



CHUN Wo DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 711

Warrant Code: 1032



45th Anniversary Since 1968



This report is printed on environmentally friendly paper

Annual Report 2012/13

Vision

To be an acclaimed contractor and developer in Asia with dynamic and sustainable growth

Mission

- Improve people's quality of life through city and infrastructure development
- Grow with our employees through fulfilling work environment and career development
- Create value for shareholders

Core Values



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CORPORATE CULTURE

We **aspire to excel** in all aspects of our performance. In our business dealings, we are responsive to **the needs of our clients** and ensure that these needs are **fully satisfied**. We manage our projects with **competent and experienced staff**, whose clear priorities are to thoroughly plan, execute and follow through the works and to fulfil our obligations **responsibly**. Our staff always face up to challenges and **proactively** tackle problems with **practicality and perseverance** in a **positive** way.

For over 40 years, we have followed this culture and believe that it has been the **key to Chun Wo's success**. Chun Wo's continuing success serves to reinforce the culture which has been with us from the outset.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Pang Yat Ting, Dominic (*Chairman*)
Pang Yat Bond, Derrick (*Deputy Chairman*)
Kwok Yuk Chiu, Clement (*Managing Director*)
Li Wai Hang, Christina

INDEPENDENT NON-EXECUTIVE DIRECTORS

Au Son Yiu
Chan Chiu Ying, Alec
Hui Chiu Chung, Stephen
Lee Shing See

AUDIT COMMITTEE

Chan Chiu Ying, Alec (*Chairman*)
Au Son Yiu
Hui Chiu Chung, Stephen

EXECUTIVE COMMITTEE

Pang Yat Ting, Dominic (*Chairman*)
Pang Yat Bond, Derrick
Kwok Yuk Chiu, Clement
Liu Chun Ming, Robin

MANAGEMENT COMMITTEE

Pang Yat Bond, Derrick (*Chairman*)
Pang Yat Ting, Dominic
Kwok Yuk Chiu, Clement
Li Wai Hang, Christina

NOMINATION COMMITTEE

Lee Shing See (*Chairman*)
Au Son Yiu
Pang Yat Ting, Dominic

REMUNERATION COMMITTEE

Au Son Yiu (*Chairman*)
Chan Chiu Ying, Alec
Pang Yat Bond, Derrick

COMPANY SECRETARY

Chan Sau Mui, Juanna

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman
Reed Smith Richards Butler
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

C2, 5th Floor
Hong Kong Spinners Industrial Building
601–603 Tai Nan West Street
Cheung Sha Wan
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE WEBSITE

www.chunwo.com

STOCK CODE

711

WARRANT CODE

1032

CORPORATE EVENT HIGHLIGHTS

The Group regularly participates in events designed to foster closer co-operation with partners and other stakeholders, and to publicise its work more widely. The photos below illustrate some of the corporate events in the financial year.

June 2012

Title Sponsoring Sai Kung Dragon Boat Racing 2012

Chun Wo sponsored Dragon Boat Racing in Sai Kung and delegated two teams of athletes to participate in the competition. The Chairman, Mr. Pang Yat Ting, Dominic, acted as the drummer to motivate the athletes to keep paddling and cross the finish line. With the great support from cheering teams and colleagues, both teams of the athletes got the satisfactory performance through teamwork.



July 2012

Obtained “HKMA Quality Award – Bronze Award” for the Second Time

Chun Wo won the “HKMA Quality Award – Bronze Award” in 2012 for the second time since 2005. The “HKMA Quality Award” is one of the most widely recognised accolades for quality management in Hong Kong. The organiser conducted a systematic review of the Group’s management and operation practices under the seven judging criteria including Leadership, Strategic Planning, Customer Focus, Measurement, Analysis, and Knowledge Management, Workforce Focus as well as Operations Focus and Results.

CORPORATE EVENT HIGHLIGHTS



July 2012

“Youth Outreach x Chun Wo” Charity Night

Chun Wo joined hands with Youth Outreach to organise a “Youth Outreach x Chun Wo” Charity Night on 11 July 2012, aiming at raising fund to support the services of Youth Outreach. The evening programs were very rich, and there were various performances including band show, singing, Chinese martial arts and hip hop dance, etc.

October 2012

Chun Wo Young Professional Group (“CWYPG”) Inauguration cum Annual General Meeting

CWYPG was established in order to provide training opportunities for all young professionals of the Group. Our vision is to develop a pool of competent professionals for chartership acquisition and to retain young professionals. CWYPG organises various activities to enhance the morale, sense of belonging and facilitate link between members in order to enhance team spirit among its members.



November 2012

2012 Caritas Bazaar

Over 150 Chun Wo staff and their family members participated in the Caritas Bazaar as volunteers and the fund raised by the Group broke the record of the past six years.

CORPORATE EVENT HIGHLIGHTS



December 2012 Chun Wo Fun Day 2012

Over 2,000 Chun Wo staff and their family members joined Chun Wo Fun Day 2012 at Wu Kai Sha Youth Village. The aim of the event was to enhance the sense of belonging and promote the Vision, Mission and Core Values of the Group.



January 2013 “World Habitat” Campus Beautification and Greening Activity

Over 40 Chun Wo staff joined as volunteers in “World Habitat” campus beautification and greening activity at San Wui Commercial Society School, Sheung Wan held by Habitat for Humanity.

CORPORATE EVENT HIGHLIGHTS

Top Five New Major Contracts Awarded in the Financial Year

Happy Valley Underground Stormwater Storage Scheme

Attributable contract value:
HK\$711 million

This is the biggest New Engineering Contract (“NEC”) project ever awarded by Hong Kong Government.



Term Contract for Waterworks District E – New Territories East

Attributable contract value: HK\$700 million

Superstructure Works for the Proposed Composite Development at Yuet Wah Street and Hip Wo Street, Kwun Tong

Attributable contract value:
HK\$541 million

MTR Contract 1107 – Shatin to Central Link: Diamond Hill to Kai Tak Tunnels

Attributable contract value:
HK\$534 million

Urban Renewal Project at Castle Peak Road/ Hing Wah Street (K23), Sham Shui Po

Attributable contract value:
HK\$452 million



CHAIRMAN'S STATEMENT

“Overall, the Group is highly optimistic about prospects for the year ahead. The exceptional demand for top-level construction work, coupled with our strong expertise in managing resources, suggests that our target of achieving a 10% growth in net profit is a realistic one for the coming year.”

Pang Yat Ting, Dominic
Chairman



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board" or the "Directors"), I hereby present the annual results of Chun Wo Development Holdings Limited (the "Company") and its subsidiaries (collectively "Chun Wo" or the "Group") for the year ended 31 March 2013.

A SHINING YEAR IN A NEW GOLDEN ERA

Following a strong performance from the Group's property development segment and a record order book from its Hong Kong construction segment, the Group achieved record revenues and a strong net profit result for the year. The construction segment won several significant projects in the year under review and achieved record revenue of approximately HK\$4.33 billion, including share of jointly controlled entities. The Group's net profit rose by 48.6% year-on-year to HK\$77.8 million in the year under review, exceeding the net profit growth goal of 10% per year that we previously set for ourselves. Standing at the beginning of a new "golden era" involving significant investment in infrastructure projects both by the government of the Hong Kong Special Administrative Region (the "Hong Kong Government") and major corporations such as MTR Corporation Limited ("MTRC"), the Group's performance in the year under review in construction holds much promise for the future. We currently work with all major government works departments and several other major Hong Kong clients, with all of whom we have established good relations and an impressive track record. The Group has also expanded its capabilities and embraced new areas of expertise, for instance by adopting the use of Tunnel Boring Machine ("TBM") technology for sophisticated underground tunnel construction projects. Such expansion will open up new opportunities for the construction segment in the future.

Aside from construction, the Group's other business segments, which include property development, property investment, and provision of security and property management services, performed well across the year under review. Our property development business in the People's Republic of China ("PRC") was inevitably affected by the ongoing cooling measures imposed by the central government. Nevertheless, the Group managed to deliver a satisfactory sales performance from its projects which, because of their locations, have largely avoided the housing speculation bubbles seen in many first-tier cities in the PRC.

Total turnover (including share of jointly controlled entities) for the year under review reached a record high of approximately HK\$5.17 billion, although profitability has not yet risen to the same degree. In construction, profitability has been affected by spiralling sub-contractor costs. In recent years these have risen considerably due to exceptionally strong demand for sub-contractor services in the market, although the Hong Kong Government's Contract Price Fluctuation subsidy scheme goes some way towards managing such rises. We are looking for effective ways of better controlling costs that will enable us to further enhance our operational efficiency and optimise our business performance.

CHAIRMAN'S STATEMENT

OPTIMISTIC OUTLOOK FOR THE FUTURE

Future prospects for construction and infrastructure in Hong Kong are currently very bright. Hong Kong Government funding for such projects has risen to new levels and is continuing to rise. Many large-scale infrastructure works are due to be put out for tender in the coming few years, including many mega-projects that only a very few industry players, including our Group, have the expertise and track record to compete successfully for. Elsewhere, Hong Kong Government initiatives to expand the availability of housing in Hong Kong will involve significant construction-related housing projects over the coming decade. Such opportunities are not restricted to government projects, however. The ongoing expansion of the MTRC railway network is also bringing with it numerous opportunities in tunnelling, construction, electrical and mechanical fitting, and other areas.

Chun Wo now enjoys a very strong reputation and prestigious brand image in the Hong Kong context, and as such we are in a prime position to compete strongly in this new era of demand. Our size and achievements to date have helped us attract and retain talents, enabling us to build up a range of professional teams that further raises our ability to take on new opportunities as they arise.

Moving forward, we intend to focus our construction activities on short- to medium-term contracts. Such contracts give us greater ability to predict price changes accurately and to plan accordingly. As far as is possible, we will also explore ways of reducing our reliance on sub-contractors to an extent, for instance by developing scalable internal resources that can be applied to contract work when necessary.

On the property development side, we will continue to refocus our development efforts on Hong Kong and Southern China. These more mature and stable markets, with which the Group is familiar, offer good opportunities to players who can act quickly. We have already begun to investigate a number of potential property development projects, and expect further momentum in the years to come.

Overall, the Group is highly optimistic about prospects for the year ahead. The exceptional demand for top-level construction work, coupled with our strong expertise in managing resources, suggests that our target of achieving a 10% growth in net profit is a realistic one for the coming year.

ACKNOWLEDGEMENTS

I extend my sincere thanks once again to the many individuals and groups that have supported our efforts over the past year. This includes thanks due to my fellow board members and management team for their efforts in selecting the best paths for the Group's development, which has been underpinned by sterling work from our loyal employees. Thanks are also due to our shareholders, and to our many business partners, clients, and other stakeholders. At Chun Wo, we will be doing our utmost over the coming year to validate your confidence.

Pang Yat Ting, Dominic

Chairman

Hong Kong, 25 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	2012/13 HK\$'000	2011/12 HK\$'000 (restated ¹)
• Total Revenue (including share of jointly controlled entities)	5,169,351	4,837,469
• Profit attributable to owners of the Company	77,775	52,353
• Earnings per share	HK7.93 cents	HK5.69 cents
• Dividend per share	HK1.4 cents	HK0.8 cent
• Equity per share *	HK\$1.55	HK\$1.51

* Equity per share refers to equity attributable to owners of the Company divided by the total number of issued ordinary share capital.

¹ The results have been restated to reflect the Group's adoption of HKAS 12. The relevant amounts of deferred tax previously provided have been reversed and the comparative figures are also restated for comparison purpose.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.4 cents per share (2012: HK0.8 cent) for the year ended 31 March 2013 (the "Final Dividend") to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on Tuesday, 10 September 2013. The total dividend for the year amounted to HK1.4 cents per share (2012: HK0.8 cent). The proposed Final Dividend will be paid on or about Wednesday, 9 October 2013 subject to approval from the Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS

The register of members and register of warrant holders of the Company will be closed from Friday, 23 August 2013 to Thursday, 29 August 2013 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the AGM. During which period no transfer of shares or warrants of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the share options and warrants granted by the Company. In order to be eligible to attend and vote at the AGM, (i) in the case of Shareholders, all completed transfer documents accompanied by the relevant share certificate(s); or (ii) in the case of warrant holders, all completed and signed subscription forms accompanied by the relevant warrant certificate(s) and the relevant subscription monies, must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited ("Tricor") at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS



1, 2, 3 Central-Wan Chai Bypass Tunnel (North Point Section) and the Island East Corridor Link
4 Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS (continued)

The register of members and register of warrantholders of the Company will also be closed from Wednesday, 4 September 2013 to Tuesday, 10 September 2013 (both days inclusive) for the purpose of determining the entitlement to the proposed Final Dividend. During which period no transfer of shares or warrants of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the share options and warrants granted by the Company. In order to qualify for the proposed Final Dividend, (i) in the case of Shareholders, all completed transfer documents accompanied by the relevant share certificate(s); or (ii) in the case of warrantholders, all completed and signed subscription forms accompanied by the relevant warrant certificate(s) and the relevant subscription monies, must be lodged with Tricor at the above address for registration not later than 4:30 p.m. on Tuesday, 3 September 2013.

