

Notes to the Financial Statements

> for the year ended 31 March 2004

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment.

2. Adoption of Hong Kong Financial Reporting Standards

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

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

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

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective dates of acquisition or disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

3. Significant Accounting Policies > continued

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

3. Significant Accounting Policies > continued

Associates

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

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

Jointly controlled entities

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

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

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

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Income from property development project undertaken by the Group under the Private Sector Participation Scheme is recognised, when the outcome of the project can be estimated reliably, over the development period on the percentage of completion method, measured by reference to the value of work carried out during the period.

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sales agreement.

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

Service income is recognised when services are provided.

3. Significant Accounting Policies > continued

Revenue recognition > continued

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors, deposits and prepayments.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

3. Significant Accounting Policies > continued

Property, plant and equipment

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

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

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

Depreciation is provided to write off the cost of other property, plant and equipment other than properties under development, over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the terms of the leases on the same basis as owned assets.

Assets held under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding principal portions of the commitments are shown as obligations to the Group. The finance charges, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement using actuarial method over the period of the respective leases.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the respective leases.

Properties under development

Properties under development under Private Sector Participation Scheme and those which have been pre-sold prior to completion of development are stated at cost plus development profit recognised to date less any impairment loss where appropriate.

Other properties under development are stated at cost less any impairment loss where appropriate.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

3. Significant Accounting Policies > continued

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. Significant Accounting Policies > continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries operating outside Hong Kong are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All exchange differences arising on consolidation are classified as equity and transferred to translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

3. Significant Accounting Policies > continued**Retirement benefits scheme contributions**

The retirement benefit costs charged in the consolidated income statement represent the contributions payable in respect of the current year to the Group's retirement benefits schemes.

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

For management purposes, the Group is currently organised into three operating divisions – construction works, property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2004

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
TURNOVER					
External sales	3,080,784	59,672	18,362	—	3,158,818
RESULT					
Segment result	66,586	5,866	18,232	559	91,243
Interest income					673
Unallocated corporate expenses					(15,098)
Profit from operations					76,818
Finance costs					(3,921)
Share of results of jointly controlled entities	23,072				23,072
Profit before taxation					95,969
Taxation					(24,583)
Profit before minority interests					71,386
Minority interests					(18)
Profit attributable to shareholders					71,368

4. Business and Geographical Segments > continued

Business segments > continued

At 31 March 2004

BALANCE SHEET

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
ASSETS					
Segment assets	1,005,011	486,234	234,855	5,950	1,732,050
Interests in jointly controlled entities	76,574				76,574
Interests in associates	80,229				80,229
Unallocated corporate assets					394,179
Consolidated total assets					<u>2,283,032</u>
LIABILITIES					
Segment liabilities	730,239	337,006	8,639	650	1,076,534
Amounts due to jointly controlled entities	78,746				78,746
Unallocated corporate liabilities					411,306
Consolidated total liabilities					<u>1,566,586</u>

OTHER INFORMATION

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Unallocated HK\$000	Consolidated HK\$'000
Capital expenditure	10,424	—	19,494	11	—	29,929
Depreciation and amortisation	43,300	—	—	245	—	43,545
Unrealised holding loss on other investments	—	—	—	—	279	279

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

For the year ended 31 March 2003

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

4. Business and Geographical Segments > continued

Business segments > continued

At 31 March 2003

BALANCE SHEET

	Construction works HK\$'000	Property development HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
	(Note)				
ASSETS					
Segment assets	2,783,013	631,780	31,089	6,951	3,452,833
Interests in jointly controlled entities	59,021				59,021
Interests in associates	80,229				80,229
Unallocated corporate assets					259,270
Consolidated total assets					<u>3,851,353</u>
LIABILITIES					
Segment liabilities	2,467,724	460,922	471	485	2,929,602
Amounts due to jointly controlled entities	11,539				11,539
Unallocated corporate liabilities					294,598
Consolidated total liabilities					<u>3,235,739</u>

OTHER INFORMATION

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

Note: Turnover, segment results, and respective segment assets and segment liabilities derived from the property development project under the Private Sector Participation Scheme in Yuen Long and the MTRC Choi Hung Park and Ride Development in Kowloon are classified under construction works and property development respectively for segment reporting disclosure purpose.

Geographical segments

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

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

5. Profit from Operations

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

6. Directors' and Employees' Emoluments

(a) Directors' emoluments

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

The Directors' emoluments were within the following bands:

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

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

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

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

The employees' emoluments were within the following bands:

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

7. Finance Costs

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

8. Taxation

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

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

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

Details of the deferred taxation are set out in note 24.

