38,506</b>                        | 71,522           |
| Less: Amount due within one year<br>shown under current liabilities |                  |                  | (24,072)                             | (42,374)         |
| Amount due after one year   |                  |                  | <b>14,434</b>                        | 29,148           |

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.



## 22. Borrowings

|  | THE GROUP          |                  | THE COMPANY      |                  |
|--|--------------------|------------------|------------------|------------------|
|  | 2003<br>HK\$'000   | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Borrowings comprise:   |                    |                  |                  |                  |
| Trust receipt loans  | 110,234            | 38,416           | —                | —                |
| Bank loans   | 2,370,291          | 1,621,253        | —                | —                |
| Mortgage loans   | 13,763             | 13,539           | 8,551            | 12,496           |
|  | <b>2,494,288</b>   | <b>1,673,208</b> | <b>8,551</b>     | <b>12,496</b>    |
| Analysed as:   |                    |                  |                  |                  |
| Secured  | 2,301,054          | 1,504,792        | 8,551            | 12,496           |
| Unsecured  | 193,234            | 168,416          | —                | —                |
|  | <b>2,494,288</b>   | <b>1,673,208</b> | <b>8,551</b>     | <b>12,496</b>    |
| The borrowings are repayable as follows:                         |                    |                  |                  |                  |
| Within one year or on demand                                     | 2,239,380          | 167,301          | 1,938            | 3,943            |
| More than one year, but not exceeding two years                  | 3,133              | 1,319,515        | 2,032            | 1,935            |
| More than two years, but not exceeding five years                | 251,185            | 184,656          | 3,991            | 4,882            |
| More than five years   | 590                | 1,736            | 590              | 1,736            |
|  | <b>2,494,288</b>   | <b>1,673,208</b> | <b>8,551</b>     | <b>12,496</b>    |
| Less: Amount due within one year shown under current liabilities | <b>(2,239,380)</b> | <b>(167,301)</b> | <b>(1,938)</b>   | <b>(3,943)</b>   |
| Amount due after one year  | <b>254,908</b>     | <b>1,505,907</b> | <b>6,613</b>     | <b>8,553</b>     |

## 23. Deferred Taxation

|                              | THE GROUP        |                  |
|------------------------------|------------------|------------------|
|                              | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| At beginning of the year     | 7,718            | 6,904            |
| Charge for the year (note 8) | 5,604            | 814              |
| At end of the year           | 13,322           | 7,718            |

At the balance sheet date, the major components of the provision for deferred taxation were as follows:

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Tax effect of timing differences attributable to: |                  |                  |
| Excess of tax allowances over depreciation        | 36,735           | 38,130           |
| Unutilised tax losses                             | (10,088)         | (17,890)         |
| Others  | (13,325)         | (12,522)         |
|   | 13,322           | 7,718            |

At the balance sheet date, the Group has a deferred tax asset of approximately HK\$16,382,000 (2002: HK\$6,148,000) not recognised in the financial statements in respect of tax losses available to offset against future taxable profits as it is not certain that the tax benefit will crystallise in the foreseeable future.

There was no other significant unprovided deferred taxation of the Group and the Company for the year or at the balance sheet date.

## 24. Share Capital

|  | Number of shares | Amount<br>HK\$'000 |
|--|------------------|--------------------|
| Shares of HK\$0.1 each                             |                  |                    |
| Authorised:  |                  |                    |
| At beginning and at end of the years 2002 and 2003 | 1,500,000,000    | 150,000            |
| Issued and fully paid:                             |                  |                    |
| At beginning and at end of the years 2002 and 2003 | 724,545,896      | 72,455             |

## 25. Share Option Schemes

### (a) Chun Wo Old Scheme

At the annual general meeting of the Company held on 28 August 2002 (the “2002 Annual General Meeting”), the Company’s share option scheme adopted on 18 January 1993 (the “Chun Wo Old Scheme”) was terminated and a new scheme, as set out in note 25(c), was adopted in order to comply with the changes in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in relation to share option schemes.

The primary purpose of the Chun Wo Old Scheme was to provide incentives to the employees of the Group (the “Eligible Employees”). Under the terms and conditions of the Chun Wo Old Scheme, the Board of Directors of the Company (the “Board”) may, at their discretion, grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at a price equal to the higher of the nominal value of a share and 80% of the average of the closing price of the Company’s share on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

The maximum number of shares in respect of which options may be granted under the Chun Wo Old Scheme may not exceed 10% of the issued share capital of the Company from time to time. No option may be granted to any one employee which, if exercised in full, would result in the total number of shares already issued and issuable to him under all the options granted to him exceeding 25% of the maximum aggregate number of shares for the time being issued and issuable under the Chun Wo Old Scheme. An option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee. HK\$1 is payable by each Eligible Employee upon acceptance of the share options.

