

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



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

BALANCE SHEET

	<b>Construction works HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Other activities HK\$'000</b>	<b>Consolidated 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				<u>259,270</u>
Consolidated total assets				<u>3,851,353</u>
<b>LIABILITIES</b>				
Segment liabilities	2,468,195	460,922	485	2,929,602
Amounts due to jointly controlled entities	11,539			11,539
Unallocated corporate liabilities				<u>294,598</u>
Consolidated total liabilities				<u>3,235,739</u>

## OTHER INFORMATION

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

## 4. Business and Geographical Segments | continued

### Business segments | continued

For the year ended 31 March 2002

	Construction works HK\$'000	Property development HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)			
<b>TURNOVER</b>				
External sales	<u>2,310,152</u>	<u>—</u>	<u>—</u>	<u>2,310,152</u>
<b>RESULT</b>				
Segment result	<u>79,142</u>	<u>(52)</u>	<u>(8,632)</u>	70,458
Interest income				1,165
Surplus on revaluation of investment properties				153
Unallocated corporate expenses				<u>(14,785)</u>
Profit from operations				56,991
Finance costs				(5,251)
Share of results of jointly controlled entities	16,048			16,048
Gain on disposal of interests in subsidiaries				319
Loss on disposal of an associate			(7,040)	<u>(7,040)</u>
Profit from ordinary activities 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 works HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Other activities HK\$'000</b>	<b>Consolidated 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 controlled entity	9,292			9,292
Unallocated corporate liabilities				<u>288,566</u>
Consolidated total liabilities				<u>2,432,957</u>
<b>OTHER INFORMATION</b>				
	<b>Construction works HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Other activities HK\$'000</b>	<b>Consolidated HK\$'000</b>
Capital expenditure	12,047	—	167	12,214
Depreciation and amortisation	54,707	—	236	54,943
Loss on disposal of property, plant 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 HK\$'000	2002 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
	<b>48,778</b>	54,943
Less: Amount attributable to contract work	<b>(44,812)</b>	(51,073)
	<b>3,966</b>	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
	<b>31,844</b>	21,010
Less: Amount attributable to contract work	<b>(28,455)</b>	(17,855)
	<b>3,389</b>	3,155
Staff costs, including Directors' emoluments	393,930	360,748
Less: Amount attributable to contract work	<b>(317,591)</b>	(287,368)
Amount attributable to properties under development	<b>(5,667)</b>	(2,240)
	<b>70,672</b>	71,140
and after crediting:		
Interest income	812	1,165
Rental income from investment properties, net of negligible outgoings	1,652	1,723

## 6. Directors' and Employees' Emoluments

### (a) Directors' emoluments

	2003 HK\$'000	2002 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 Number of Directors	2002 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 HK\$'000	2002 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 Number of employees	2002 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 HK\$'000	2002 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
	<b>62,315</b>	56,849
Less: Amount attributable to contract work	<b>(7,047)</b>	(12,975)
Amount attributable to properties under development	<b>(51,014)</b>	(38,623)
	<b>4,254</b>	5,251

## 8. Taxation

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	11,874	11,464
– (over) underprovision in prior year	<b>(1,438)</b>	3,267
	<b>10,436</b>	14,731
– Foreign Enterprise Income Tax in the PRC	263	175
	<b>10,699</b>	14,906
Deferred taxation		
– Hong Kong Profits Tax	5,604	814
	<b>16,303</b>	15,720
Share of taxation attributable to jointly controlled entities	4,981	4,498
	<b>21,284</b>	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 HK\$'000	2002 HK\$'000
Interim dividend paid in respect of 2003 of 0.75 cent (2002: 0.5 cent) per share	5,434	3,623
Final dividend paid in respect of 2002 of 1 cent (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 HK\$'000	2002 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 land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Leasehold land and buildings HK\$'000
<b>COST</b>						
At 1 April 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 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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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>	46,971	<b>39,962</b>	41,218

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 HK\$'000	2002 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 HK\$'000	2002 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 HK\$'000	2002 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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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 HK\$'000	2002 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 HK\$'000	2002 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	<b>—</b>	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 HK\$'000	2002 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 of minimum payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Within one year	24,993	44,751	24,072	42,374
More than one year, but not exceeding two years	12,138	21,653	11,830	20,821
More than two years, but not 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	<b>(1,264)</b>	(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 shown under current liabilities			<b>(24,072)</b>	(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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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 HK\$'000	2002 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	<b>13,322</b>	<b>7,718</b>

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

	THE GROUP	
	2003 HK\$'000	2002 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)
	<b>13,322</b>	<b>7,718</b>

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 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:

<b>Category</b>	<b>Number of share options</b>		
	<b>Outstanding at 1 April 2001</b>	<b>Lapsed during the year</b>	<b>Outstanding at 31 March 2002</b>
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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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> <b>HK\$'000</b>	<b>2002</b> <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 HK\$'000	2002 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 HK\$'000	2002 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 HK\$'000	2002 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 HK\$'000	2002 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for 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 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction 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 financial institutions to secure 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:

	Notes	Associates		Jointly controlled entities	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 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		Principal activities
			held by the Company/ subsidiaries %	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  HK\$9,000,000 non-voting deferred shares	100	100	Construction
			(Note 1 below)		
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	Security guard services
Guangzhou Wah Chun Construction and Engineering Company Limited ("Guangzhou Wah Chun")	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		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
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:*

- 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.
- 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.
- 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		Principal activities
			held by the Group %	attributable to the Group %	
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 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.*