BUSINESS REVIEW CONSTRUCTION

The year under review presented the Group's construction segment with a strong influx of new projects, contributing to record construction revenue, including share of jointly controlled entities, amounting to about HK\$4.33 billion for the year. The large number of major projects in hand enabled the construction segment to continue as the Group's biggest contributor in terms of revenue.

The construction segment result of the Group for this financial year was approximately HK\$40.4 million, representing a decrease by about HK\$16.9 million as compared with the previous financial year. This change was mainly attributable to the highly competitive landscape of the Hong Kong construction business, along with rapidly increasing costs, in particular sub-contractor costs.

Most of the Group's projects were associated with major government departments in Hong Kong involved in construction and infrastructure works. As such, not only do they illustrate the Group's competitiveness in public sector tenders, they also emphasize its wide range of expertise, ranging across foundation work, civil construction, tunnelling, slope work, electrical and mechanical fitting, and much more besides.

As at 31 March 2013, the estimated value of the Group's contracts in hand was approximately HK\$25.34 billion, of which HK\$12.26 billion remains outstanding. These figures represent increases of 24% and 20% respectively over the comparable figures as at 31 March 2012. Subsequent to the financial year end as at 31 March 2013, the Group had been awarded further new contracts worth approximately HK\$1 billion in aggregate.

The Group won over 19 major contracts in the year under review. These included some important civil engineering contracts, such as the Diamond Hill to Kai Tak tunnels for the MTR Shatin to Central Link, along with significant waterworks projects that included a major term contract for waterworks in the eastern New Territories. The Group also won a NEC with the Drainage Services Department, the biggest civil NEC project ever awarded by the Hong Kong Government. This contract is based on an entirely new partnership model with the Hong Kong Government that provides the partnering construction company with greater flexibility in working with the client, thus improving cost-effectiveness and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

CONSTRUCTION (continued)

The Group's construction segment performed particularly strongly in certain specialist areas such as foundation works, electrical and mechanical installation and tunnelling. The expertise it has gained in these specialized fields will allow the Group to involve itself in future large-scale projects that require a range of specialised skill sets. For instance, the Group's use of TBM in MTRC projects over the year under review expanded its expertise beyond earlier drill-and-blast methods, and placed it in a more competitive position for future tunnelling contracts.

In terms of ongoing projects, the Group continued with approximately 21 major projects during the year under review involving a wide range of construction skills. These included projects at the MTRC's Kennedy Town Station and Wong Chuk Hang Depot, along with civil engineering projects for the MTRC's Whampoa Station and Overrun Tunnel of the Kwun Tong Line Extension project. The project relating to the Guangzhou-Shenzhen-Hong Kong Express Rail Link for trackworks and overhead line system is now in progress. Works on the Central-Wan Chai Bypass and tunnel projects remained on schedule, while a number of other waterworks and building foundation projects across Hong Kong continued to make good progress.

The Group also successfully completed a number of works during the year under review. These included design and construction of foundation works for urban renewal projects at Castle Peak Road in Sham Shui Po, construction of a 1,800-place student residence for The University of Hong Kong, a site formation and piling contract at Wong Chuk Hang Depot for the new MTRC South Island Line, as well as waterworks term contracts on Hong Kong Island and Ap Lei Chau and water mains rehabilitation contracts in the northwest New Territories. A number of contracts involving the construction of lift towers and fitting out works at both public and private residential estates were also completed.

Although works for its construction segment were abundant, industry pressures continued to cut into the Group's profit margins for the year under review. These pressures included exceptionally high sub-contractor prices, arising as a result of extremely high demand for sub-contractor specialists in the current booming construction market, and ever-increasing costs of labour and raw materials. The Group is taking steps to manage these issues by initiatives such as building up internal labour resources in order to reduce its reliance on sub-contractors to an extent.

MANAGEMENT DISCUSSION AND ANALYSIS



- 1 Central-Wan Chai Bypass at Wan Chai East
- 2 German Swiss International School Redevelopment Phase 3 - Guildford Road, The Peak
- 3 Proposed Residential Development at 55 Conduit Road, Hong Kong
- 4 Happy Valley Underground Stormwater Storage Scheme

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW (continued)

New Major Projects Awarded During the Financial Year:

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Building Construction Works		
1 Superstructure Works for the Proposed Composite Development at Yuet Wah Street and Hip Wo Street, Kwun Tong	Jan 2014	541
2 Urban Renewal Project at Castle Peak Road/Hing Wah Street (K23), Sham Shui Po	Mar 2015	452
3 Proposed Residential Development at 55 Conduit Road, Hong Kong	Apr 2014	389
4 Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan	May 2014	345
5 Urban Renewal Project at Castle Peak Road/Cheung Wah Street (K20), Sham Shui Po	Dec 2014	340
6 Superstructure Works for the Proposed Residential Development at R.B.L. 380, 38 Repulse Bay Road, Hong Kong	Jun 2013	79
Civil Engineering Works		
7 Happy Valley Underground Stormwater Storage Scheme	Apr 2018	711
8 MTR Contract No. 1107 — Shatin to Central Link: Diamond Hill to Kai Tak Tunnels	Apr 2018	534
9 Construction of Kwun Tong Promenade (Stage 2)	Jul 2014	223
10 Construction of Open Space in Area 117, Tin Shui Wai	Dec 2013	165
11 MTR Contract No. 1119 — Shatin to Central Link: Trackwork and Overhead Line Modification Works at Lo Wu and Pat Heung Depot	Dec 2015	58
Foundation Works		
12 Bored Piling and Precast Prestressed Concrete Piling Contract at Area 3 for MGM Cotai Project, MGM Grand Paradise, Macau	Dec 2013	211
13 Bored Piles, Sheet Pile & Precast Prestressed Concrete Pile Works for Nova City Phase 5, Macau	Dec 2014	211
14 Foundation Works for Public Rental Housing Development in Kwun Tong at Anderson Road Sites A and B Phase 1 and 2	Dec 2013	153
15 ELS, Pile Cap & Piled Foundation Works for Proposed Office Development at No. 17 Cheung Shun Street, Cheung Sha Wan	Oct 2013	104
16 Bored Piled Foundation Works for Proposed 5 Storeys Industrial Development at Sub.3 of Section S of TKOTL No. 39 and Ext. N.T.	Sep 2013	87

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW (continued)

New Major Projects Awarded During the Financial Year (Continued)

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Maintenance Works		
17 Term Contract for Waterworks District E — New Territories East	Aug 2015	700
18 Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Central and Western, Wan Chai, Eastern, Southern, Islands and Yau Tsim Mong)	Mar 2016	361
19 Term Contract for the Maintenance of Slopes for which the Architectural Services Department (Property Services Branch) is responsible (Hong Kong Island and Outlying Islands (South))	Oct 2017	349

Major Projects Completed in the Financial Year:

Project Name	Attributable Contract Value (HK\$' Million)
Building Construction Works	
1 The University of Hong Kong — 1,800 Places Student Residence, Pokfulam	801
2 Library Extension of the Chinese University of Hong Kong	226
Civil Engineering Works	
3 MTR Contract No. 907 — South Island Line (East): Wong Chuk Hang Depot Site Formation and Piling	167
4 Improvement of Fuk Man Road Nullah, Sai Kung	74
Fitting Out Works	
5 Tower Fitting Out Works Direct Contract — Proposed Residential Development (“LOHAS Park”) (Package 2) Phase 2 (Towers 6-8) at TKOTL No. 70, Area 86, Site AB, Tseung Kwan O	235
Foundation Works	
6 Design and Construction of Foundation Works including Pile Caps for the Urban Renewal Project at Castle Peak Road/Cheung Wah Street (K20) and Castle Peak Road/Hing Wah Street (K23), Sham Shui Po	162
Maintenance Works	
7 Term Contract for Waterworks — District H — Hong Kong Island and Ap Lei Chau	508
8 Replacement and Rehabilitation of Water Mains, Stage 2 — Mains in Yuen Long, Tai Tong, Kam Tin, Pat Heung and Shek Kong	272

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Major Projects in Progress at the End of the Financial Year:

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Building Construction Works		
1 Proposed Tsz Shan Monastery Development at Tai Po	Jun 2013	551
2 German Swiss International School Redevelopment Phase 3	Jun 2014	196
Civil Engineering Works		
3 Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link	May 2018	2,412
4 Wan Chai Development Phase II: Central-Wan Chai Bypass at Wan Chai East	Sep 2017	2,351
5 Wan Chai Development Phase II: Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre	Aug 2016	1,134
6 Construction Works of Tuen Mun Western Trunk Sewerage	Jun 2014	711
7 MTR Contract No. 1002 – Kwun Tong Line Extension: Whampoa Station and Overrun Tunnel	May 2015	428
8 Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Island Sewage Treatment Works – Effluent Tunnel and Disinfection Facilities	Mar 2015	347
9 Infrastructure Works at Town Centre South and Tiu Keng Leng, Tseung Kwan O	Sep 2013	368
10 Retrofitting of Noise Barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road)	Feb 2015	169
11 Cycletracks and Associated Facilities along the Seafront at Tseung Kwan O Town Centre South	Jan 2014	92

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Major Projects in Progress at the End of the Financial Year (Continued)

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Electrical & Mechanical Works		
12 MTR Contract No. 771B — West Island Line: Building Services for Kennedy Town Station	Jun 2014	112
13 MTR Contact No. 965B — South Island Line (East): Building Services for Wong Chuk Hang Depot	Jul 2015	99
Maintenance Works		
14 Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1: Mains in Eastern and Southern Districts	Aug 2015	543
15 Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1: Major Mains in Western New Territories	Apr 2015	431
16 Replacement and Rehabilitation of Water Mains, Stage 2: Mains on Hong Kong Island North and South West	Dec 2014	362
17 Replacement and Rehabilitation of Water Mains, Stage 3: Mains in Tai Po and Sha Tin	Dec 2013	317
18 Hong Kong Housing Authority — District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (2) 2011/2014	Sep 2014	292
19 Replacement and Rehabilitation of Water Mains, Stage 3: Mains in Tuen Mun and Yuen Long	May 2014	275
20 Term Contract for Waterworks: District L — Lantau and the Outlying Islands	Aug 2014	220
Railway Works		
21 MTR Contract No. 830 — Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section): Trackwork and Overhead Line System	May 2015	526

MANAGEMENT DISCUSSION AND ANALYSIS



1



2

- 1 Construction of Kwun Tong Promenade (Stage 2)
- 2 Kwun Tong Line Extension Whampoa Station and Overrun Tunnel
- 3 Proposed Tsz Shan Monastery at Tai Po

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

PROPERTY DEVELOPMENT

During the year under review, the governments of both PRC and Hong Kong implemented a number of strong anti-speculation measures aimed at encouraging healthy development of their property markets. The outcome for property developers was a much tighter environment in both markets, and a significant lowering of liquidity.

The Group aims to gradually move the focus of its property development business to Hong Kong and Southern China, and over the year it made good progress in managing this strategic shift. In Hong Kong, this has involved seeking medium to long term investment opportunities, on a scale that matches the Group's resources and capabilities. To this end, the Group has looked very closely at an opportunity of acquiring an industrial building in West Kowloon for redevelopment. It is also looking at a range of industrial redevelopment projects in the West Kowloon area, which would involve less speculation than comparable residential projects. In Guangdong Province in the PRC, meanwhile, the Group has reviewed more than ten potential projects with a view to investment, mostly small scale residential ones.

Despite the additional property cooling measures in the PRC, the Group's property development sales performance was satisfactory and ahead of last year's result. This is partly due to the fact that the Group's projects are not located in the major first and second tier cities where the measures have had the most dramatic impact. Sales continued at Towers 8 and 9 of the Group's "Arc de Royal" project in Shijiazhuang, Hebei Province, and by the end of the financial year 18% of units in Tower 8 and 95% of units in Tower 9 had been sold. This represents the final residential phase of the project.

Meanwhile, solid sales were registered at "Le Palais Royal" in Shanwei, Guangdong Province. By 31 March 2013, 89% of the residential units and 90% of the retail units had been sold. Elsewhere, the commercial land previously acquired by the Group in Shenyang, Liaoning Province, was sold at a profit.



"Arc de Royal", Tower 8,
Shijiazhuang, Hebei Province



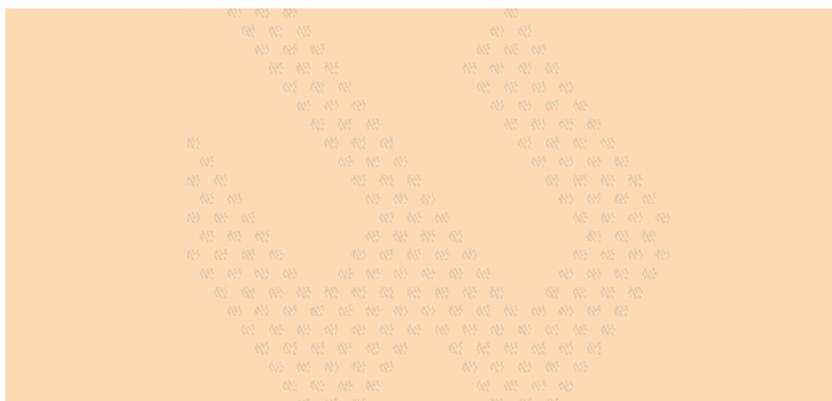
"Le Palais Royal", Shanwei City,
Guangdong Province

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

PROPERTY DEVELOPMENT (continued)

In Abu Dhabi, United Arab Emirates (“UAE”), the Group’s 10-storey “Reem Diamond” low-rise residential development project is on track for completion by the third quarter of 2013. Sales of units at the development, which have been on hold due to economic instability in the region, are set to resume later this year with the strengthening of the market. “Reem Diamond” represents another significant milestone for Chun Wo in terms of developing premium residences in the UAE, and builds on the success of other overseas projects.