No share option was granted under the Chun Wo Old Scheme during the year ended 31 March 2003.

A summary of the movements in share options with an exercise price of HK\$0.3912 per share during the year ended 31 March 2002 is as follows:

| Category  | Number of share options           |                              |                                    |
|-----------|-----------------------------------|------------------------------|------------------------------------|
|           | Outstanding<br>at<br>1 April 2001 | Lapsed<br>during<br>the year | Outstanding<br>at<br>31 March 2002 |
| Directors | —                                 | —                            | —                                  |
| Employees | 6,934,000                         | (6,934,000)                  | —                                  |

## 25. Share Option Schemes | continued

### (b) Foundations Old Scheme

At the 2002 Annual General Meeting, the share option scheme of Chun Wo Foundations Limited (“CWF”), an indirect wholly-owned subsidiary of the Company, approved by the Company on 24 September 1996 (the “Foundations Old Scheme”) was terminated and a new scheme, as set out in note 25(d), was adopted in order to comply with the changes of the Listing Rules in relation to share option schemes.

The primary purpose of the Foundations Old Scheme was to provide incentives to the full-time employees of the Group, save for Mr. Pang Kam Chun (the “eligible employees”). Under the terms and conditions of the Foundations Old Scheme, the board of directors of CWF may, at their discretion, grant options to any eligible employees to subscribe for shares in CWF at a price not less than the higher of the nominal value of a share in CWF and the net asset value per share of CWF calculated in accordance with the terms of the Foundations Old Scheme.

The maximum number of shares in respect of which options may be granted under the Foundations Old Scheme may not exceed 10% of the issued share capital of CWF from time to time. The maximum number of shares in respect of which options may be granted under the Foundations Old Scheme to any eligible employee shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Foundations Old Scheme. An option may be exercised in accordance with its terms at any time during a period to be notified by the board of directors of CWF to each grantee and in any event, such period shall end not later than the 10th anniversary of the date of offer subject to the provisions for early termination contained in the Foundations Old Scheme. HK\$1 is payable by each eligible employee upon acceptance of the share options.

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

### (c) Chun Wo New Scheme

At the 2002 Annual General Meeting, a new share option scheme was adopted by the Company (the “Chun Wo New 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 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 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 New 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 New Scheme at any time if such grant will result in the Scheme Limit being exceeded.

**25. Share Option Schemes** | continued**(c) Chun Wo New Scheme** | continued

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo New 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 New 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.

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:

- (a) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (b) 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
- (c) the nominal value of a share on the date of grant.

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

No option has been granted under the Chun Wo New Scheme since its adoption.



## 25. Share Option Schemes | continued

### (d) Foundations New Scheme

At the 2002 Annual General Meeting, a new share option scheme of CWF (the “Foundations New 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 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 New Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time (“Chun Wo Foundations Scheme Limit”). No options will be granted under the Foundations New Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations New 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 New 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.

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).

## 25. Share Option Schemes | continued

### (d) Foundations New 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 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 New Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Foundations New Scheme eligible personnel in the offer and shall be no less than the highest 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 New Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002.

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

## 26. Reserves

|  | THE GROUP       |          | THE COMPANY     |          |
|--|-----------------|----------|-----------------|----------|
|  | 2003            | 2002     | 2003            | 2002     |
|  | HK\$'000        | HK\$'000 | HK\$'000        | HK\$'000 |
| SHARE PREMIUM  |                 |          |                 |          |
| At beginning and end of the year                           | <b>242,572</b>  | 242,572  | <b>242,572</b>  | 242,572  |
| SPECIAL RESERVE  |                 |          |                 |          |
| At beginning and end of the year                           | <b>(7,340)</b>  | (7,340)  | —               | —        |
| CONTRIBUTED SURPLUS  |                 |          |                 |          |
| At beginning and end of the year                           | —               | —        | <b>52,552</b>   | 52,552   |
| CAPITAL RESERVE  |                 |          |                 |          |
| At beginning of the year                                   | <b>8,531</b>    | 8,301    | —               | —        |
| Goodwill released on disposal of interests in subsidiaries | —               | 230      | —               | —        |
| At end of the year   | <b>8,531</b>    | 8,531    | —               | —        |
| TRANSLATION RESERVE  |                 |          |                 |          |
| At beginning and end of the year                           | <b>676</b>      | 676      | —               | —        |
| RETAINED PROFITS   |                 |          |                 |          |
| At beginning of the year                                   | <b>303,440</b>  | 274,790  | <b>6,255</b>    | 3,685    |
| Profit attributable to shareholders                        | <b>5,595</b>    | 41,330   | <b>12,391</b>   | 15,250   |
| Dividends paid   | <b>(12,680)</b> | (12,680) | <b>(12,680)</b> | (12,680) |
| At end of the year   | <b>296,355</b>  | 303,440  | <b>5,966</b>    | 6,255    |
| TOTAL RESERVES   | <b>540,794</b>  | 547,879  | <b>301,090</b>  | 301,379  |

