

# 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 31st March, 2002.

## RESULTS

I have pleasure to report that the audited consolidated profit after taxation and minority interests of the Group for the year ended 31st March, 2002 is HK\$41.33 million, as compared to last year's profit of HK\$46.38 million, representing a decrease of 10.9%. Turnover is HK\$2,310 million. Earnings per share for the reported year is HK5.7 cents.

## DIVIDENDS

The Directors recommended a final dividend of HK1 cent (2000/2001: HK1.25 cents) per share. This together with the interim dividend of HK0.5 cent (2000/2001: HK1 cent) per share will make a total dividend payment of HK1.5 cents (2000/2001: HK2.25 cents) per share for the year ended 31st March, 2002.

## 01 | CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22nd August, 2002 to 28th August, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 21st August, 2002.

## BUSINESS REVIEW

During the past year, the Hong Kong economy was undergoing a slowdown and the sluggish global economic environment further speeded up the downturn. The construction industry in the reporting year continued to be at a difficult time, as reflected by the decline in overall construction output in both the private and public sectors.

The unfavorable economic climate had affected various sectors of commerce and industry and the Group was no exception. Under such circumstances, the Group experienced some decline in turnover in this year as compared with the last corresponding one. Nevertheless, the Group remains busy in the pursuit of various projects in its wide spectrum of works. At the time of reporting, the Group's reckoned value of contracts in hand is at HK\$8.2 billion level, with about HK\$5.1 billion outstanding.

# Civil Engineering Projects



*West Rail Phase 1 — Construction of viaduct from Kam Tin to Tin Shui Wai*



*West Rail Phase 1 — Construction of viaduct from Tin Shui Wai to Tuen Mun North*





The Group successfully completed several projects in the reporting year. On civil construction, both the Water Supplies Department and their Consulting Engineer were highly satisfied with the completion of the Tan Kwai Tsuen North Fresh Water Service Reservoir in Yuen Long with remarkable results on water testing. The road and drainage works of the West Kowloon Reclamation Remaining Roadworks Stage 2 were also successfully completed for the Territory Development Department. On maintenance contracts, the term contract for Highways Department, Northern and Western Districts of Hong Kong Island was completed. On foundation works, the foundation works for the Tin Shui Wai Station, the longest station of the West Rail, and for the Viaducts from Kam Tin to Tin Shui Wai and from Tin Shui Wai to Tuen Mun North, the longest viaduct in Hong Kong, were completed. On building construction, our housing team completed Shek Lei Estate Phase 9 on time and to the satisfaction of the Housing Authority. As for the renovation works of "Paradise Mall", Heng Fa Chuen Shopping Centre, our team successfully completed the project within a short construction period with its timely and quality performance commended by the client, Mass Transit Railway Corporation. Under stringent quality requirements, our project team completed the Cable Landing Station at Tong Fuk, Lantau Island within an extremely tight schedule of nine months. The VTC School of Business and Information Systems, Phase 1 at Lily House, So Uk Estate was also completed within a tight schedule and well appreciated by the client on its timely completion and good performance. Regarding the completed Civil Works Maintenance Contract for Hong Kong International Airport, we were praised by the Airport Authority for our quick response and efficient support for providing lighting and access for the rescue of the plane which toppled off the runway while landing.

Works of other on-going projects were progressing smoothly in pace as planned, with new contracts from both public and private sectors added to the job list during the year.

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On building construction, "Grandeur Terrace", the Private Sector Participation Scheme ("PSPS") development at Tin Shui Wai, was in good progress, with the sub-structure work completed and superstructure work at full swing. As a pioneer of substantially adopting pre-cast construction for PSPS project, the "Grandeur Terrace" attracted the attention of many of our industry counterparts. "Palm Cove", a private 5-block residential development at Tuen Mun Town Lot 386, was progressing satisfactorily. The Group was awarded two contracts by the Architectural Services Department with design-and-build elements on the construction of three schools at Fat Tseung Street, Shamshuipo in October, and the construction of two primary schools at Tin Shui Wai Area 111 in December; both contracts include foundations & superstructure works. Works on these two school projects were proceeding well. Two private contracts for residential development were also added to the job list: one in Tin Shui Wai Town Lot No.27, which comprises the construction of 3 residential towers of over 40 storeys with a total of approximately 1100 units of flats; another one at Nos. 80-90 Des Voeux Road West, which comprises the construction of one residential tower of 46 storeys with a total of approximately 150 units of flats. Works on these residential development contracts were also progressing satisfactorily.