8. Taxation > continued

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	95,969	27,064
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 16%)	16,795	4,330
Tax effect of share of results of jointly controlled entities	111	4,166
Tax effect of expenses not deductible for tax purpose	902	281
Tax effect of income not taxable for tax purpose	(300)	(220)
Overprovision in respect of prior years	(1,142)	(1,438)
Tax effect of tax losses and other deductible temporary differences for current year not recognised	4,779	12,556
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	(746)	(614)
Effect of tax exemptions granted to PRC subsidiaries	—	(1,354)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	1,249	—
Effect of different tax rates of operations in other jurisdictions	1,793	288
Others	1,142	3,289
Tax expense for the year	24,583	21,284

9. Dividends

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

The final dividend of HK2.65 cents (2003: Nil) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

10. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

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

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

11. Investment Properties

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

The investment properties of the Group were leased out for rental purposes under operating leases. The investment properties in Hong Kong and the PRC were revalued by Centaline Surveyors Limited, FPD Savills (Hong Kong) Limited and RHL Appraisal Limited, firms of independent professional valuers, as at 31 March 2004 on an open market value basis. These valuations gave rise to a net revaluation increase of HK\$38,737,000, of which surplus of HK\$638,000 is credited to consolidated income statement to the extent of the deficit previously charged. The remaining surplus of HK\$38,099,000 is credited to the investment property revaluation reserve.

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

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

12. Property, Plant and Equipment

	THE GROUP					THE COMPANY
	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Leasehold land and buildings HK\$'000
COST						
At 1 April 2003	66,265	499,882	43,870	30,537	640,554	49,086
Additions	—	6,668	3,282	485	10,435	—
Disposals	—	(9,908)	—	(29)	(9,937)	—
At 31 March 2004	66,265	496,642	47,152	30,993	641,052	49,086
DEPRECIATION AND AMORTISATION						
At 1 April 2003	10,391	284,313	24,716	17,936	337,356	9,124
Provided for the year	1,613	34,687	5,249	1,996	43,545	1,255
Eliminated on disposals	—	(6,193)	—	(21)	(6,214)	—
At 31 March 2004	12,004	312,807	29,965	19,911	374,687	10,379
NET BOOK VALUES						
At 31 March 2004	54,261	183,835	17,187	11,082	266,365	38,707
At 31 March 2003	55,874	215,569	19,154	12,601	303,198	39,962

The net book values of leasehold land and buildings held by the Group and the Company at the balance sheet date comprise the following:

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

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

13. Properties under Development

The Group

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

14. Interests in Subsidiaries

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

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

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

Amounts due from subsidiaries are unsecured, interest free and will not be repayable within the next twelve months from the balance sheet date.

15. Interests in Associates

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

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

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

16. Interests in Jointly Controlled Entities

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

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

17. Investments

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

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

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

19. Properties Held for Sale

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

20. Debtors, Deposits and Prepayments

Interim applications for progress payments in construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of trade debtors of HK\$307,269,000 (2003: HK\$230,027,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

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

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

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

21. Creditors and Accrued Charges

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

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

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

22. Obligations under Finance Leases

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

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms ranging from two to three years. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

23. Borrowings

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

24. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 April 2002	(38,162)	17,922	12,522	(7,718)
(Charge) credit to consolidated income statement for the year	<u>875</u>	<u>(7,282)</u>	<u>803</u>	<u>(5,604)</u>
At 31 March 2003	(37,287)	10,640	13,325	(13,322)
(Charge) credit to consolidated income statement for the year	5,491	(7,080)	(6,006)	(7,595)
Effect of change in tax rate	<u>(3,496)</u>	<u>998</u>	<u>1,249</u>	<u>(1,249)</u>
At 31 March 2004	<u>(35,292)</u>	<u>4,558</u>	<u>8,568</u>	<u>(22,166)</u>

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

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

25. Share Capital

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

26. Share Option Schemes

(a) Chun Wo Scheme

On 28 August 2002, a new share option scheme was adopted by the Company (the “Chun Wo Scheme”) for the primary purpose of providing the directors and employees of, as well as technical, financial or corporate managerial advisers and consultants to, the Company and its subsidiaries (the “Eligible Personnel”) with the opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Directors of the Company (the “Board”) will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Chun Wo Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the “Scheme Limit”). No options will be granted under the Chun Wo Scheme at any time if such grant will result in the Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo Scheme and all other share option schemes of the Company shall not exceed 10% of the shares in issue on the adoption date (the “Scheme Mandate Limit”), subject to refresher of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Chun Wo Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. HK\$1 is payable by the eligible personnel upon acceptance of the share options within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the relevant date of grant, in excess of HK\$5 million,

such further grant of options must be approved (voting by way of poll) by the shareholders of the Company.