Included in the retained profits of the Group as at 31 March 2003 is an amount attributable to jointly controlled entities of HK\$15,823,000 (2002: HK\$23,811,000).

**26. Reserves** | continued

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

|                     | <b>2003</b><br><b>HK\$'000</b> | <b>2002</b><br><b>HK\$'000</b> |
|---------------------|--------------------------------|--------------------------------|
| Contributed surplus | <b>52,552</b>                  | 52,552                         |
| Retained profits    | <b>5,966</b>                   | 6,255                          |
|                     | <b>58,518</b>                  | 58,807                         |

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 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.

## 27. Disposal of Interests in Subsidiaries

|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Net liabilities disposed of:          |                  |                  |
| Property, plant and equipment         | —                | 4                |
| Debtors, deposits and prepayments     | —                | 2,461            |
| Bank balances and cash                | —                | 70               |
| Amounts due to fellow subsidiaries    | —                | (2,895)          |
| Creditors and accrued charges         | —                | (156)            |
|                                       | —                | (516)            |
| Attributable goodwill                 | —                | 230              |
| Gain on disposal of subsidiaries      | —                | 319              |
| Total consideration                   | —                | 33               |
| Satisfied by:                         |                  |                  |
| Cash                                  | —                | 33               |
| Net cash outflow arising on disposal: |                  |                  |
| Cash consideration                    | —                | 33               |
| Bank balances and cash disposed of    | —                | (70)             |
|                                       | —                | (37)             |

The subsidiary disposed of in 2002 did not have any significant impact on the cash flow and the results of the Group.



## 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\$8,422,000 (2002: HK\$3,275,000).

## 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 independent trustees. 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 schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$14,327,000 (2002: HK\$11,945,000) after forfeited contributions utilised of HK\$3,154,000 (2002: HK\$4,452,000).

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 follow:

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Land and buildings                    |                  |                  |
| Within one year                       | 3,579            | 4,024            |
| In the second to fifth year inclusive | 278              | 3,338            |
|                                       | <b>3,857</b>     | <b>7,362</b>     |

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

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

### The Group as lessor:

Property rental income earned during the year was HK\$1,652,000 (2002: HK\$1,723,000). The properties held have committed tenants for an average term of two years.

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

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Within one year                       | 781              | 1,592            |
| In the second to fifth year inclusive | 280              | 982              |
|                                       | <b>1,061</b>     | <b>2,574</b>     |

### 31. Capital Commitments

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Capital expenditure relating to property,<br>plant and equipment contracted for<br>but not provided in the financial statements | <b>6,645</b>     | 7,720            |

In addition, at 31 March 2003, the Group had outstanding capital contribution to a subsidiary amounting to HK\$4,867,000 (2002: HK\$5,518,000).

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

### 32. Contingent Liabilities

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Indemnities issued to financial<br>institutions for performance<br>bonds in respect of construction<br>contracts undertaken by: |                  |                  |                  |                  |
| – subsidiaries  | <b>405,710</b>   | 398,215          | <b>299,957</b>   | 356,877          |
| – an associate  | <b>22,400</b>    | 22,400           | <b>22,400</b>    | 22,400           |
| – jointly controlled entities   | <b>311,393</b>   | 311,393          | <b>245,716</b>   | 245,716          |
|   | <b>739,503</b>   | 732,008          | <b>568,073</b>   | 624,993          |
| Extent of guarantees issued to<br>financial institutions to secure<br>credit facilities granted to:                             |                  |                  |                  |                  |
| – subsidiaries  | —                | —                | <b>3,287,344</b> | 3,311,101        |
| – an associate  | <b>52,400</b>    | 52,400           | <b>52,400</b>    | 52,400           |
|   | <b>52,400</b>    | 52,400           | <b>3,339,744</b> | 3,363,501        |

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 2003 amounted to approximately HK\$637,000 (2002: HK\$726,000).