“Reem Diamond”, Abu Dhabi, UAE

PROPERTY INVESTMENT

The Group’s major property investment asset is its “Infinity 8” shopping mall in Choi Hung, Hong Kong. Performance continued to be satisfactory at the mall, and rental revenue rose by 6% year on year. While “Infinity 8” remains a sound investment, the Group’s focus on construction and property development has prompted it to explore the option of selling this asset, at the right price.

In January 2013, the Group disposed an industrial property in Cheung Sha Wan, Hong Kong with the consideration of HK\$50 million. Such disposal was a good opportunity for the Company to realize its long-term investment. The proceeds from the disposal will enable the Company to reduce its long-term borrowings and to be used by the Group for pursuing investment opportunities in property and business development.

SECURITY AND PROPERTY MANAGEMENT SERVICES

The Group’s security and property management services subsidiaries continued to perform well over the year under review, achieving steady and sustainable growth. Each managed to obtain a number of sizable new contracts during the year under review, with the security business winning security contacts for “Festival City”, a large residential estate in Tai Wai managed by the MTRC, and for The Hong Kong University of Science and Technology, representing an important new step into the education segment. The security subsidiary’s positive track record also led to it being commissioned to provide event security for the Wine and Dine Festival 2012, organised by the Hong Kong Tourism Board. The Group’s property management services subsidiary also won a contract for the provision of cleansing services for “Nan Fung Centre” in Tsuen Wan. Both subsidiaries have moved forward over the year under review and stand in a good position for grasping new opportunities to provide one-stop solution to new clients.

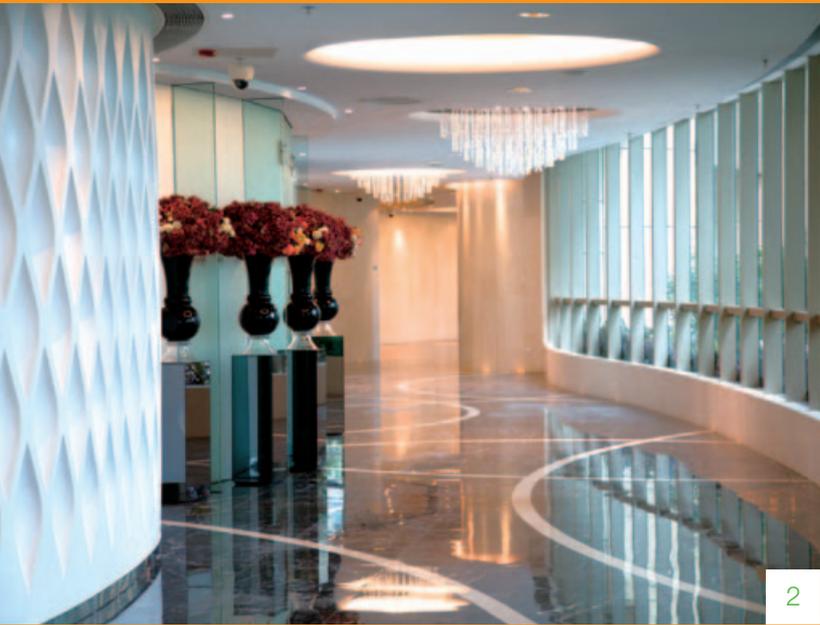
MANAGEMENT DISCUSSION AND ANALYSIS



1

- 1 Construction Works of Tuen Mun Western Trunk Sewerage
- 2, 3 Tower Fitting Out Works for "LOHAS Park" Phase 2 (Towers 6-8) at Tseung Kwan O
- 4 Infrastructure Works at Town Centre South and Tiu Keng Leng, Tseung Kwan O

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 31 March 2013, the total net debts of the Group amounted to approximately HK\$1,092.5 million, representing total debts of approximately HK\$1,735.7 million less total of pledged bank deposits and bank balances and cash of approximately HK\$643.2 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2013 is analysed as follows:

	As at 31 March 2013 HK\$ million	As at 31 March 2012 HK\$ million
Borrowings and obligations under finance leases repayable:		
Within one year or on demand	1,316.6	1,141.9
After one year, but within two years		
— On demand shown under current liabilities	28.1	87.7
— Remaining balances	9.0	36.0
After two years, but within five years		
— On demand shown under current liabilities	25.8	20.1
— Remaining balances	199.6	27.4
Over five years		
— On demand shown under current liabilities	6.6	8.4
	1,585.7	1,321.5
Unsecured bonds		
— repayable after one year, but within two years	150.0	150.0
Total debts	1,735.7	1,471.5

At 31 March 2013, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.71 (31 March 2012: 0.55 (restated)).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars or Renminbi which are the same as the functional currency of the relevant group entity. The Group has no significant exposure to foreign exchange rate fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when it is required. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 March 2013, the Group pledged bank deposits, properties, plant and equipment of approximately HK\$1,075.6 million to financial institutions in order to secure the general banking facilities granted to the Group.

In addition, the Group has pledged its entire equity interest in one of its wholly-owned subsidiaries to secure the banking facilities granted to the Group.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 3,640 employees at 31 March 2013. Total remuneration of employees for the year ended 31 March 2013 amounted to approximately HK\$879.9 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned. Moreover, the Group also provides in-house and external training programmes which are complementary to certain job functions.

OUTLOOK AND PROSPECTS

CONSTRUCTION

The 2013/14 Budget of the Hong Kong Government earmarked around HK\$70 billion for expenditure on construction for each of the next few year, far exceeding the average annual expenditure of about HK\$40 billion in the past five years. This rise in funds signals a commitment on the part of the Hong Kong Government to pushing ahead with a wide range of construction and infrastructure projects over the next decade, and indicates that prospects for high-level construction players in Hong Kong are bright.

Meanwhile, some of the new government projects arising are large-scale ones relating to civil infrastructure and the construction of public housing projects. The Hong Kong Government will shortly begin issuing new contracts for development of both the West Kowloon Cultural district and the East Kowloon area (Kai Tak and Kwun Tong). On the infrastructure side, major upcoming projects include the Tuen Mun-Chek Lap Kok Link, the Tuen Mun Western Bypass, the Central Kowloon Route, the cross-harbour section of the MTR Shatin to Central Link, boundary crossing facilities connected with the Hong Kong-Zhuhai-Macau Bridge project, and the development of the Lintang area. All these mega-sized projects represent exciting opportunities for the Group to achieve sustainable growth over the coming years. It is also envisaged that there will be an ongoing rise in the number of projects over the next several years related to the additional supply of land, including site formation projects and the development of local transportation networks, which will bring further opportunities to the Group.

Given its high level of technical and management expertise and a strong track record in Hong Kong built up over several decades, the Group plans to focus on more ambitious projects offering higher margins. Three areas in which it will be especially leveraging its existing strengths are projects for foundation works, electrical and mechanical works, and tunnelling works. The Group will also aim to minimise the impact of rising costs by implementing a range of initiatives to improve its allocation and management of resources.

MANAGEMENT DISCUSSION AND ANALYSIS



1

- 1 Retrofitting of Noise Barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road)
- 2 Urban Renewal Project at Castle Peak Road/Hing Wah Street, Shum Shui Po
- 3 Superstructure Works for the Proposed Composite Development at Yuet Wah Street and Hip Wo Street, Kwun Tong
- 4 Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan

MANAGEMENT DISCUSSION AND ANALYSIS



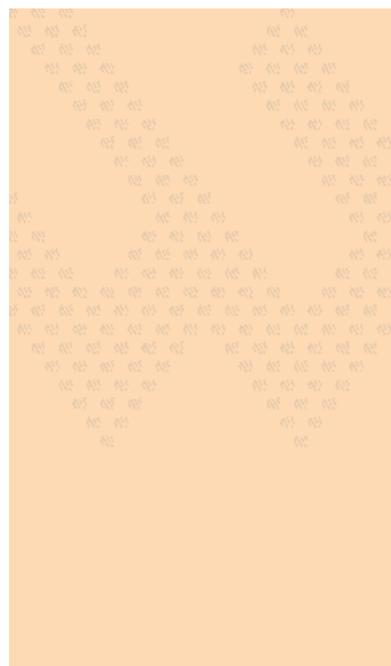
MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS (continued)

PROPERTY DEVELOPMENT

Government policies in Hong Kong to curb housing speculation have created some uncertainties in the housing market, and these are likely to linger for some time. Nonetheless, opportunities for successful development remain. We will involve further evaluation of development opportunities in Hong Kong as they arise, especially smaller residential projects on a scale in line with the Group's experience, resources and capabilities. Chun Wo's sound expertise in project management and construction will be a definite advantage when it comes to achieving good returns on such projects. Industrial redevelopment projects will be another option, since compared with many residential projects, these tend to involve less speculation.

In the PRC, the Group targets to launch the Phase 3 development of its "Arc de Royal" project in Shijiazhuang in 2013, involving a total gross floor area of approximately 200,000 square meters. The Group is seeking a suitable joint venture partner for this project. Elsewhere, smaller-scale residential development opportunities in major cities of Southern China will continue to be evaluated over the coming year.



"Arc De Royal", Shijiazhuang,
Hebei Province

In summary, the Group expects opportunities for its construction segment to become more numerous over the coming year, and revenue to rise accordingly. Operational issues such as rising sub-contractor prices remain, but steps are being made to minimise these factors. The Group believes that the year ahead will show its strengths emerging at a number of levels, and that it is on track for maintaining its declared goal of achieving annual 10% growth in net profit.

CORPORATE SOCIAL RESPONSIBILITY



For 45 years, Chun Wo has been an integral part of the Hong Kong environment. Not only have we left a lasting physical mark in terms of the vast range of essential infrastructure and construction projects we have completed over that time, we have also striven to have an ongoing social and economic impact for good on the lives of Hong Kong people. We have achieved this in part by giving generously to the worthy causes in the community, showing that, as a good corporate citizen, Chun Wo is committed to improving the well-being of those in need. Further, we have fostered a spirit and robust culture of corporate social responsibility among our staff, encouraging and supporting them in undertaking voluntary activities and becoming involved in community welfare initiatives. The following galleries show some glimpses of the wide range of our community involvement over the past year.



HE YUAN VILLAGE WU ZHI QIAO WAS BUILT IN YUNNAN

During the period from 2 to 9 June 2012, volunteers from the Group, together with professional and student volunteers from Hong Kong and Mainland universities, worked together to build a footbridge of over 50-metres in length in Heyuan Village, Yunnan. This activity was held by Wu Zhi Qiao (Bridge to China) Charitable Foundation.



HABITAT FOR HUMANITY CHINA — “GREEN JOYFUL HOME FOR DISABLED”

On 7 July 2012, Chun Wo staff participated in the “Green Joyful Home for Disabled” programme of Habitat for Humanity China, providing basic home renovation and improvement services for disabled families to let them enjoy safe, comfortable and barrier-free living environment.



CORPORATE SOCIAL RESPONSIBILITY

“YOUTH OUTREACH x CHUN WO” CHARITY NIGHT

On 11 July 2012, Chun Wo once again joined hands with Youth Outreach to co-organise “Youth Outreach x Chun Wo” Charity Night at Youth Square in Chai Wan. The event raised funds in support of Youth Outreach’s overnight outreach services. Apart from the wonderful performance of the Youth Outreach representatives, several enthusiastic staff and sponsors contributed their money and efforts with active participation in the performance.



SPCA(HK) FLAG DAY

On 11 August 2012, over 30 Chun Wo staff with their family members participated in SPCA(HK) Flag Day, selling flags at Mong Kok East MTR station and Causeway Bay. All proceeds received after costs will be allocated into animal welfare projects.



“MTR HONG KONG RACE WALKING 2012”

Chun Wo participated in the “MTR Hong Kong Race Walking 2012”, jointly organised by the Hong Kong Amateur Athletic Association and MTRC. The event was held in Chater Road, Central on 28 October 2012, raising funds to support the “Ideal BMI” disease prevention project of the Hospital Authority’s Health InfoWorld. To set an example and convey a positive health message to the public, Mr. Dominic Pang, our Chairman, joined the “MTR Chairman’s Invitational”. Meanwhile, spurred on by an enthusiastic cheering team made up of over 60 Chun Wo staff and their family members, two teams of Chun Wo athletes participated in the “Corporate Team Challenge” and finished the race walking in the 4 x 100m relay.



CORPORATE SOCIAL RESPONSIBILITY



CARITAS BAZAAR 2012

Chun Wo has actively participated in the Caritas Bazaars for seven consecutive years. More than 150 enthusiastic Chun Wo staff and their family members participated in three bazaars in November 2012, breaking records by raising over HKD\$240,000.

“WU ZHI XING” 2012

Chun Wo staff participated in the second “Wu Zhi Xing” charity walk organised by the Wu Zhi Qiao Charitable Foundation on 25 November 2012. This is to raise funds for building footbridges in remote rural villages in Mainland in order to improving the living conditions of the villagers.