26. Share Option Schemes > continued

(a) Chun Wo Scheme > continued

The option period of a particular option is the period during which the option can be exercised, such period is to be notified by the Board to each grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the date of grant.

The subscription price shall be such price determined by the Board in its absolute discretion and will be notified to the Eligible Personnel in the offer and shall be no less than the highest of:

- (i) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

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

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

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

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

26. Share Option Schemes > continued

(b) Foundations Scheme

On 28 August 2002, a new share option scheme of Chun Wo Foundations Limited (“CWF”), an indirect wholly-owned subsidiary of the Company, (the “Foundations Scheme”) was approved by the Company for the primary purpose of providing the directors and employees of, as well as technical, financial or corporate managerial advisers and consultants (the “eligible personnel”) to, CWF, the Company and their respective subsidiaries with the opportunity to acquire proprietary interests in CWF, which will encourage the grantees of such options to work towards enhancing the value of CWF and its shares for the benefit of CWF and its shareholders as a whole. The directors of CWF (the “Board of CWF”) will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board of CWF either on a case-by-case basis or generally.

The overall limit on the number of shares in CWF which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Foundations Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time (“Chun Wo Foundations Scheme Limit”). No options will be granted under the Foundations Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations Scheme and all other share option schemes of CWF shall not exceed 10% of the shares in CWF in issue on the adoption date (the “Chun Wo Foundations Scheme Mandate Limit”), subject to refresher of the Chun Wo Foundations Scheme Mandate Limit. Options lapsed in accordance with the terms of the Foundations Scheme or any other share option schemes of CWF shall not be counted for the purpose of calculating the Chun Wo Foundations Scheme Mandate Limit.

The total number of shares in CWF issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in CWF in issue. HK\$1 is payable by the eligible personnel upon acceptance of the share options within 30 days from the date of offer.

26. Share Option Schemes > continued

(b) Foundations Scheme > continued

Where any grant of options to a substantial shareholder or an independent non-executive director of CWF or the Company, or any of their respective associates, would result in the shares in CWF issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in CWF in issue; and
- (b) having an aggregate value, assuming such option were exercised and based on the net asset value per share by reference to the latest audited accounts of CWF, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll).

The option period of a particular option is the period during which the option can be exercised, such period is to be notified by the Board of CWF to each grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the date of grant.

The Foundations Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Foundations Scheme eligible personnel in the offer and shall be no less than the higher of:

- (a) the net asset value per share of CWF as calculated by dividing (a) the audited net asset value of CWF as set out in the audited financial statements immediately preceding the offer date by (b) the number of shares of CWF in issue and credited as fully paid as at the offer date; and
- (b) the nominal value of a share of CWF on the offer date.

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

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

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

27. Reserves

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
SHARE PREMIUM				
At beginning and end of the year	242,572	242,572	242,572	242,572
INVESTMENT PROPERTY REVALUATION RESERVE				
Surplus on revaluation of investment properties and balance at end of the year	38,099	—	—	—
SPECIAL RESERVE				
At beginning and end of the year	(7,340)	(7,340)	—	—
CONTRIBUTED SURPLUS				
At beginning and end of the year	—	—	52,552	52,552
CAPITAL RESERVE				
At beginning and end of the year	8,531	8,531	—	—
TRANSLATION RESERVE				
At beginning and end of the year	676	676	—	—
RETAINED PROFITS				
At beginning of the year	296,355	303,440	5,966	6,255
Profit attributable to shareholders	71,368	5,595	9,906	12,391
Dividends paid	(9,057)	(12,680)	(9,057)	(12,680)
At end of the year	358,666	296,355	6,815	5,966
TOTAL RESERVES	641,204	540,794	301,939	301,090

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

27. Reserves > continued

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

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

The special reserve of the Group represents the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

The capital reserve of the Group mainly represents the amount of profit capitalisation upon allotment of share capital of Chun Wo Foundations Limited during the year ended 31 March 1997.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Chun Wo Hong Kong Limited at the date on which the group reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation in 1993.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

28. Non-cash Transactions

During the year, the Group entered into finance leases in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$4,227,000 (2003: HK\$8,422,000).

