

# Civil Engineering Projects



SkyPlaza and Associated Works at Hong Kong International Airport



Castle Peak Road Improvement

# Chairman's Statement

On behalf of the directors (the "Directors") of Chun Wo Holdings Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholder") the results and operations of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006.

## Results

For the year ended 31 March 2006, the audited consolidated profit after taxation and minority interests of the Group increased to approximately HK\$56.5 million as compared to last year's profit of approximately HK\$51.6 million, representing an increase of 9.5%. Turnover of the Group for the year ended 31 March 2006 increased to approximately HK\$2,556.6 million, as compared to last year's HK\$2,524 million. Earnings per share for the year under review is HK7.6 cents.

## Dividends

The board of Directors (the "Board") has recommended the payment of a final dividend of HK1.75 cents (2005: HK1.25 cents) per share for the year ended 31 March 2006 to Shareholders whose names appear on the Register of Members of the Company on Thursday, 21 September 2006. The proposed final dividend together with the interim dividend of HK1.00 cent (2005: HK1.25 cents) per share paid during the year under review makes a total dividend of HK2.75 cents (2005: HK2.50 cents) per share for the year ended 31 March 2006. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 21 September 2006, the proposed final dividend will be distributed to Shareholders on or about Friday, 20 October 2006.

## Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 15 September 2006 to Thursday, 21 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrar of the Company, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 14 September 2006.



# Civil Engineering Projects



Improvements to San Tin Interchange

KCRC East Rail Extensions - Permanent Way for Lok Ma Chau



## Business Review

There was marked economic growth in Hong Kong during the year under review which had exceeded expectation to 8.2%. The Hong Kong economy had also benefited from the economic growth in Mainland China. There was a general positive sentiment supported by the favourable land sale in September 2005 and the improvement in unemployment rate of 5.1%, a 4-year low. However, the continual lack of large scale infra-structure and residential projects had resulted in slowing down of the construction activities in Hong Kong. Despite that, the Group's diversification strategy had eased this undesirable impact.

At the time of writing this report, the Group's estimated value of contracts in hand stands at approximately HK\$7.2 billion, with about HK\$4.0 billion outstanding.

### Construction

During the year under review, the Group was awarded new contracts including the South Cargo Apron Extension Works at Hong Kong International Airport, Permanent Way of Kowloon Southern Link of Kowloon Canton Railway Corporation ("KCRC"), Castle Peak Road Improvement Work, the fitting out work for "The Legend" at Tai Hang and the construction works for the detached houses at Shouson Hill Road.

Local building projects which included Cyberport Phase II, "No. 8 Clear Water Bay Road" and Eu Yan Sang renovation work had been completed. Construction of the prestigious "Skyplaza" project was near its final stage with electrical and mechanical ("E&M") and finishing works progressing in full swing. The construction for the superstructure of "The Legend" continued to progress well and its fitting out work had been progressing on schedule towards completion. In Mainland China, the superstructure work of the property above Huangsha Metro Station, Guangzhou was progressing steadily. Further, the work for the Event and Congress Centres of "The Venetian" in Macau were underway.

For civil work projects in Hong Kong, the Group has successfully completed the remaining three contracts for the Hong Kong Disneyland Resort and the specialised project on the Investigation of Sewers & Drains for the Drainage Services Department. Tracklaying works for Permanent Way for KCRC Lok Ma Chau Spur Line had achieved a completion stage and was progressing smoothly. The construction work of the Highways Department "design and construct" San Tin Interchange project was ahead of programme while the Castle Peak Road project was progressing as planned. Two term contracts with Water Supplies Department and Architectural Services Department were substantially completed and other three term contracts were in smooth progress.



# Building Projects



No. 8 Clear Water Bay Road Development  
above Choi Hung MTR Station



Cyberport Phase II Residential Development

## **Construction** continued

Apart from supporting the foundation work of the Group's construction projects, the Group's foundation subsidiary had completed the site formation and foundation contract for Victoria Shanghai Academy at Shum Wan Road and the foundation contract for a secondary-cum-primary school at Shatin. The contract awarded for Tin Shui Wai Area 104 by the Housing Authority during the year under review had commenced. In Vietnam, the Group's joint venture contract for the construction of the basement of a multi-purpose property development project in Ho Chi Minh City had commenced. In Macau, following the completion of the piling contract for "The Venetian", the subsidiary was awarded a foundation contract for "City of Dreams" (an entertainment resort).

For the E&M work of the Group, its E&M subsidiary continued to be awarded further public and private E&M contracts during the year under review. The E&M works for "SkyPlaza" and various works contracts were all progressing well.

## **Property Development & Investment**

The Group's property development project, "No. 8 Clear Water Bay Road", a distinguished residential and public transport interchange development with shopping arcade, "Infinity 8" in the Choi Hung district, had a substantial number of residential flats presold. The sales of the remaining residential units continued and were satisfactory. The Group anticipated a considerable revenue subsequent to the issuance of the Certificate of Compliance for the development in April 2006.

As reported in the last interim report of the Company that the Group would focus its property development in Mainland China, the two current projects at Shijiazhuang and Yangzhou comprising residential and commercial developments were moving into pre-construction stage. The planning for the project at Yixing was completed. The large-scale luxurious residential-commercial joint venture development in Ho Chi Minh City, Vietnam was in the construction stage. The result from its presale was encouraging.

The rental income from the Group's shopping complex at "Grandeur Terrace" in Tin Shui Wai and properties at Zhongshan, Mainland China continued to generate recurring revenue for the Group. The letting of the shops at "Infinity 8" at Choi Hung had commenced to meet the opening of the associated public transport interchange in the latter part of 2006.