On civil construction, the Yam O Tuk Fresh Water Service Reservoir, part of the infrastructural development for phase 1 Hong Kong Disneyland, was proceeding on schedule. On Mass Transit Railway Tseung Kwan O extension, the Black Hill Tunnels, with 4 tunnel tubes in close proximity with one another, were completed and handed over to the Employer for track and railway system installation, for early opening in August 2002.

# Civil Engineering Projects

*West Rail Permanent Way —  
Northern Area*



*Construction of Yam O Tuk  
Fresh Water Service Reservoir*

*Hung Hom Station Modifications*



Regarding progress of the KCR railway contracts, the structural works for the Tin Shui Wai Station, and the Viaducts from Kam Tin to Tin Shui Wai and from Tin Shui Wai to Tuen Mun North, were basically completed, with the remaining works like building services and finishes for the station and the fireman's walkway for the Viaducts progressing smoothly on schedule. Sections of the track laying were being completed progressively along the West Rail viaducts and stations, adopting highly mechanized methods of construction which greatly shortened the construction period and bringing ahead the target dates for completion. The trial run successfully demonstrated that the West Rail is one of the quietest in the world.

As for the KCR Hung Hom Station modifications, with our good site management and close coordination among all external parties to maintain full operation of the station, the mid-level concourse was completed on schedule and opened for public use at time of reporting. Remaining works were proceeding as planned.

On foundation construction, the works for the private development at NKIL 6275 West Kowloon Reclamation, and the redevelopment of Shek Pai Wan Estate Phase 1 were satisfactorily completed at time of reporting. Current works including the foundation and basement works for housing development on the Black Hill Tunnel site, the foundation works for MTRC Choi Hung Park and Ride Development, the recently awarded site formation and foundation works for the redevelopment of Pok Oi Hospital at Yuen Long, and foundations works for two schools at Tin Shui Wai 111 and three schools at Fat Tseung Street, Shamshuipo were progressing satisfactorily.

On the maintenance front, two term contracts for Highways Department, Tuen Mun & Yuen Long Districts, and Wong Tai Sin & Kwun Tong Districts are nearing completion. Other maintenance works including waterworks for Water Supplies Department on Hong Kong Island and Ap Lei Chau; Light Rail maintenance and construction of permanent way and civil works for Kowloon-Canton Railway Corporation moved forward smoothly. The building maintenance works for Hong Kong International Airport, with over some 55 hectares of building floor area, is progressing smoothly. As for projects on waterworks maintenance, traffic management and minimizing disturbances to neighbourhood are onerous tasks for waterworks maintenance under tight schedules for completion. Despite these demanding requirements, through careful planning and skillful handling, our waterworks maintenance team was able to avoid or resolve these problems in advance of the works and continued to deliver quality work to the satisfaction of the Water Supplies Department. During the reporting year, an Architectural Services Department's term contract for Minor Works to Buildings and Lands and Other Properties, and a Housing Authority's District Term Contract for the Maintenance and Vacant Flat Refurbishment of Kowloon Central District have been added to the Group's maintenance work. Works on these projects were proceeding well.

Apart from the foundation works as reported above, other advanced works for the MTRC Choi Hung Park and Ride Development were in good progress. Our wide embracing experience in foundation, building works, deep excavation and road works could be demonstrated well in this project which called for a high level of multidisciplinary skill, effective planning and good coordination for working within a confined site in the immediate vicinity of and also above an existing MTR station. A value added design was being pursued at time of reporting to facilitate public pedestrian access across the site and over the roads, enhancing the pedestrian flow for the benefit of both the neighbourhood and the development itself.



# Building Projects

*PSPS at Tin Shui Wai*



*Renovation Works of Heng Fa Chuen Shopping Centre*

*Residential Development at TMTL 386, Tuen Mun*



On electrical and mechanical ("E&M") works, the E&M installations by the Group's in-house E&M team at Hung Hom Station modifications, the Tin Shui Wai Station and the PSPS Tin Shui Wai projects provided supports to the building team for satisfactory and smooth running of these projects.

The Group's security business arm under City Security Company Limited continued its normal core operations in providing security services to construction sites and other premises, expanding into new fields including guarding major industrial complex and oil/gas depots, and participating in crowd control on public facilities.

During the reporting year, the Group was presented with safety awards by the Labour Department under the "Construction Industry Safety Award Scheme 2002". The Group also received two out of five construction site safety awards under the "Hong Kong Occupational Safety & Health Award" organized by the Labour Department and the Occupational Safety & Health Council. Regarding training, the Group had commenced to provide qualified trainers to conduct in-house, government recognized Enhancement Crane Operator Training course.