29. Retirement Benefit Scheme

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions of HK\$14,998,000 (2003: HK\$14,327,000) after forfeited contributions utilised of HK\$1,164,000 (2003: HK\$3,154,000).

At the balance sheet date, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the respective schemes.

30. Operating Lease Arrangements

The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

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

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

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

The Group as lessor:

Property rental income earned during the year was HK\$18,362,000 (2003: HK\$1,723,000). The properties held have committed tenants for an average term of three years.

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	28,683	781
In the second to fifth year inclusive	44,190	280
After five years	4,869	—
	<u>77,742</u>	<u>1,061</u>

31. Capital Commitments

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

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

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

32. Contingent Liabilities

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

32. Contingent Liabilities > continued

During the year ended 31 March 2002, a guarantee was issued by a joint venture partner of a jointly controlled entity in favour of a financial institution to the extent of HK\$20,000,000 in respect of credit facilities granted to that jointly controlled entity. In consideration of the joint venture partner entering into the aforesaid guarantee, the Company has, accordingly, entered into a deed of indemnity to indemnify the joint venture partner in proportion to the Group's interest in the jointly controlled entity of any payments which are required to be made by the joint venture partner in respect of the aforesaid guarantee.

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

33. Pledge of Assets

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

34. Related Party Transactions

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

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

34. Related Party Transactions > continued

In addition to the above, the Group had the following related party transactions:

- (i) a subsidiary of the Company acts as one of the co-borrowers to a financial institution for credit facilities of HK\$20,000,000 (2003: HK\$20,000,000) granted to a jointly controlled entity as detailed in note 32.
- (ii) During the year, the Group entered into a sale and purchase agreement to acquire a commercial property for investment purpose from the son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina, both are directors and shareholders of the Company. The consideration for the acquisition is RMB20,000,000 (approximately HK\$18,868,000).

Notes:

- (a) The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- (b) The amount is unsecured, interest free and will not be repayable within the next twelve months.
- (c) The amounts are unsecured, interest free and are repayable on demand.

35. Particulars of Principal Subsidiaries

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

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries		Principal activities
			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
Chun Wo Civil Engineering Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$4,100,000 ordinary shares	100	100	Construction
		HK\$9,000,000 non-voting deferred shares		(Note 1 below)	

35. Particulars of Principal Subsidiaries > continued

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued/ contributed capital	Percentage of issued/ contributed capital held by the Company/ subsidiaries %	Percentage of issued/ contributed capital attributable to the Group %	Principal activities
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	Security guard services
Guangzhou Wah Chun Construction and Engineering Company Limited ("Guangzhou Wah Chun")	People's Republic of China	RMB13,750,000 registered capital	(Note 2 below)		Construction
Kamlight Construction Company Limited	Hong Kong	HK\$8,000,000 ordinary shares	100	100	Securities investment
Racing Way Group Limited	British Virgin Islands	US\$1 ordinary	100	100	Investment holding
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property development
Rich Score Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment
Shanghai Jin Chun Wo Construction Engineering Co., Ltd.	People's Republic of China	US\$3,000,000 registered capital	99 (note 3 below)	99 (note 3 below)	Construction
Smart Rise Investment Limited	Hong Kong	HK\$2 ordinary shares	100	100	Securities investment

35. Particulars of Principal Subsidiaries > continued

Notes:

1. The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.
2. Pursuant to an agreement with the joint venture partner of Guangzhou Wah Chun, the Group is responsible for contributing all of the equity capital totalling RMB13,750,000 to Guangzhou Wah Chun. The Group is only entitled to 60% of the results of the subsidiary. The subsidiary is registered as a sino-foreign cooperative joint venture company.
3. The subsidiary is registered as a sino-foreign equity joint venture company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31 March 2004 or at any time during the year.

36. Particulars of Associates

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

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

37. Particulars of Jointly Controlled Entities

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

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Principal activities
Maeda – Chun Wo Joint Venture	Unincorporated	Hong Kong	30	Construction
Dumez GTM – Chun Wo Joint Venture	Unincorporated	Hong Kong	25	Construction
Maeda – Chun Wo Joint Venture (Viaducts)	Unincorporated	Hong Kong	45	Construction
Chun Wo – Fujita – Henryvicy Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo – Henryvicy – China Railway Construction Corporation Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo – Henryvicy – China Railway Construction Corporation – Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	Construction
Chun Wo – U-Tech Joint Venture	Unincorporated	Hong Kong	60	Construction

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