# Building Projects

The Legend at Tai Hang



Congress Centre Superstructure  
Construction at the Venetian, Macau

Event Centre Superstructure  
Construction at the Venetian, Macau



## **Other Business**

The Group's security subsidiary, City Security Company Limited promoted its enhanced service packages for the Group's various construction sites and clients. Valuable contracts awarded included crowd management for "Chinese Dinosaur Fossils Exhibition" at Cityplaza which had attracted 180,000 man-count per day on average, security services for the prestigious properties of MTR Corporation, like "The HarbourSide", "Sorrento" and "The WaterFront". The Group's property management subsidiary, City Professional Management Limited continued to provide their expertise and management to the Group's properties and also to other clients' facilities.

Regarding the intended investment in the cardiovascular drug business in Hebei Province, Mainland China as reported in the last interim report of the Company, the Group had just terminated that cooperation agreement since conditions precedent for our investment were not fulfilled. No money had been invested in this intended joint venture. The Group continues to explore opportunities in the bioscience business sector.

## **Awards and Recognition**

In addition to the Bronze Medal of the 2005 Hong Kong Management Association Quality Award received in July 2005, the Group was further awarded the Outstanding Enterprises 2005 by Economic Digest in November 2005.

In recognition to the Group's effort in environmental performance, the Group was awarded the 2005 HKCA Environmental Merit Award and Gold Award of the 2005 Eco-Business Awards Green Construction Contractor Award.

## **Corporate Social Responsibility**

The Group continues to assume its social responsibility through making contributions to the community including charity and volunteer services. Recent examples were participation in the MTR Chairman Walking Competition, Oxfam Trailwalker, donation to the Polytechnic University of Hong Kong and a joint programme with the Tung Wah Group of Hospitals in rendering regular voluntary services in maintenance work and caring to the seniors. In recognition to the Group's contributions, the Group was awarded the Caring Company Logo 2005/2006 by the Hong Kong Council of Social Service.



# Minor Works & Foundation Projects



Foundation for Tin Shui Wai Area 104

Site Formation and Foundation Works  
for School at Shum Wan Road



Minor Works for  
Architectural Services Department

## Outlook and Prospects

Following a robust economic growth in the year under review, there are some uncertainties ahead, like hiking oil prices, high interest rate, unknown impact of avian-flu etc. However, there is a general belief that the interest rate will level out later this year. In addition, with the support of the Chinese Central Government, Hong Kong will share the momentum of the remarkable growth of the Chinese economy. Among those policy objectives of the Chinese Central Government's 11th Five-Year Plan, there is an emphasis on upgrading its infrastructure. Coupling with the implementation of CEPA, there are ample opportunities for the Hong Kong construction industry to expand their business in Mainland China.

In the 2006-2007 Hong Kong's Government Budget, the Hong Kong Government has earmarked \$29 billion a year on average over the next five years for infrastructure projects. Further to the Chief Executive's Policy Address on various major infrastructure projects opportunities, like the draft feasibility study report for Hong Kong – Zhuhai – Macau Bridge, the KCRC's feasibility report on Guangzhou – Shenzhen – Hong Kong Express Rail Link, feasibility assessment of the KCRC Northern Link and the MTRC South Hong Kong Island Line and planning for the Shatin to Central Link and West Hong Kong Island Line, the Financial Secretary has reserved budget for various infrastructure projects. With an improved fiscal position, the Hong Kong Government is planning for early commencement of these infrastructure projects.

With the designation of 2006 as Discover Hong Kong Year by The Hong Kong Tourism Board, the tourism industry is expected to flourish. There will be construction opportunities arising from the redevelopment programme of Ocean Park, Concept Plan for Lantau etc. The Hong Kong Airport Authority also has enhancement plans for its facilities. Moreover, the Government has received proposals on the construction of a new cruise terminal which will give further works to the construction industry.

There are some large-scale projects from Hong Kong Government including Kai Tak Development and the Central Wan Chai By-pass. Apart from the major projects, there are also urban renewal and building maintenance projects, term contracts for waterworks, and contracts for replacement and rehabilitation of water mains.

The Hong Kong Government is determined in helping the construction industry through the in-depth review of the land lease and planning procedures by a newly set up Business Facilitation Advisory Committee. The Hong Kong Government believes in market demand for land sales and the Application List System for Land Sales continues. Given a steady rise in income and an improved consumer confidence, private sector developers expressed optimism about Hong Kong's economy and its property market. These developers have plans in replenishing their land banks for development purposes in both medium and long term. There are also planning for building projects atop the railways stations.

With the completion of "No. 8 Clear Water Bay Road", the Group has plans for sales at better prices of the remaining unsold units at higher levels with better views. The commercial properties will give stable income to the Group for further investment opportunities in this revitalizing economy.

## Outlook and Prospects continued

The economy of Hong Kong has shifted to a knowledge based economy. The Group is keen on not only providing full-scale training to university graduates through our elite scheme, but also encouraging staff on continuing professional training to meet the challenge of knowledge based economy.

The Group has been actively seeking to expand business into Thailand where, political developments permitting, substantial design and construction work for railway and transportation infrastructure will be undertaken. The Group is also exploring other construction opportunities in an attempt to win further work in Macau where infrastructure and building construction continues to take place.

Sustainable economic growth in Mainland China is expected. The property market in Mainland China remains active and becomes more stable along continual macro-economic control measures imposed by the Chinese Central Government. Feasible development opportunities are also extending to second tier cities.

The Group continues to prudently seek diversification opportunities, in business types and in geographical areas, for better overall results.

## Acknowledgment

I would like to thank the Board and our management, as well as all our staff, for their whole-hearted dedication and hard working. I would also like to thank our shareholders, financiers, business partners and clients for their valuable support.

**Pang Kam Chun**  
*Chairman*

Hong Kong, 21 July 2006