

INTERIM DIVIDEND

The Board has declared an interim dividend of 0.75 cent per share (*2001: 0.5 cent per share*) payable to shareholders whose names appear on the Register of Members on 11th February, 2003. Dividend warrants will be despatched to shareholders on or about 20th March, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5th February, 2003 to 11th February, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (with effect from 13th January, 2003, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong) not later than 4:00 p.m. on 4th February, 2003.

OUTLOOK AND PROSPECTS

As reported in the last annual report, we maintain our view that recovery of the economy will take some time. Nevertheless, during the past few months, the Hong Kong SAR Government and the two railway corporations were seen to continue to fulfill the Government's commitment in its 2001 policy address of investing in infrastructure development.

On railway construction, KCRC had revealed plans for the design and build Sha Tin – Central rail line. Moreover, detailed planning and design of the Kowloon Southern Link had commenced. As for Hung Hom Station, the KCRC had already earmarked budget for future expansion and for its future use as cross-platform interchanges. With the Group's competitive track records in civil works and railway construction in general, and in particular the extensive participation in the KCR West Rail and East Rail Extensions, and the MTR Tseung Kwan O Extension and the Ma On Shan Line, together with its advanced construction techniques in railway development position it to benefit from such projects.

On waterworks projects, prequalification on initial packages of the Replacement and Rehabilitation of Water Mains on Hong Kong Island, Kowloon, and New Territories by the Water Supplies Department had already started. The Group's good performance and track records in various Water Supplies Department's projects, including waterworks maintenance projects position it to benefit from such projects.

Regarding highway projects, budget had already been approved for the completion of Route 9 highway between Tsing Yi and Sha Tin, including the Stonecutters Bridge and the Eagle's Nest Tunnel. Tendering process on the Deep Bay Link, both the Northern and the Southern Section, is expected to start in early 2003. As for the Shenzhen Western Corridor, the design for the Shenzhen – Hong Kong Western Passageway project had been released. Moreover, tendering process on various projects on widening of highways, including the remaining sections of the Tolo Highway and Yuen Long Highway, are expected to start in early 2003. The Group's past experience and good records in highway and transportation public works should enable it to benefit from such projects.

On building construction in the public sector, Government projects on the pipeline include among others the Joint User Building at Kennedy Town, Customs Headquarters Tower at North Point, Government offices' renovation works and hospital improvement works, including the Pok Oi Hospital extension. The Government's recent announcement of a nine-point package on a new set of housing policies and measures aimed to stabilize the property market and restore public confidence in it should bring about an improving market condition in private sector building construction in the long run. With our long standing experience in building, maintenance and improvement works, the Group is well prepared for the job opportunities that will be available from both the public and the private sectors.

At time of reporting, we were awarded two Public Transport Interchange and Property Development Enabling Works Construction Contracts by KCRC for the Wu Kai Sha Station and the Tai Wai Station of the Ma On Shan Rail. The scope of works include site formation, piling, superstructure, drainage works and road works.

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 30th September, 2002, the total net debts of the Group amounted to HK\$2,063.6 million, representing total debts of HK\$2,215.4 million less bank balances and cash of HK\$151.8 million. The debt maturity profile of the Group at 30th September, 2002 is analysed as follows:-

	As at 30th September, 2002 HK\$ Million	As at 31st March, 2002 HK\$ Million
Repayable within one year or on demand	1,963.0	209.7
Repayable after 1 year, but within 2 years	15.8	1,340.3
Repayable after 2 years, but within 5 years	235.4	193.0
Repayable after 5 years	1.2	1.7
Total	<u>2,215.4</u>	<u>1,744.7</u>

At 30th September, 2002, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 3.24 (at 31st March, 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.

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 and strong. With available bank balances and cash at 30th September, 2002, 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 1,660 employees at 30th September, 2002. 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 CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2002, 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)
Pang Kam Chun	302,050,950	10,148,875
Li Wai Hang, Christina	10,148,875	302,050,950
Kwok Yuk Chiu, Clement	2,993,540	—
Chen Po Sum	825,000	—
Au Son Yiu	2,000,000	—
Wong Sai Wing, James	831,875	—
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, 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 other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, at 30th September, 2002, none of the Directors, Chief Executives and their respective 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

- (a) The share option scheme of the Company adopted on 18th January, 1993 was terminated and a new share option scheme (the "Scheme") was adopted by the Company at the annual general meeting held on 28th August, 2002. The Scheme enables the Directors to grant options to eligible participants, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

No share option was granted to or exercised by any of the Company's Directors, employees and such eligible participants under the Scheme during the period and there was no share option outstanding as at 30th September, 2002.

- (b) Pursuant to the share option scheme of Chun Wo Foundations Limited ("CWFL"), an indirect wholly-owned subsidiary of the Company, approved by the Company on 28th August, 2002, the board of directors of CWFL may, at their discretion, grant options to eligible participants of CWFL, the Company or any of their subsidiaries to subscribe for shares in CWFL.

No option has been granted under the share option scheme of CWFL since its adoption.

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

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 shows no other person as having an interest of 10% or more in the issued share capital of the Company as at 30th September, 2002.

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 30th September, 2002 is as follows:

	Unaudited proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Property, plant & equipment	314,264	128,359
Current assets	714,235	347,894
Current liabilities	(712,207)	(319,987)
Non-current liabilities	(318,556)	(127,908)
	<u>(2,264)</u>	<u>28,358</u>
Capital and reserves	<u>(2,264)</u>	<u>28,358</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied 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 throughout the period.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank the Group's shareholders, clients, business associates, government officials and consultants for their continued support. I would also like to thank our management and staff for their conscious efforts and commitments.