“CORPORATE CHALLENGE” 2012

For six consecutive years, Chun Wo has taken part in the “Corporate Challenge” organised by the Outward Bound Hong Kong. On 9 December 2012, two teams of Chun Wo athletes competed in a series of challenges within six minutes. The funds raised went towards the ongoing work of Outward Bound Hong Kong in maintaining high quality training programmes and providing sponsorship to deserving applicants participating in special trainings.



CORPORATE SOCIAL RESPONSIBILITY

“HABITAT CHALLENGE DAY 2012”

To raise funds for house renovation and mitigation projects in Hong Kong and China being undertaken by the Habitat for Humanity China, 20 Chun Wo staff participated in the “Habitat Challenge Day 2012” on 9 December 2012, walking the 14km route starting from Tung Chung and ending at Tai O in a four-hour trek.



“RIVERWALK”

On 16 December 2012, Chun Wo staff took part in the “Riverwalk” organised by the Friends of the Earth. The charity walk aimed at raising public awareness about the global crisis in water resources, and helping people understand the importance of saving water.



VOLUNTEER SERVICES FOR HABITAT FOR HUMANITY CHINA

Five enthusiastic Chun Wo staff joined the Habitat for Humanity China’s programme “Eliminating Endangered and Old Farmhouses Project — Build in Lost Heaven”. They travelled to Chahe Village, Puer City, Ning’er County, Yunnan, where they spent the period from 12 to 16 January 2013 taking part in a wide range of building jobs such as digging, wheelbarrow work, sieving sand, shoveling soil and sand, laying bricks and more, renovating houses for local villagers. In addition, approximately 40 Chun Wo staff joined the “World Habitat” campus beautification and greening activity, helping beautify the campus of San Wui Commercial Society School, Sheung Wan on 26 January 2013.



CORPORATE SOCIAL RESPONSIBILITY



“STANDARD CHARTERED HONG KONG MARATHON 2013”

On 24 February 2013, Mr. Dominic Pang, our Chairman, and Mr. Derrick Pang, our Deputy Chairman, led a group of staff, together with partners from the Drainage Services Department, in the 10km run of the “Standard Chartered Hong Kong Marathon 2013”. All the Chun Wo athletes successfully finished the race through mutual encouragement and support, demonstrating one of the Group’s core values, “Collaboration”. The event raised funds for ORBIS, the Hong Kong Anti-Cancer Society, and the Hong Kong Paralympics Committee & Sports Association for the Physically Disabled.



“DONATE A LAI SEE”

As part of the “Donate a Lai See” charitable activity organised by The Senior Citizen Safety Association, our enthusiastic Chun Wo staff donated over 400 red packets. The Group then selected 45 red packets at random and donated 10 times the total amount contained in them. The funds raised will help elderly folk experiencing financial difficulties and other people in need, by supporting the running of a free 24-hour emergency service.

FLAG DAY OF THE HONG KONG CHINESE CHURCH OF CHRIST

On 9 March 2013, over 30 Chun Wo staff and their family members participated in the Flag Day of the Hong Kong Chinese Church of Christ and sold flags in Lai Chi Kok district. All donations were used to support its various social welfare services.



AWARDS AND RECOGNITIONS

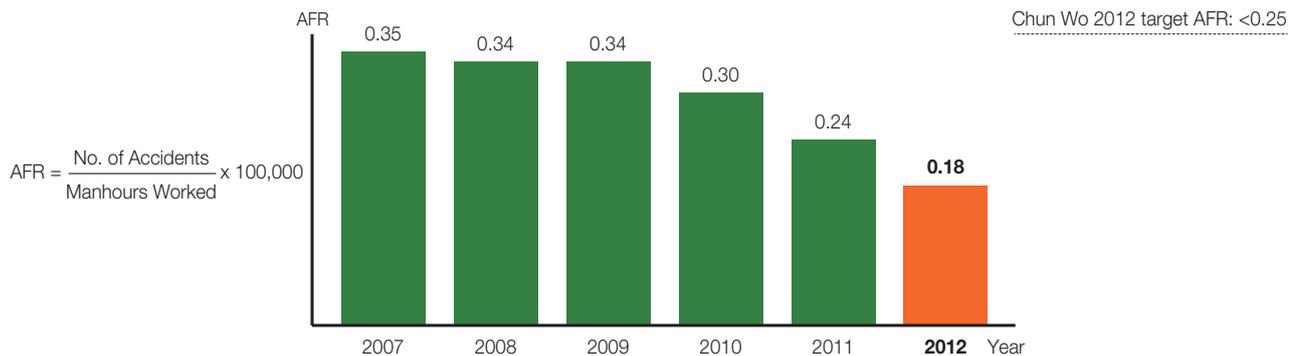


Chun Wo prioritises safety, and has successfully made the development of a safety culture throughout the organisation a matter of ongoing commitment and investment. Its culture of safety begins with a strict insistence on safety rules and policies being implemented, consistently and rigorously.

However, it is not this policy alone that has enabled the Group to lower its Accident Frequency Rate (“AFR”) so effectively in recent years. Also important has been the range of health and safety awareness initiatives introduced and fostered across every level of the Group’s business activities. The outcome of this dual-pronged approach has been exceptional records in occupational safety, helping the Group to play a benchmark role within the construction industry in Hong Kong.

ACCIDENT FREQUENCY RATE

In 2012, the AFR recorded by the Group was 0.18 accidents/100,000 manhours worked, considerably lower than the limit of 0.6 accidents/100,000 manhours worked as set by Development Bureau. This has continued the Group’s trend of declining AFR since 2007.



SAFETY AWARDS

Chun Wo’s subsidiaries received numerous awards related to achievements in safety in 2012. A special highlight was the receipt by Chun Wo Construction and Engineering Company Limited of the “Safety Management System Award — Merit Award” at the 11th Hong Kong Occupational Safety & Health Awards.



Safety Management System — Merit Award



Safety Performance Awards

AWARDS AND RECOGNITIONS

No.	Award Name	Issuing Authority
1	11th Hong Kong Occupational Safety & Health Award <ul style="list-style-type: none"> Safety Management System Award — Merit Award Work Safe Behaviour Award — Bronze Award OSH Annual Report Award — Merit Award Safety Performance Award 	Occupational Safety & Health Council
2	Construction Safety and Health Promotional Campaign 2012 <ul style="list-style-type: none"> Best Refurbishment and Maintenance Contractor in OSH — Silver Award Best Safety Culture Activity Team — Silver and Merit Awards Best Property Management Company in OSH — Merit Award Work Safe Behaviour Award — Bronze Award Best Safety Culture Sub-contractor — Merit Award Best Occupational Health Program to Prevent Heat Stroke at Work — Bronze and Merit Awards Best Safety Culture Project Manager/Site Agent — Merit Award Best Safety Culture Site — Merit Award Outstanding Bamboo Scaffolder — Merit Award Outstanding Metal Scaffolder — Silver Award 	Occupational Safety & Health Council
3	4th Best Employees Award Scheme 2012 <ul style="list-style-type: none"> Merit Award 	Labour Department & Occupational Safety & Health Council
4	Safe Lifting Operation Competition <ul style="list-style-type: none"> Crawler-mounted Crane Category — Merit Award 	Occupational Safety & Health Council
5	Considerate Contractors Site Award Scheme 2011 <ul style="list-style-type: none"> CCSA (New Works) — Merit Award Model Frontline Supervisor Award Model Worker Award Model Sub-contractor Award 	Development Bureau
6	2011 HKCA Safety Awards Presentation Ceremony <ul style="list-style-type: none"> HKCA Proactive Safety Contractors Award 2011 	Hong Kong Construction Association
7	E&M Trade OSH Photo Competition 2012 <ul style="list-style-type: none"> Bronze Award 	Occupational Safety & Health Council
8	MTRC Projects Quality, Safety, Environmental and Stakeholder Engagement Awards <ul style="list-style-type: none"> South Island Line (East) Project Awardees — DNV Independent Audit Highest Audit Score Award Stakeholder Engagement Award — Bronze Prize 	MTRC
9	Lighthouse Club Safety Award 2012 <ul style="list-style-type: none"> Safe Foreman Award — Recognizing Excellence in Safety for Outstanding Performance Site Safety Professional Award 2012 — Recognizing Excellence in Safety Safe Sub-contractor Award — Recognizing Excellence in Safety 	Lighthouse Club

AWARDS AND RECOGNITIONS

Besides this evidence of care for worker safety, Chun Wo has also received a range of awards and recognitions over the past year, recognising its commitment to achieving a greener environment and building a happy, productive working environment.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

PANG YAT TING, DOMINIC *BA, MBA, JD Chairman*

Aged 40. Graduated from the University of Columbia, New York in 1995 with a Bachelor of Arts degree in Economics, Political Science and Mathematics, received Juris Doctorate from the New York University School of Law in 1998 and a Master degree in Business Administration from Kellogg-HKUST in 2010. After working at a well-known law firm for 2 years in Wall Street, New York, he moved on to set up three IT systems and solutions companies. Joined the Group in 2003 and was appointed as Assistant to the late Chairman, Dr. Pang Kam Chun. He holds several directorships in certain subsidiaries of the Group and is in charge of evaluating new business opportunities, and management of the Group's property development ventures local and abroad. Appointed as Chairman and Executive Director of the Company in April 2010 and is also the Chairman of the Executive Committee and a member of the Management Committee and the Nomination Committee. Son of Madam Li Wai Hang, Christina, an Executive Director of the Company, and also the brother of Mr. Pang Yat Bond, Derrick, the Deputy Chairman of the Company.

PANG YAT BOND, DERRICK *BSc, MEng, MBA, MICE, PE(US) Deputy Chairman*

Aged 38. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree in Civil and Environmental Engineering and obtained a Master of Engineering degree in Geotechnical Engineering from Massachusetts Institute of Technology in 1998 and a Master degree in Business Administration from The Chinese University of Hong Kong in 2007. A member of the Institution of Civil Engineers, United Kingdom and the Hong Kong Institution of Engineers and a Registered Professional Engineer in the State of California, U.S.A. He has over 3 years of geotechnical design experience in the United States and 12 years of construction experience in Hong Kong. Joined the Group in 2001 and holds several directorships in certain subsidiaries of the Group. Appointed as Deputy Chairman and Executive Director of the Company in April 2010 and is also the Chairman of the Management Committee and a member of the Executive Committee and the Remuneration Committee. Son of Madam Li Wai Hang, Christina, an Executive Director of the Company, and also the brother of Mr. Pang Yat Ting, Dominic, the Chairman of the Company.

KWOK YUK CHIU, CLEMENT *BSc(CEng), MICE, MHKIE, RSE, RPE Managing Director*

Aged 60. Graduated from The University of Hong Kong in 1974 with a Bachelor of Science degree in Civil Engineering. A member of the Hong Kong Institution of Engineers and is a Registered Structural Engineer. Joined the Group in 1981 and has over 39 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992 and Managing Director in February 1999. He holds several directorships in certain subsidiaries of the Group and is also a member of the Management Committee and the Executive Committee.

LI WAI HANG, CHRISTINA

Aged 62. Joined the Group in 1975 and has over 34 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992 and a member of the Management Committee. She also holds several directorships in certain subsidiaries of the Group. Mother of Mr. Pang Yat Ting, Dominic and Mr. Pang Yat Bond, Derrick, the Chairman and the Deputy Chairman of the Company respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

AU SON YIU

Aged 67. Has extensive experience in the securities industry. A director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), a consultant to Dao Heng Securities Limited (1989–2008) and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. He is also an Independent Non-executive Director of Texwinca Holdings Limited and CEC International Holdings Limited, all of which are companies listed on the Stock Exchange. In addition, he is the Ex-Deputy Chairman of the Hong Kong Securities Clearing Company Limited (1992–1994) and Ex-Council member of the Stock Exchange (1988–1994). Appointed as Independent Non-executive Director of the Company in July 1992, the Chairman of the Remuneration Committee in April 2005, a member of the Audit Committee and the Nomination Committee in December 1998 and August 2005 respectively.

CHAN CHIU YING, ALEC *MBA, FCPA, ACMA, MHKSI*

Aged 54. Has over 20 years’ experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Holds a Master degree in Business Administration from the University of Bradford, the United Kingdom and is an advisor providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Institute of Management Accountants, the United Kingdom and an associate of the Hong Kong Securities Institute. Appointed as Independent Non-executive Director of the Company in September 2004, a member of the Remuneration Committee in August 2005 and the Chairman of the Audit Committee in January 2006.