### 33. Pledge of Assets

- (a) At 31 March 2003, the Group's leasehold properties in Hong Kong, bank deposits and plant and machinery with carrying values of approximately HK\$31,351,000 (2002: HK\$41,218,000), HK\$21,976,000 (2002: HK\$3,607,000), and nil (2002: HK\$7,430,000) respectively 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 2003, all the Group's interests in the properties under development in Hong Kong with carrying values of approximately HK\$2,462,894,000 (2002: HK\$1,719,565,000) have been pledged to certain banks as securities for certain syndicated bank loans amounting to HK\$2,775,000,000 (2002: HK\$2,775,000,000) granted to two subsidiaries.

### 34. Related Party Transactions

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

|   |       | Associates       |                  | Jointly controlled entities |                  |
|---|-------|------------------|------------------|-----------------------------|------------------|
|   | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000            | 2002<br>HK\$'000 |
| Transactions during the year:   |       |                  |                  |                             |                  |
| Contract revenue recognised   | (a)   | —                | —                | 144,075                     | 291,655          |
| Project management fee received   | (a)   | —                | —                | 17,538                      | 42,483           |
| Rental income received  | (a)   | —                | —                | —                           | 1,130            |
| Security guard services income received   | (a)   | —                | —                | 5,736                       | 5,932            |
| Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties |       | 22,400           | 22,400           | 311,393                     | 311,393          |
| Extent of guarantees issued to financial institutions to secure credit facilities granted to related parties                          |       | 52,400           | 52,400           | —                           | —                |
| Amounts due from related parties:   |       |                  |                  |                             |                  |
| Due from associates (note 15)   | (b)   | 79,741           | 77,850           | —                           | —                |
| Trade balances shown under current assets   | (c)   | 487              | 10,042           | 43,198                      | 94,021           |
|   |       | 80,228           | 87,892           | 43,198                      | 94,021           |
| Amounts due to related parties:   |       |                  |                  |                             |                  |
| Trade balances shown under current liabilities  | (c)   | —                | —                | 11,539                      | 9,292            |

**34. Related Party Transactions** | continued

In addition to the above, a subsidiary of the Company acts as one of the co-borrowers to a financial institution for credit facilities of HK\$20,000,000 (2002: HK\$20,000,000) granted to a jointly controlled entity as detailed in note 32.

*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. Post Balance Sheet Event**

Subsequent to the balance sheet date, Perfect Year Investment Limited, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire from Mr. Pang Yat Ting, Dominic a commercial property situated in Guangzhou, the PRC for investment purpose. The consideration for the acquisition is RMB20,000,000 (approximately HK\$18,868,000). Mr. Pang Yat Ting, Dominic is the son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina, both are directors and shareholders of the Company.

**36. Particulars of Principal Subsidiaries**

Particulars of the Company's principal subsidiaries as at 31 March 2003 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 |                           | Principal activities                |
|---------------------------------------|---|--|---|---------------------------|-------------------------------------|
|                                       |   |  |   | attributable to the Group |                                     |
|                                       |   |  | %   | %                         |                                     |
| Caine Developments Limited            | Hong Kong   | HK\$2 ordinary shares                        | 100   | 100                       | Investment holding                  |
| Chun Wo Building Construction Limited | Hong Kong   | HK\$200,000 ordinary shares                  | 100   | 100                       | Construction                        |
| Chun Wo (China) Limited               | Hong Kong   | HK\$2 ordinary shares                        | 100   | 100                       | Investment holding and construction |

## 36. 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 % | attributable to the Group % | Principal activities                     |
|--|---|---|---|-----------------------------|--|
| Chun Wo Construction and Engineering Company Limited ("CWCE")                          | Hong Kong   | HK\$4,100,000 ordinary shares<br><br>HK\$9,000,000 non-voting deferred shares | 100<br><br>(Note 1 below)   | 100                         | Construction                             |
| 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 development                     |



**36. 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 of issued/ contributed capital attributable to the Group % | Principal activities |
|---|---|--|---|---|----------------------|
| Shanghai Jin Chun Wo Construction Engineering Co., Ltd. | People's Republic of China                            | US\$2,400,000 registered capital             | 99 (note 3 below)   | 99 (note 3 below)   | Construction         |

*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 net assets 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 2003 or at any time during the year.