### OUTLOOK AND PROSPECTS

According to the Financial Secretary's budget speech in March, while the medium and long term outlook is promising, it will take time for Hong Kong's economy to recover. Nevertheless, the Hong Kong SAR Government is seen to continue to fulfill its commitment in its 2001 policy address of investing in infrastructure development, and construction of further projects included in the HK\$600 billion investment by the Government and the two Railway Corporations are expected to commence in the coming year.

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On railway construction, tendering process on several contracts under the Sheung Shui to Lok Ma Chau Spur Line had already started. These two projects, together with the KCR West Rail and Extension to Tsim Sha Tsui, and the MTR Tseung Kwan O Extension and the Ma On Shan Line, in which the Group had participated significantly, are due to be completed in stages up to 2007. The earmarked expenditure of Hong Kong SAR Government for further railway construction amounts to another HK\$100 billion, including the Sha Tin to Central Link, the Island Line Extensions, the Kowloon Southern Link, the Regional Express Line, the Port Rail Line and the Northern Link. The Group's competitive track record in civil works and railway construction in general together with its advanced construction techniques in railway development position it to benefit from similar activities in the future.

Regarding highway projects, tendering process on Route 9 – Tsing Yi to Sha Tin section, and Road T3 (construction of an elevated road together with associated roadworks) at Sha Tin had already started. In addition, the redevelopment of the north Wan Chai area calls for major transport infrastructure projects, costing more than HK\$23 billion. As for the Shenzhen Western Corridor, tendering is expected to start in early 2003 and construction of the Hong Kong side will probably start in mid 2003. The Group's past experience and good records in Highway and Transportation should enable it to benefit from such projects.



# Building Projects

*Proposed Redevelopment at Nos. 80-90  
Des Voeux Road West, Hong Kong*



*Choi Hung Park and  
Ride Development*

*Proposed Residential  
Development at Tin Shui Wai  
Town Lot 27, Yuen Long*





On building construction, many projects under the Architectural Services Department are on the pipeline, including rehabilitation complexes, welfare complexes, hospital improvement works, etc. Furthermore, the Government will carry out improvement and remedial works on various public facilities. Projects will include slope improvement works, flood control measures, and those endorsed by the two former municipal councils to improve recreational and cultural facilities and amenities, and school improvement works, and the multibillion dollar Government Headquarters Building project, etc. With our long standing experience in civil, building, maintenance and improvement works, the Group is well prepared for the multiplied job opportunities that will be available in the coming months.

A few large scale urban redevelopment plans had been announced recently. The upmarket transformation of four Kowloon districts, namely, Ngau Tau Kok, Shek Kip Mei, Cheung Sha Wan and Ho Man Tin, together with the HK\$24 billion West Kowloon reclamation project, provides a radical facelift for Kowloon. Another redevelopment plan of similar nature is the redevelopment of Housing Authority's North Point Estate. In April, the Town Planning Board approved the Government's multibillion dollar redevelopment of the north Wan Chai area into a tourist and commercial centre. The Group's competitive record in building public and private housing, institutional buildings, transport infrastructures, together with our well diversified competencies in various construction works will enable us to capture many opportunities arising from such large scale redevelopment projects.

At time of reporting, we were awarded a contract for the superstructure of the Proposed Residential Development at NKIL 6275 West Kowloon Reclamation following our successful completion of the foundations. The works include the construction of 6 high-rise residential blocks plus a 5-level podium, amounting to over HK\$1 billion. Another contract awarded to the Group was the site formation and foundation works for the Proposed Residential Development at Tai Hang Road (Tiger Balm Garden).

In the past, we had weathered through several economic slowdowns in Hong Kong, during which we had been successful in turning challenges into opportunities. We have been constantly improving our operations and raising our efficiencies so as to strengthen our competitive edge. Our improved productivity and well diversified capabilities allow us to rein-in sustaining share of works in the business environment awash with new opportunities from the Hong Kong SAR Government's and the two railway corporations' investment in infrastructure development as stated in its 2001 policy address.

### 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, 15th July, 2002

# Foundation Projects

*Foundation Works for the Proposed Residential Development at NKIL 6275 West Kowloon Reclamation*



*Foundation for Redevelopment of Shek Pai Wan Estate Phase 1*

*Piling Works for Tseung Kwan O Extension — Black Hill Tunnels*