HUI CHIU CHUNG, STEPHEN *JP*

Aged 66. Currently the Chairman and CEO of Luk Fook Financial Services Limited. Has 42 years’ experience in the securities and investment industry. He had for years been serving as a Council Member and Vice Chairman of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission (“SFC”), a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited (“HKEx”), an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of SFC and also an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A. Mr. Hui was appointed by the Government of the HKSAR as Justice of the Peace in 2004 and was also appointed as a member of the Zhuhai Municipal Committee of the Chinese People’s Political Consultative Conference in 2006. He is at present a member of Government “Appointee” (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong and also serves as an Independent Non-executive Director of the HKEx, Zhuhai Holdings Investment Group Limited (formerly known as Jiuzhou Development Company Limited), Lifestyle International Holdings Limited, Gemdale Properties and Investment Corporation Limited (formerly known as Frasers Property (China) Limited), China South City Holdings Limited, SINOPEC Engineering (Group) Co., Ltd. and Non-executive Director of Luk Fook Holdings (International) Limited whose shares are listed on the Stock Exchange. Appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in January 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

LEE SHING SEE *GBS, OBE, JP*

Aged 71. Graduated from The University of Hong Kong in 1964. A fellow of both the Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). He joined The Hong Kong Government since he graduated from the University and has over 48 years' experience in engineering and construction. He was the director of Territory Development for the period from August 1994 to August 1999 and the Secretary for Works for the period from August 1999 to August 2002 (including 2 months as a Permanent Secretary). He is a director of the Hong Kong Cyberport Management Company Limited, the Chairman of the Construction Industry Council, the Convenor of the Panel on Promoting Testing and Certification Services in Construction Materials Trade and a board member of the Airport Authority Hong Kong. He is also a member of the Development Committee of the West Kowloon Cultural District Authority, Environmental Impact Assessment Appeal Board Panel and Education, Employment and Training Task Force under the Commission on Poverty. Mr. Lee is an Independent Non-executive Director of China State Construction International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Lee is appointed as Independent Non-executive Director and the Chairman of the Nomination Committee in January 2006.

SENIOR MANAGEMENT

CHAN SING CHO *PhD, MSc, DIC, BSc(Eng), MIStructE, MHKIE, RPE(Struct), PEng*

Aged 61. Graduated from The University of Hong Kong in 1973 with a BSc degree in Civil Engineering. Possesses a PhD degree in Systems Design Engineering of the University of Waterloo, Canada and a MSc degree in Management Science of the Imperial College, United Kingdom. A Registered Professional Engineer (Structural) with memberships of the Hong Kong Institution of Engineers, the Institution of Structural Engineers and Professional Engineers Ontario. Has 32 years' experience in civil engineering and building construction and 8 years' experience in operations research, pattern analysis and mechanical intelligence. He was previously an Executive Director of the Company. Rejoined the Group as Director of Chun Wo Construction and Engineering Company Limited since September 2008.

EDWARD PETER SLACK *FCHKRI, MPWI*

Aged 70. Graduated from Sheffield College of Technology in 1961. A fellow of the China Hong Kong Railway Institution. Has more than 52 years in the construction industry covering many large industrial projects. He came to Hong Kong in 1977 to work on the Modified Initial System of the Mass Transit Railway Corporation. He has since worked on many schemes for the Mass Transit Railway Corporation and Kowloon-Canton Railway Corporation but has kept his hand in civil engineering working on the Island Eastern Corridor, Kowloon Reclamation, Terminal Eight and the Lotus Bridge in Macau amongst others. Having first worked with Chun Wo as Joint Venture Project Manager in 2000 on West Rail, he has since completed a total of 4 such joint ventures. Joined the Group as Director of Chun Wo Railway Engineering Limited, Chun Wo Holdings (Thailand) Co., Ltd. and Chun Wo (Thailand) Co., Ltd. in March 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

KO WING NIN, KEN *BSc(Eng), MSc(Eng), CEng, MICE, MHKIE, RPE(Civil), AFCHKRI*

Aged 49. Graduated from Chu Hai College in 1986 with a degree of Bachelor of Science and Engineering in Civil Engineering. Obtained a Master degree in Civil and Structural Engineering from the University of Sheffield, United Kingdom in 1994 and Master Degree in Construction Law from The Hong Kong Polytechnic University in 2011. A member of the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, Registered Professional Engineer in civil discipline in Hong Kong and Associate Fellow of China Hong Kong Railway Institution. Has 26 years' experience in the construction industry including civil, building, foundation and marine engineering projects in Hong Kong, Macau and UAE. Joined the Group in March 2006 and promoted as General Manager (Construction) of Chun Wo Group in August 2012 to take charge of special projects and trackwork.

KWAN CHUEN KIN, PETER *BSc(Hons), FCIQB, MHKIE, FHKICM, RPE*

Aged 61. Graduated from the South Bank Polytechnic, United Kingdom in 1980 with a Bachelor of Science degree (Honors) in Building. A Chartered Builder and Registered Professional Engineer, a fellow member of the Chartered Institute of Building, United Kingdom, a member of the Hong Kong Institution of Engineers, a fellow member of Hong Kong Institute of Construction Managers and Accredited Mediator. Joined the Group in 1998 and has over 35 years' experience in project management of large scale building construction projects in Hong Kong. Appointed as Managing Director of Chun Wo Elegant Decoration Engineering Company Limited in April 2006.

LAI KAM HUNG, JOSEPH

Aged 55. Graduated from The Hong Kong Polytechnic University in 1980. A member of the Hong Kong Institution of Engineers. He has over 37 years' experience in the building and civil engineering works including construction supervision, project management and subletting. Joined the Group during 1984–1987 and rejoined the Group in 1989. Appointed as Director of Chun Wo Construction and Engineering Company Limited in April 2006.

LAM CHI WING, ERIC *BscCivil, MICE, CEng, MHKIE, RPE(Civil)*

Aged 58. Graduated from the University of Calgary, Canada in 1980 with a Bachelor degree in Civil Engineering. A member of the Institute of Civil Engineers and the Hong Kong Institution of Engineers, a Registered Professional Engineer. Has more than 32 years' experience in construction industry including project and construction management and tendering of different types of large-scale civil engineering projects. Joined the Group in 2005 and appointed as Director of Chun Wo Construction and Engineering Company Limited in September 2007.

LAU TAI WAI, DAVID *FHKIE, CEng, MICE, MIStructE, MCI Arb, RPE (Civil, Structural)*

Aged 54. Graduated from The Hong Kong Polytechnic University in 1982 and obtained CEI Part 2 in 1983. A fellow of the Hong Kong Institution of Engineers and a member of the Institution of Civil Engineers, the Institution of Structural Engineers and the Chartered Institute of Arbitrators, a Registered Professional Engineer in civil and structural disciplines. Has 31 years' experience in a wide range of civil engineering works from a diversified perspective of management, construction, design as well as build operate and transfer in Hong Kong, Mainland China and Taiwan. Joined the Group in 2013 and appointed as Director (Construction) of Chun Wo Construction and Engineering Company Limited since March 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

LEE CHUN FAI, RAYLAND *BSc, MHKIE, MICE, CEng, PEng, RPE, MAPM*

Age 58. Graduated from The University of Manitoba, Canada in 1979 with a BSc degree in Civil Engineering. A member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers and The Association of Project Managers. Has 33 years' experience in heavy construction industry on tendering, supervision and project management in local and overseas market. Joined the Group in 2010 and appointed as Director of Chun Wo Construction and Engineering Company Limited to take charge of the Civil Division.

LEE KA LUN, STEPHEN *BA(AS), B Building, Dip Proj Man (RICS), FRICS, FHKIS, ACI Arb, RPS(QS)*

Aged 55. Graduated from The University of Hong Kong in 1980 with a Bachelor of Arts (Architectural Studies) degree and with a Bachelor of Building degree in 1982. A Registered Professional Surveyor (QS) with fellow membership of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors and membership of the Chartered Institute of Arbitrators. On the Lists of Arbitrators of the Hong Kong International Arbitration Centre and the joint Hong Kong Institute of Surveyors and Hong Kong Institute of Architects. Has 32 years' experience in quantity surveying and commercial management working in Hong Kong, Mainland China, Taiwan, Macau, Singapore and Malaysia. Joined the Group during 1998–2005 and rejoined the Group in 2011. Appointed as Director (Commercial) of Chun Wo Construction and Engineering Company Limited since August 2011.

LEUNG WAI HO, ALFRED *BSc, MASCE, FHKIE, FHKIHT, FICES*

Aged 56. Graduated from Costa Rica Institute of Technology, Costa Rica in 1982 with a Bachelor degree in Construction Engineering. A member of the American Society of Civil Engineers, a fellow member of the Hong Kong Institution of Engineers, the Hong Kong Institution of Highways and Transportation and the Chartered Institution of Civil Engineering Surveyors, United Kingdom. A Council Member of Hong Kong Construction Association from 2006–2008, a member of the Construction Industry Training Authority (Trade Test) from 2005–2008, Vice-Chairman of the Construction, Property and Infrastructure Committee of the Australian Chamber of Commerce since 2011 and currently a Committee Member of the Hong Kong Institution of Engineers in civil discipline. Joined the group in 2013 and has over 30 years' experience in the construction industry at corporate level for business strategy as well as tender, project and construction management of civil, building, foundation and large scale design and build projects in Hong Kong and the Mainland China for international contractor. Appointed as Director (Construction) of Chun Wo Construction and Engineering Company Limited, Director of Chun Wo Foundations Limited and Hong Kong OVM Engineering Company Limited in April 2013.

LEUNG YIN BUN, FRANCIS *MBA, RPE, MHKIE, RSO*

Aged 56. Joined the Group in February 2010 and appointed as managing director of Chun Wo E & M Engineering Limited in December 2011. Graduated from The Hong Kong Polytechnic University in 1980. Obtained a Master degree in Business Administration from The Open University of Hong Kong in 2005. A member of the Hong Kong Institution of Engineers (MHKIE) in building services discipline and a member of Society of Registered Safety Officers in Hong Kong. Has more than 33 years' experience in project management, sales and marketing, operations management and engineering design for electrical and mechanical projects in Hong Kong, Mainland China and the Middle East. His project portfolio includes various infrastructural, industrial and commercial construction projects of Railway, Airport, Highway, Bridge, Tunnel, Pumping Station, Hospital and Hotel Casino.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

LIU CHUN MING, ROBIN *MFin, ACA, FCPA, FCCA*

Aged 47. Graduated from Curtin University of Technology, Australia with a Master degree in Finance. An Associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. He has got working experience in a number of listed companies in Hong Kong and London. He was appointed as the Chief Financial Officer of the Group in April 2012.

MALCOLM IAIN MCGREGOR *BEng(Hons), CEng, MICE*

Aged 67. Graduated from the University of Sheffield, United Kingdom with a Bachelor of Engineering (Hons) degree in Civil Engineering and a member of the Institute of Civil Engineers United Kingdom. Rejoined the Group as Director (Projects) in early 2009. Has 44 years' working experience in the construction industry for international clients and contractors in Southeast Asia, Europe and Africa in the fields of civil, building and foundations with positions in senior corporate and project management.

NG MAN LEE, KEVIN *Bsc*

Aged 54. Graduated from the University of Leeds, United Kingdom in 1981. Has over 30 years' experience in the construction industry including civil, water works and building construction projects in Hong Kong, Macau, China and Singapore. Joined the Group in October 2012 and appointed as Director of Chun Wo Building Construction Limited.

POON CHI CHOI, ANTHONY *BA(AS), B.Arch, HKIA, Registered Architect HK, Authorized Person — Architect, PRC Class 1 Registered Architect Qualification*

Aged 51. Graduated from The University of Hong Kong in 1986 with degree in Bachelor of Arts (Architectural Studies) and Bachelor of Architecture. An Architect and Authorized Person with PRC Class 1 Registered Architect Qualification. Has more than 27 years' experience in architectural and interior design, project management and property development aspects for many projects of various sizes and complexity in Hong Kong and China. Prior to joining the Group in 2008, he had worked as director in two big architectural practices and also served a public listed property development company in Hong Kong, responsible for the design and project management of projects in China. He is a Director of Chun Wo Property Development Limited and certain subsidiaries companies of the Group, responsible for the property development projects in China, Hong Kong and UAE.

SHEA CHUN LOK, MARTIN *BBus., FCPA(Aust.), CPA, CTA, ACMA, ICPAS, ATiHK, CGMA*

Aged 46. Graduated from Monash University of Australia with a Bachelor degree in Business. A fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, Chartered Institute of Management Accountants of United Kingdom, Institute of Certified Public Accountants of Singapore and Chartered Global Management Accountant, and a Certified Tax Adviser of Hong Kong. He worked as company secretary and qualified accountant in various Hong Kong Main Board listed companies for many years. In 2001, appointed as an independent non-executive director of Beijing Enterprises Water Group Limited, a company listed on the Stock Exchange. Joined the Group in 2008 and appointed as Financial Controller of property development.

TO KAI YIN, KELVIN *MCIQB, MAIB*

Aged 52. Graduated from The Hong Kong Polytechnic University in 1983. Obtained an associateship in building technology and management from The Hong Kong Polytechnic University in 1987. He has over 29 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and appointed as Director of Chun Wo Building Construction Limited in March 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

TSE TAK MING, HERMAN *BEng(Hons), MSc(C.Mgt), MHKICM, MHKIVM, BEAM Pro*

Aged 44. Graduated from City University of Hong Kong in 2008 with Bachelor of Engineering (Honours) in Building Engineering (Construction Engineering and Management). Obtained his Master of Science degree in Construction Management (Construction Project Management) from the said university in 2010. Received his membership of Hong Kong Institute of Construction Managers and the Hong Kong Institute of Value Management. Participated a training programme which was jointly organized by the Hong Kong Green Building Council and BEAM Society and accredited as a BEAM Professional in 2012. Joined the Group in 2008 and awarded "The Outstanding Project Manager Award" in March 2009. Appointed as Director of Green Solution Interior Design and Decoration Company Limited, the Group's indirect subsidiary, in April 2011.