**37. Particulars of Associates**

Particulars of the Group's associates as at 31 March 2003 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 development |
| Hoi Kin Property Management Limited | Hong Kong                             | HK\$490,000 ordinary shares<br>HK\$10,000 non-voting deferred shares | 46   | Property management  |

### 38. Particulars of Jointly Controlled Entities

Particulars of the Group's jointly controlled entities as at 31 March 2003 are as follows:

| <b>Name of jointly controlled entity</b>   | <b>Form of business structure</b> | <b>Place of registration/operation</b> | <b>Attributable interest to the Group %</b> | <b>Principal activities</b> |
|--|-----------------------------------|--|---|-----------------------------|
| Chun Wo – CCECC Joint Venture  | Unincorporated                    | Hong Kong                              | 50  | Construction                |
| 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                |

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

# Financial Summary

|   | Year ended 31 March |                  |                  |                  |                        |
|---|---------------------|------------------|------------------|------------------|------------------------|
|   | 1999<br>HK\$'000    | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000       |
| <b>RESULTS</b>                                  |                     |                  |                  |                  |                        |
| Turnover  | <u>3,330,487</u>    | <u>3,319,225</u> | <u>2,719,882</u> | <u>2,310,152</u> | <u>2,450,101</u>       |
| Profit from ordinary activities before taxation | 46,288              | 51,457           | 53,816           | 61,067           | <b>27,064</b>          |
| Taxation  | <u>(4,768)</u>      | <u>(8,555)</u>   | <u>(7,945)</u>   | <u>(20,218)</u>  | <u><b>(21,284)</b></u> |
| Profit before minority interests                | 41,520              | 42,902           | 45,871           | 40,849           | <b>5,780</b>           |
| Minority interests                              | <u>819</u>          | <u>624</u>       | <u>510</u>       | <u>481</u>       | <u><b>(185)</b></u>    |
| Profit attributable to shareholders             | <u>42,339</u>       | <u>43,526</u>    | <u>46,381</u>    | <u>41,330</u>    | <u><b>5,595</b></u>    |

|                               | At 31 March      |                  |                  |                  |                       |
|-------------------------------|------------------|------------------|------------------|------------------|-----------------------|
|                               | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000      |
| <b>ASSETS AND LIABILITIES</b> |                  |                  |                  |                  |                       |
| Total assets                  | 1,348,438        | 1,628,314        | 2,373,817        | 3,053,398        | <b>3,851,353</b>      |
| Total liabilities             | (869,298)        | (1,063,387)      | (1,782,053)      | (2,432,957)      | <b>(3,235,739)</b>    |
| Minority interests            | <u>(5,850)</u>   | <u>(152)</u>     | <u>(311)</u>     | <u>(107)</u>     | <u><b>(2,365)</b></u> |
| Shareholders' funds           | <u>473,290</u>   | <u>564,775</u>   | <u>591,453</u>   | <u>620,334</u>   | <u><b>613,249</b></u> |

# 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 2003 is as follows:

|                               | <b>Unaudited<br/>proforma<br/>combined<br/>balance sheet<br/>HK\$'000</b> | <b>Group's<br/>attributable<br/>interest<br/>HK\$'000</b> |
|-------------------------------|---|---|
| Property, plant and equipment | 305,657   | 124,812   |
| Current assets                | 450,613   | 256,711   |
| Current liabilities           | (493,639)   | (238,658)   |
| Non-current liabilities       | (317,604)   | (127,042)   |
|                               | <u>(54,973)</u>   | <u>15,823</u>   |
| Capital and reserves          | <u>(54,973)</u>   | <u>15,823</u>   |

# Particulars of Properties

At 31 March 2003

## 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 |
|--|---------------------------------------|-----------------------------|--|-------------------------------------|--|------------------|
| Tin Shui Wai Town<br>Lot No. 28,<br>Tin Shui Wai Area 111,<br>Yuen Long,<br>N.T.<br>Hong Kong                                | Superstructure<br>work in<br>progress | June 2003                   | PSPS                                     | 43,705                              | 226,018                                    | 100%             |
| New Kowloon<br>Inland Lot No. 6179,<br>Clear Water Bay Road,<br>Kowloon,<br>Hong Kong  | Foundation<br>work in<br>progress     | August 2005                 | Residential<br>commercial<br>and carpark | 3,197                               | 32,504                                     | 100%             |
| The junction of Qi Guan<br>Xi Road and Ti Yu Road,<br>Zhongshan City,<br>Guangdong Province<br>People's Republic<br>of China | Superstructure<br>work in<br>progress | September<br>2003           | Residential<br>commercial<br>and carpark | 6,954                               | 31,745                                     | 100%             |