WONG HIN MING, RAYMOND *BSc, MICE, CEng, MCIArb, MHIE, RPE(Civil)*

Aged 58. Graduated from The Hong Kong Polytechnic University in 1978 and continue the study in Brighton Polytechnic, United Kingdom with a Bachelor degree (First Class Honors) in Civil Engineering. A member of the Institution of Civil Engineers, Chartered Institute of Arbitrators and the Hong Kong Institution of Engineers. Has over 32 years' experience in construction industry. Joined the Group in 2004 and appointed as General Manager (Construction) of Chun Wo Construction and Engineering Company Limited in February 2009 to take charge of the maintenance and minor works division.

WONG WING TONG, MICHAEL *MISM, MIPS A*

Age 57. Has more than 16 years' experience in the executive level of security industry. A member of International Professional Security Association and Vice-Chairman of Chamber of Security Industry Limited. He was the Chief Training Instructor of the Hong Kong Military Service Corps in the former British Garrison with various professional military qualifications and skills. Joined the Group in 1997. Appointed as Managing Director of City Security Company Limited and City Professional Management Limited in June 2006 and June 2007 respectively.

YEUNG KA YIN, EDWARD *MBA, BSc(Eng), MHKIE, MICE, RPE(Civil)*

Aged 59. Graduated from The University of Hong Kong in 1977 with a Bachelor of Science degree in Engineering and obtained a Master degree in Business Administration in 1995 from Asia International Open University (Macau). A member of the Hong Kong Institution of Engineers and the Institution of Civil Engineers (UK) and also a Registered Professional Engineer, Hong Kong. Has more than 36 years' experience in the construction industry including developer and contractor, project management and tendering of large scale civil engineering and building construction projects as well as large scale design and build projects. Joined the Group during 2002-2006 and rejoined the Group in 2011. Appointed as Director of Chun Wo Construction and Engineering Company Limited in May 2012.

YIU CHI SANG, ANDY *Dip(Eng), LLB(Hons), MA(ArbDR), MSc(C.Mgt), MRICS, MICE, MHKIE, MASCE, FCIArb, FHKIArb, CEng*

Aged 57. Graduated from The Hong Kong Baptist University in 1981 with a Diploma in Civil Engineering, obtained a Master of Arts degree in Dispute Resolution and Arbitration in 1995 and a Master of Science degree in Construction Management in 1998 both from City University of Hong Kong, a Bachelor of Laws degree in 2004 from the University of Wolverhampton of United Kingdom. A member each of the Royal Institution of Chartered Surveyors, the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, the American Society of Civil Engineers, a fellow member each of the Chartered Institute of Arbitrators, United Kingdom and the Hong Kong Institute of Arbitrators. Rejoined the Group in 2008 with over 32 years' experience in the construction industry including civil, building, foundation and marine engineering projects in Hong Kong, Macau, Vietnam and PRC. Appointed as Director of Chun Wo Construction and Engineering Company Limited in December 2008 and Deputy Managing Director (Construction) of Chun Wo Development Holdings Limited in November 2011.

CORPORATE GOVERNANCE REPORT

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year under review except for the deviations from the code provision A.4.2 of the Code. Pursuant to code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairman and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, after a specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board is responsible for the management of the Company on behalf of the Shareholders. Key responsibilities include formulation of the Group’s overall strategies, the setting of management targets and supervision of management performance. The Board confines itself to making broad policy decisions and also exercising a number of reserved powers as mentioned below, while delegating responsibility for more detailed considerations to the Management Committee of the Company under the leadership of the Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time), in which Board’s approval must be sought from time to time;
- those functions and matters in which Board’s approval must be sought in accordance with the Group’s internal policy (as amended from time to time);
- consideration and approval of the consolidated financial statements in interim reports and annual reports, announcements and press releases of interim and annual results;
- focus its attention on matters affecting the Company’s overall strategic policies, finances and Shareholders;
- consideration of dividend policy and dividend amount; and
- monitoring the corporate governance of the Group in compliance with the applicable rules and regulations.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

The Board had duly performed its duties relating to the corporate governance functions, and save for the deviation from the Code as aforesaid, it was not aware of any terms of corporate governance being violated during the year under review.

All Directors have full and timely access to all relevant information, including regular reports from the Board Committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may seek independent professional advice in appropriate circumstances, which will be paid for by the Company.

As at the date of this report, the Board comprises a total of eight Directors including four Executive Directors and four Independent Non-executive Directors (“INED(s)”), with INEDs representing 50% of the Board which exceeds the minimum requirement under the Listing Rules. Board members are listed below:

EXECUTIVE DIRECTORS:

Mr. Pang Yat Ting, Dominic (*Chairman*)
Mr. Pang Yat Bond, Derrick (*Deputy Chairman*)
Mr. Kwok Yuk Chiu, Clement (*Managing Director*)
Madam Li Wai Hang, Christina

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Au Son Yiu
Mr. Chan Chiu Ying, Alec
Mr. Hui Chiu Chung, Stephen
Mr. Lee Shing See

Each of the INEDs has a service agreement for a term of one year. The agreement is renewable subject to consent given by the Company and the respective Directors. The INEDs are also subject to retirement by rotation in accordance with the Bye-laws of the Company (the “Bye-laws”).

The Company has received an annual written confirmation from each INED to confirm his independence pursuant to Rule 3.13 of the Listing Rules and accordingly, the Company is of the view that all INEDs are independent under the Listing Rules.

There is no financial, business, family or other material/relevant relationship among members of the Board, other than Messrs. Pang Yat Ting, Dominic and Pang Yat Bond, Derrick being brothers, and both are the sons of Madam Li Wai Hang, Christina.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

During the year under review, four board meetings and an annual general meeting were held by the Company. The attendance of individual members of the Board and other Board Committees at the respective meetings during the year under review is set out below:

Directors	Meetings attended/Number of meetings held				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
<i>Executive Directors</i>					
Mr. Pang Yat Ting, Dominic (<i>Chairman</i>)	4/4	–	2/2	–	1/1
Mr. Pang Yat Bond, Derrick (<i>Deputy Chairman</i>)	4/4	–	–	1/1	1/1
Mr. Kwok Yuk Chiu, Clement (<i>Managing Director</i>)	4/4	–	–	–	1/1
Madam Li Wai Hang, Christina	4/4	–	–	–	1/1
<i>Independent Non-executive Directors</i>					
Mr. Au Son Yiu	4/4	3/3	2/2	1/1	1/1
Mr. Chan Chiu Ying, Alec	4/4	3/3	–	1/1	1/1
Mr. Hui Chiu Chung, Stephen	4/4	3/3	–	–	1/1
Mr. Lee Shing See	4/4	–	2/2	–	1/1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to attend relevant training courses at the Company's expense. During the year under review, all Directors had participated in a briefing regarding the Listing Rules' updates provided by the Company for developing and refreshing the Directors' knowledge and skill in order to ensure compliance and to enhance their awareness of good corporate governance practices. The Company has received from all Directors of their respective training records for the year ended 31 March 2013.

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Pang Yat Ting, Dominic and the Managing Director is Mr. Kwok Yuk Chiu, Clement. The role of the Chairman is separated from that of the Managing Director. The Chairman is responsible for overseeing the functioning of the Board while the Managing Director is responsible for managing the Group's business.

BOARD COMMITTEES

The Board has established various committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are of no less exacting terms than those set out in the Code and are available on the Company's website. All committees are provided with sufficient resources to discharge their duties.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued) **MANAGEMENT COMMITTEE**

The Management Committee was established in April 1993. It operates as a general management committee with overall delegated authority from the Board in order to increase the efficiency for the business decision and facilitate the approval of certain corporate actions.

The Management Committee comprises four members, all of them are Executive Directors.

Members of the Management Committee are:

Mr. Pang Yat Bond, Derrick (*Chairman*)

Mr. Pang Yat Ting, Dominic

Mr. Kwok Yuk Chiu, Clement

Madam Li Wai Hang, Christina

EXECUTIVE COMMITTEE

The Executive Committee was established in March 2007 to assist the Management Committee in the running of the day-to-day business of the Company. It is responsible for the development and implementation of the business plans for corporate and business units. The Executive Committee is also supported by the Project Management meetings which cascades performance management down to project level.

The Executive Committee comprises four members, a three of whom are Executive Directors.

Members of the Executive Committee are:

Mr. Pang Yat Ting, Dominic (*Chairman*)

Mr. Pang Yat Bond, Derrick

Mr. Kwok Yuk Chiu, Clement

Mr. Liu Chun Ming, Robin

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 6 April 2005. The primary responsibilities of the Remuneration Committee are, inter alia, to make recommendations to the Board on the Company's policies and structure for the remuneration of all Directors and senior management of the Group and determining, with delegated responsibility, the remuneration packages of individual Executive Directors and the senior management of the Group. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

The Remuneration Committee comprises three members, two of whom are INEDs and one member is Executive Director.

Members of the Remuneration Committee are:

Mr. Au Son Yiu (*Chairman*)

Mr. Chan Chiu Ying, Alec

Mr. Pang Yat Bond, Derrick

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued) REMUNERATION COMMITTEE (continued)

During the year under review, the Remuneration Committee assessed the performance of Executive Directors and approved the remuneration packages of Executive Directors and senior management of the Group for 2012/2013.

Details of the emoluments of Directors during the year are set out in Note 11 to the consolidated financial statements of this annual report. In addition, pursuant to the code provision B.1.5 of the Code, the annual remuneration of the members of the senior management of the Group by band for the year ended 31 March 2013 is set out below:

Remuneration Band	Number of Senior Management
Up to HK\$1,000,000	4
HK\$1,000,001 to HK\$2,000,000	10
HK\$2,000,001 to HK\$3,000,000	5
HK\$3,000,001 to HK\$4,000,000	3

NOMINATION COMMITTEE

The Nomination Committee was formed on 6 April 2005. The responsibilities of the Nomination Committee are, inter alia, to make recommendations to the Board on the appointment or re-appointment of Directors, to review the structure, size and composition of the Board and to ensure fair and transparent procedures for the appointment or re-appointment of Directors.

In case of necessity, the Nomination Committee will propose an appointment of any candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board.

The Nomination Committee comprises three members, two of whom are INEDs and one member is Executive Director.

Members of the Nomination Committee are:

Mr. Lee Shing See (*Chairman*)
Mr. Au Son Yiu
Mr. Pang Yat Ting, Dominic

The following is a summary of work performed by the Nomination Committee during the year under review:

- (i) reviewed and approved the revised terms of reference of the Nomination Committee;
- (ii) assessed the independence of the INEDs; and
- (iii) proposed rotational retiring Directors who were eligible for re-election at the 2012 annual general meeting for Shareholders' approval.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued) AUDIT COMMITTEE

The Audit Committee was established on 17 December 1998. The Audit Committee provides an important link between the Board and the Company's external auditor in matters coming within the scope of the Group's audit. The primary duties of the Audit Committee are to review and supervise the financial and accounting policies and practices of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk management system.

The Audit Committee comprises three INEDs, one of whom with appropriate professional qualification, accounting or related financial management expertise as required under the Listing Rules.

Members of the Audit Committee are:

Mr. Chan Chiu Ying, Alec (*Chairman*)

Mr. Au Son Yiu

Mr. Hui Chiu Chung, Stephen

The following is a summary of work performed by the Audit Committee during the year under review:

- (i) reviewed and approved the revised terms of reference of the Audit Committee;
- (ii) reviewed the annual report and the annual results announcement of the Group for the year ended 31 March 2012, with a recommendation to the Board for approval;
- (iii) reviewed the external auditor's independence and report, with a recommendation to the Board for the re-appointment of the external auditor at the 2012 annual general meeting;
- (iv) approved the remuneration and the terms of engagement letters for the purpose of appointing the external auditor in connection with the statutory audit and review of the results announcement by the external auditor;
- (v) reviewed the interim report and the interim results announcement of the Group for the six months ended 30 September 2012, with a recommendation to the Board for approval; and
- (vi) overseen the Group's financial reporting system and internal control procedures.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group, including financial, operational and compliance controls and risk management functions.

AUDITOR'S REMUNERATION

During the year under review, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK\$3,997,000 and tax and consulting services amounted to approximately HK\$636,000.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

Statements of the Directors' responsibility for preparing the consolidated financial statements and the auditor of the Company about their reporting responsibilities are set out in the Independent Auditor's Report of this annual report.

COMPANY SECRETARY

During the year under review, Ms. Chan Sau Mui, Juanna, the company secretary of the Company (the "Company Secretary"), undertook no less than 15 hours of relevant professional training to update her knowledge and skills.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR REQUISITIONING A SPECIAL GENERAL MEETING

Pursuant to the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company have rights to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition which must be signed by the requisitionist(s). The requisition must be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "Registered Office") for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at C2, 5/F., Hong Kong Spinners Industrial Building, 601-603 Tai Nan West Street, Cheung Sha Wan, Kowloon (the "Head Office") for the attention of the Company Secretary.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act 1981 of Bermuda (the "Company Act"), Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the total voting right at general meetings of the Company or not less than 100 Shareholders may provide a written requisition to the Company stating the resolution intended to be proceeded at the general meeting. The requisition must be deposited at the Registered Office for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Head Office for the attention of the Company Secretary.

As regards to proposing a person for election as a director of the Company by Shareholders, please refer to the procedures available on the Company's website.

Shareholders can also refer to the detailed requirements and procedures as set forth in the relevant sections of the Companies Act and the Bye-laws when making any requisitions or proposals for transaction at the general meetings of the Company.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's share registrars. The addresses of the Company's share registrars are set out in the section "Corporate Information" on page 3 of this annual report. Shareholders may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also send written enquiries or requests to the Head Office or by fax to (852) 2744 6937 or by email to info@chunwo.com for the attention of Corporate Communication Department.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. The Company's annual and interim reports and circulars are printed and sent to all Shareholders. Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (www.chunwo.com). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders that the Directors and the members of the Board committees are encouraged to attend and answer questions from Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Shareholders Communication Policy has been adopted for ensuring the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company. The Shareholders Communication Policy, subject to regular review by the Board, is available on the Company's website and will be amended (as appropriate) to reflect current best practice in communications with Shareholders.

DIRECTORS' REPORT

The Board are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

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, property investment, professional services (including provision of security and property management services) and other activities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 67.

The Board recommended the payment of a final dividend of HK1.4 cents per share (2012: HK0.8 cent) for the year ended 31 March 2013 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 10 September 2013. The total dividend for the year amounted to HK1.4 cents per share (2012: HK0.8 cent). The proposed Final Dividend will be paid on or about Wednesday, 9 October 2013 subject to approval from the Shareholders at the AGM.

FINANCIAL SUMMARY

A financial summary of the Group for the last five financial years is set out on page 150.

INVESTMENT PROPERTIES

Details of the revalued investment properties of the Group as at 31 March 2013 are as set out in Note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired property, plant and equipment at a cost of approximately HK\$65.0 million for the purpose of expanding the Group's business.

Details of these and other movements during the year under review in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year under review in the share capital, warrants and share options of the Company are set out in Notes 32, 33 and 34 to the consolidated financial statements respectively.

DIRECTORS' REPORT

BORROWINGS AND INTEREST CAPITALISED

Details of the Group's borrowings are set out in Notes 28 and 29 to the consolidated financial statements.

Interest capitalised by the Group during the year under review is set out in Note 8 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 March 2013 are set out in Notes 44, 45 and 46 to the consolidated financial statements respectively.

RESERVES

The Company's reserves available for distribution to Shareholders as at 31 March 2013 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	222,241
	<hr/>
	274,793

Details of movements in the reserves of the Group during the year under review are set out in the Consolidated Statement of Changes in Equity on pages 70 and 71.

SHARE OPTION SCHEMES

Particulars of the share option schemes which were adopted on 28 August 2002 (the "Old Scheme") and 3 September 2012 (the "New Scheme") by the Company respectively and the details of the movements in share options which were granted under these schemes are set out in Note 34 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 41 to 47.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Hui Chiu Chung, Stephen, being the INED of the Company, has been appointed as an INED of SINOPEC Engineering (Group) Co., Ltd. on 17 December 2012, whose shares are listed on the Main Board of the Stock Exchange since 23 May 2013.

Mr. Lee Shing See, being the INED of the Company, has been appointed as a member of Education, Employment and Training Task Force under the Commission on Poverty on 1 January 2013.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Pang Yat Ting, Dominic
Mr. Pang Yat Bond, Derrick
Mr. Kwok Yuk Chiu, Clement
Madam Li Wai Hang, Christina

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Au Son Yiu
Mr. Chan Chiu Ying, Alec
Mr. Hui Chiu Chung, Stephen
Mr. Lee Shing See

In accordance with the Bye-laws 87 and 169(2), Mr. Pang Yat Bond, Derrick and Mr. Au Son Yiu will retire and, being eligible, will offer themselves for re-election at the AGM. The remaining Directors will continue in office.

Save as disclosed above, none of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in Note 11 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Directors' emoluments are in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing of the value of the Company to its Shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding and retaining Directors for the continual operation and development of the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 42 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries, its holding company, or any subsidiaries of its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) INTERESTS OF THE DIRECTORS IN THE ORDINARY SHARES OF THE COMPANY (LONG POSITIONS)

Name of Director	Personal Interest	Family Interest	Corporate Interest	Total Interests	Total Interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	10,148,875	2,154,000 (Note 1)	537,888,884 (Note 2)	550,191,759	55.70%
Mr. Pang Yat Ting, Dominic	5,680,000	—	537,888,884 (Note 2)	543,568,884	55.03%
Mr. Pang Yat Bond, Derrick	1,000,000	—	—	1,000,000	0.10%
Mr. Kwok Yuk Chiu, Clement	3,650,000	860,000 (Note 3)	—	4,510,000	0.46%
Mr. Au Son Yiu	501,816	—	—	501,816	0.05%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(a) INTERESTS OF THE DIRECTORS IN THE ORDINARY SHARES OF THE COMPANY (LONG POSITIONS) (continued)

Notes:

1. These shares are beneficially owned by the spouse of Madam Li Wai Hang, Christina, the late Dr. Pang Kam Chun ("Dr. Pang").
2. GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the shares of the Company held by GT Winners Limited.
3. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

(b) INTERESTS OF THE DIRECTORS IN THE UNDERLYING SHARES OF THE COMPANY (LONG POSITIONS)

Name of Director	Personal Interest	Family Interest	Corporate Interest	Total Interests	Total Interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	3,599,914 (Note 1)	4,664,875 (Note 2)	89,135,415 (Note 3)	97,400,204	9.86%
Mr. Pang Yat Ting, Dominic	2,400,500 (Note 4)	—	89,135,415 (Note 3)	91,535,915	9.27%
Mr. Pang Yat Bond, Derrick	8,113,500 (Note 5)	—	—	8,113,500	0.82%
Mr. Kwok Yuk Chiu, Clement	6,644,750 (Note 6)	161,250 (Note 7)	—	6,806,000	0.69%
Mr. Au Son Yiu	300,000 (Note 8)	—	—	300,000	0.03%
Mr. Chan Chiu Ying, Alec	300,000 (Note 8)	—	—	300,000	0.03%
Mr. Hui Chiu Chung, Stephen	300,000 (Note 8)	—	—	300,000	0.03%
Mr. Lee Shing See	300,000 (Note 8)	—	—	300,000	0.03%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) INTERESTS OF THE DIRECTORS IN THE UNDERLYING SHARES OF THE COMPANY (LONG POSITIONS) (continued)

Notes:

1. These represent the interests in the underlying shares of the Company in respect of (i) 1,697,000 units of share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 1,902,914 units of warrants of the Company.
2. Madam Li Wai Hang, Christina is deemed to have interest in the underlying shares of the Company held by the late Dr. Pang.
3. GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the underlying shares of the Company held by GT Winners Limited.
4. These represent the interests in the underlying shares of the Company in respect of (i) 1,700,000 units of share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 700,500 units of warrants of the Company.
5. These represent the interests in the underlying shares of the Company in respect of (i) 7,926,000 units of share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 187,500 units of warrants of the Company.
6. These represent the interests in the underlying shares of the Company in respect of (i) 6,026,000 units of share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 618,750 units of warrants of the Company.
7. These represent the interests in the warrants of the Company beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.
8. These represent the interests in share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below.

In addition, Madam Li Wai Hang, Christina hold directly and indirectly 8,437,500 non-voting deferred shares totally in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a direct wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, as at 31 March 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the movements in share options granted under the Old Scheme to Directors and chief executive of the Company during the year ended 31 March 2013 are as follows:

Name of Director	Date of grant	Exercise price per option HK\$	Exercisable period	Outstanding at 1/4/2012	Number of share options			Outstanding at 31/3/2013
					Granted during the year	Exercised/ Cancelled during the year	Lapsed during the year	
Madam Li Wai Hang, Christina	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	—	—	—	747,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	285,000	—	—	—	285,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	285,000	—	—	—	285,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	380,000	—	—	—	380,000
Mr. Pang Yat Ting, Dominic	15/1/2010	0.65	15/1/2011 to 14/1/2014	510,000	—	—	—	510,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	510,000	—	—	—	510,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	680,000	—	—	—	680,000
Mr. Pang Yat Bond, Derrick	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	—	—	—	6,326,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	480,000	—	—	—	480,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	480,000	—	—	—	480,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	640,000	—	—	—	640,000
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	3,326,000	—	—	—	3,326,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	810,000	—	—	—	810,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	810,000	—	—	—	810,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	1,080,000	—	—	—	1,080,000
Mr. Au Son Yiu	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	—	—	—	120,000

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

Name of Director	Date of grant	Exercise price per option HK\$	Exercisable period	Outstanding at 1/4/2012	Number of share options			Outstanding at 31/3/2013
					Granted during the year	Exercised/ Cancelled during the year	Lapsed during the year	
Mr. Chan Chiu Ying, Alec	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	—	—	—	120,000
Mr. Hui Chiu Chung, Stephen	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	—	—	—	120,000
Mr. Lee Shing See	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	—	—	—	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	—	—	—	120,000
Others (Note)	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	—	—	—	1,464,000
	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	—	—	—	747,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	834,600	—	—	—	834,600
	15/1/2010	0.65	15/1/2012 to 14/1/2014	834,600	—	—	—	834,600
	15/1/2010	0.65	15/1/2013 to 14/1/2014	1,112,800	—	—	—	1,112,800
				23,542,000	—	—	—	23,542,000

Note:

These outstanding share options were held by a former INED and a deceased Director. The Board has approved that these outstanding share options can be exercised within their respective exercisable periods.

Save as disclosed above and other than the New Scheme as set out in Note 34, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year under review.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors, as at 31 March 2013, the following party (other than Directors or chief executive of the Company) was recorded in the register kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders") as being interested or deemed to have interest in 5% or more of the issued share capital of the Company:

Shareholder	Capacity	Ordinary Shares (Long Position)		Underlying Shares (Long Position)	
		Number of shares held	Total interests as % of the Company's issued share capital	Number of warrants held	Total interests as % of the Company's issued share capital
GT Winners Limited	Beneficial Owner	537,888,884	54.46%	89,135,415	9.02%

Note:

GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the shares and underlying shares of the Company held by GT Winners Limited.

Save as disclosed above, as at 31 March 2013, the Register of Substantial Shareholders disclosed no other party (other than Directors or chief executive of the Company) as being interested or deemed to have interest in 5% or more of the issued share capital of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws and there is no restriction against such rights under the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float throughout the year ended 31 March 2013 as required under the Listing Rules.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 42 to the consolidated financial statements.

A related party transaction in relation to the interest expenses are arisen from an exempted connected transaction as set out in Note 30 to the consolidated financial statements.

On 12 January 2012, GT Winners Limited, the controlling shareholder of the Company, which incorporated in the British Virgin Islands with limited liability and the Company entered into a subscription agreement pursuant to which GT Winners Limited has agreed to subscribe for and the Company has agreed to allot and issue 62,500,000 ordinary shares at a consideration of HK\$25,000,000. Details of the transaction are set out in the Company's announcement dated 12 January 2012 and disclosed in Note 32. The transaction constituted a connected transaction which was approved by independent shareholders on 27 February 2012.

Save as disclosed above, no other related party transactions constitute any connected transactions or continuing connected transactions as defined under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2013, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 56% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 26% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any Shareholders (which to the knowledge the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

DONATIONS

During the year under review, the Group made charitable and other donations totalling approximately HK\$2,574,000.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Pang Yat Ting, Dominic

Chairman

Hong Kong, 25 June 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chun Wo Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 149, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
Revenue	7	3,805,331	3,193,402
Cost of sales		(3,445,825)	(2,964,006)
Gross profit		359,506	229,396
Other income		84,630	85,762
Other gains and losses		2,842	1,348
Gain on disposal of a subsidiary	36	17,484	–
Fair value changes on investment properties	15	10,271	1,301
Selling expenses		(6,978)	(9,633)
General and administrative expenses		(305,926)	(238,025)
Share of results of associates		11,893	17,547
Share of results of jointly controlled entities		14,117	50,969
Finance costs	8	(43,638)	(29,586)
Profit before tax		144,201	109,079
Income tax expense	9	(66,426)	(56,726)
Profit for the year	10	77,775	52,353
Other comprehensive (expense) income			
Exchange differences arising on translation		(5,228)	33,337
Release of translation reserve upon disposal of a subsidiary		(17,484)	–
Share of translation reserve of associates		(694)	446
Gain on revaluation of properties upon transfer to investment properties		–	9,765
Other comprehensive (expense) income for the year		(23,406)	43,548
Total comprehensive income for the year		54,369	95,901
Profit for the year attributable to:			
Owners of the Company		77,775	52,353
Non-controlling interests		–	–
		77,775	52,353
Total comprehensive income attributable to:			
Owners of the Company		54,369	95,901
Non-controlling interests		–	–
		54,369	95,901
Earnings per share	13		
– Basic		7.93 cents	5.69 cents
– Diluted		7.90 cents	5.69 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	NOTES	31.3.2013 HK\$'000	31.3.2012 HK\$'000 (restated)	1.4.2011 HK\$'000 (restated)
Non-current assets				
Property, plant and equipment	14	228,853	215,890	256,217
Investment properties	15	386,595	422,622	370,193
Interests in associates	16	62,088	66,387	58,534
Interests in jointly controlled entities	17	67,444	77,626	42,834
Deferred tax assets	31	6,586	10,015	–
Amounts due from associates	18	103,345	103,420	103,417
		854,911	895,960	831,195
Current assets				
Amounts due from customers for contract work	19	743,609	564,814	401,101
Debtors, deposits and prepayments	20	710,261	578,998	555,559
Properties under development for sale	21	847,287	642,587	995,924
Deposits paid for properties under development for sale	21	212,080	179,783	180,263
Properties held for sale		319,791	457,088	52,501
Deposits paid for properties held for sale		21,324	36,004	44,822
Investments held for trading	22	341	468	651
Amounts due from associates	23	705	705	1,253
Amounts due from jointly controlled entities	23	187,334	54,581	34,204
Tax recoverable		639	17,010	16,010
Pledged bank deposits	24	237,670	242,082	183,228
Bank balances and cash	24	405,547	414,944	605,295
		3,686,588	3,189,064	3,070,811
Assets classified as held for sale	25	6,321	–	–
		3,692,909	3,189,064	3,070,811
Current liabilities				
Amounts due to customers for contract work	19	205,025	120,476	102,905
Creditors, deposits and accrued charges	26	825,960	765,213	631,791
Deposits received from sales of properties		95,964	63,646	153,576
Amount due to a shareholder		–	–	202,384
Amounts due to associates	27	15,902	15,893	15,770
Amounts due to jointly controlled entities	27	45,094	69,905	47,928
Amount due to a non-controlling shareholder	27	4,026	–	–
Tax payable		76,839	82,796	26,961
Obligations under finance leases	28	16,531	15,864	14,494
Borrowings	29	1,360,588	1,242,185	1,290,109
		2,645,929	2,375,978	2,485,918
Net current assets		1,046,980	813,086	584,893
Total assets less current liabilities		1,901,891	1,709,046	1,416,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	NOTES	31.3.2013 HK\$'000	31.3.2012 HK\$'000 (restated)	1.4.2011 HK\$'000 (restated)
Non-current liabilities				
Unsecured bonds	30	150,000	150,000	–
Obligations under finance leases	28	16,802	15,250	15,039
Borrowings	29	191,784	48,189	29,762
Deferred tax liabilities	31	12,340	16,381	15,908
		370,926	229,820	60,709
Net assets				
		1,530,965	1,479,226	1,355,379
Capital and reserves				
Share capital	32	98,777	97,864	91,613
Reserves		1,431,838	1,381,012	1,263,416
Equity attributable to owners of the Company		1,530,615	1,478,876	1,355,029
Non-controlling interests		350	350	350
Total equity		1,530,965	1,479,226	1,355,379

The consolidated financial statements on pages 67 to 149 were approved and authorised for issue by the board of directors (the “Board” or the “Directors”) on 25 June 2013 and are signed on its behalf by:

Pang Yat Bond, Derrick
DIRECTOR

Kwok Yuk Chiu, Clement
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000			Total HK\$'000
At 1 April 2011 as originally stated	91,613	367,884	2,900	6,755	8,531	85,657	–	761,222	1,324,562	350	1,324,912
Effect of changes in accounting policies	–	–	–	–	–	–	–	30,467	30,467	–	30,467
At 1 April 2011 as restated	91,613	367,884	2,900	6,755	8,531	85,657	–	791,689	1,355,029	350	1,355,379
Profit for the year	–	–	–	–	–	–	–	52,353	52,353	–	52,353
Exchange differences arising on translation	–	–	–	–	–	33,337	–	–	33,337	–	33,337
Share of translation reserve of associates	–	–	–	–	–	446	–	–	446	–	446
Gain on revaluation of properties upon transfer to investment properties	–	–	–	–	–	–	9,765	–	9,765	–	9,765
Total comprehensive income for the year	–	–	–	–	–	33,783	9,765	52,353	95,901	–	95,901
Recognition of equity-settled share-based payments	–	–	–	2,943	–	–	–	–	2,943	–	2,943
Issue of shares upon exercise of warrants	1	2	–	–	–	–	–	–	3	–	3
Issue of subscription shares	6,250	18,750	–	–	–	–	–	–	25,000	–	25,000
Lapse of share options	–	–	–	(591)	–	–	–	591	–	–	–
At 31 March 2012 as restated	97,864	386,636	2,900	9,107	8,531	119,440	9,765	844,633	1,478,876	350	1,479,226
Profit for the year	–	–	–	–	–	–	–	77,775	77,775	–	77,775
Exchange differences arising on translation	–	–	–	–	–	(5,228)	–	–	(5,228)	–	(5,228)
Share of translation reserve of associates	–	–	–	–	–	(694)	–	–	(694)	–	(694)
Transfer to retained earnings upon disposal of investment properties	–	–	–	–	–	–	(9,765)	9,765	–	–	–
Release of reserve upon disposal of a subsidiary	–	–	–	–	–	(17,484)	–	–	(17,484)	–	(17,484)
Total comprehensive (expense) income for the year	–	–	–	–	–	(23,406)	(9,765)	87,540	54,369	–	54,369
Dividend	–	–	–	–	–	–	–	(7,829)	(7,829)	–	(7,829)
Recognition of equity-settled share-based payments	–	–	–	1,263	–	–	–	–	1,263	–	1,263
Issue of shares upon exercise of warrants	215	860	–	–	–	–	–	–	1,075	–	1,075
Issue of shares upon exercise of share options	698	2,163	–	–	–	–	–	–	2,861	–	2,861
Lapse of share options	–	–	–	(2,711)	–	–	–	2,711	–	–	–
At 31 March 2013	98,777	389,659	2,900	7,659	8,531	96,034	–	927,055	1,530,615	350	1,530,965

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

The special reserve includes (i) a debit balance of HK\$7,340,000 recognised in prior years, which represented 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; and (ii) deemed contribution of HK\$10,240,000 recognised upon the acquisition of the remaining 62% interest in Mandarin Group Limited from a then director and then controlling shareholder of the Company in the year ended 31 March 2010.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	NOTE	2013 HK\$'000	2012 HK\$'000
Operating activities			
Profit before tax		144,201	109,079
Adjustments for:			
Finance costs		43,638	29,586
Interest income		(6,065)	(6,311)
Share of results of associates		(11,893)	(17,547)
Share of results of jointly controlled entities		(14,117)	(50,969)
Depreciation and amortisation		13,817	7,891
Gain on disposal of a subsidiary	36	(17,484)	–
Fair value changes on investment properties		(10,271)	(1,301)
Share-based payment expense		1,263	2,943
Fair value changes on investments held for trading		127	183
Gain on disposal of property, plant and equipment		(3,467)	(4,800)
Allowance for impairment of other receivables		12,076	–
Write down of properties under development for sale		24,553	35,710
Write down of deposits paid for properties held for sales		6,485	–
Operating cash flows before movements in working capital		182,863	104,464
Increase in amounts due from (to) customers for contract work		(53,004)	(106,998)
Increase in debtors, deposits and prepayments		(143,305)	(21,822)
(Increase) decrease in properties under development for sale		(225,739)	351,623
Increase in deposits paid for properties under development for sale		(32,242)	–
Decrease (increase) in properties held for sale		126,201	(402,644)
Decrease (increase) in deposits paid for properties held for sale		8,198	(4,030)
Increase in amounts due from jointly controlled entities		(92,287)	(20,377)
Increase in creditors, deposits and accrued charges		60,523	128,388
Increase (decrease) in deposits received from sales of properties		32,178	(95,327)
(Decrease) increase in amounts due to jointly controlled entities		(24,102)	37,991
Increase in amount due to a non-controlling shareholder		4,026	–
Cash used in operations		(156,690)	(28,732)
Income taxes paid		(62,934)	(11,784)
Net cash used in operating activities		(219,624)	(40,516)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

NOTE	2013 HK\$'000	2012 HK\$'000
Investing activities		
Proceeds from disposal of investment properties	52,509	–
Dividends received from jointly controlled entities	24,299	163
Dividend received from an associate	15,498	10,140
Proceeds from disposal of property, plant and equipment	10,042	9,664
Interest received	6,065	6,311
Withdrawal (placement) in pledged bank deposits	4,787	(55,357)
Advance to a jointly controlled entity	(35,000)	–
Purchase of property, plant and equipment	(43,313)	(10,097)
Amounts repaid from associates	–	548
	34,887	(38,628)
Financing activities		
New trust receipt loans raised	1,184,348	938,915
Repayment of trust receipt loans	(1,109,535)	(929,973)
New bank loans raised	707,516	576,167
Repayment of bank loans	(518,925)	(618,062)
Repayment of mortgage loans	(1,770)	(1,769)
Repayment of principal portion of obligations under finance leases	(19,497)	(18,450)
Interest paid	(56,121)	(47,804)
Repayment to a shareholder	–	(202,384)
Issuance of unsecured bonds	–	150,000
Proceeds from issue of shares	3,936	25,003
Dividends paid	(7,829)	–
	182,123	(128,357)
	(2,614)	(207,501)
Cash and cash equivalents at beginning of the year	414,944	605,295
Effect of foreign exchange rate changes	(6,783)	17,150
Cash and cash equivalents at end of the year, represented by bank balances and cash	405,547	414,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

1. GENERAL

The Company is 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”). Its ultimate holding company is GT Winners Limited (incorporated in the British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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, property investment and provision of security and property management services. Details of the principal subsidiaries are set out in note 44.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012

AMENDMENTS TO HKAS 12 DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors of the Company reviewed the Group’s investment property portfolios and concluded that none of the Group’s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Directors have determined that the “sale” presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

AMENDMENTS TO HKAS 12 DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS (continued)

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being decreased by HK\$30,467,000 as at 1 April 2011, with the corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by HK\$31,389,000 as at 31 March 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Group’s investment properties. The change in accounting policy has no impact on the Group’s income tax expense for the year ended 31 March 2013 since there is no fair value change in the Group’s investment properties in Hong Kong for the year ended 31 March 2013 and the Group’s investment properties located overseas are not subject to income tax on disposal. The Group’s income tax expense for the year ended 31 March 2012 increased by HK\$689,000 and the profit for the year ended 31 March 2012 was decreased by the same amount.

Summary of financial effect

The effect of changes in accounting policy on deferred tax on the results of the Group and the earnings per share for the current and prior year due to application of new and revised HKFRS described above are as follows:

	For the year ended 31 March 2013			For the year ended 31 March 2012		
	Impact on profit HK\$’000	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents	Impact on profit HK\$’000	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents
Increase in deferred taxation expense arising from amendments to HKAS 12 <i>Income Taxes</i>						
Attributable to:						
Owners of Company	-	-	-	689	0.07	0.07

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

AMENDMENTS TO HKAS 12 DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS (continued)

Summary of financial effect (continued)

The effects of the above changes on the Group’s financial positions by line items as at 1 April 2011 and 31 March 2012 is as follows:

	As at 1 April 2011			As at 31 March 2012		
	Originally stated	Adjustment	Restated	Originally stated	Adjustment	Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities and total effect on net assets	(46,375)	30,467	(15,908)	(37,755)	31,389	(6,366)
Retained profits	761,222	30,467	791,689	814,855	29,778	844,633
Revaluation reserve	–	–	–	8,154	1,611	9,765
Total effect on equity	761,222	30,467	791,689	823,009	31,389	854,398

AMENDMENTS TO HKAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF THE ANNUAL IMPROVEMENTS TO HKFRSs 2009–2011 CYCLE ISSUED IN JUNE 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is *Annual Improvements to HKFRSs (2009–2011 Cycle)*. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 April 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 April 2011 without the related notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

AMENDMENTS TO HKAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF THE ANNUAL IMPROVEMENTS TO HKFRSs 2009–2011 CYCLE ISSUED IN JUNE 2012) (continued)

The application of other amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for amendments to HKAS 1 ¹
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 9 will be adopted in the Group’s consolidated financial statements for the financial period beginning on 1 April 2015. Based on the financial instruments of the Group as at 31 March 2013, the Directors anticipate that the application of HKFRS 9 is not expected to have significant impact on amounts reported in respect of the Group’s consolidated financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the issuance of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application is permitted provided that all of these five standards are applied early at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (continued)

The Directors of the Company anticipate that these five standards will be adopted in the Group’s consolidated financial statements for financial period beginning on 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. In particular, the application of HKFRS 11 may result in changes in the classification of joint arrangement as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. Under HKFRS 11, joint ventures will then be accounted for under equity method, while joint operator will be required to recognise directly assets, obligations, revenue and expenses of the joint operation. However, the Directors are in the process of ascertaining the financial impact on application of these Standards.

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 13 will be adopted in the Group’s consolidated financial statements for financial period beginning on 1 April 2013 and that the application of the new Standard is not expected to have material impact on the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Where the outcome of a construction contract can be estimated reliably, revenue from a 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. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered probable.

Where 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. Contract costs are recognised as expenses in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from the sale of properties in the ordinary course of business is recognised upon delivery of properties to the buyers pursuant to the sales agreements and when all the following criteria are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits received under current liabilities.

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 from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINTLY CONTROLLED ENTITIES

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial statements of jointly controlled entities used for equity accounting purposes are using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

JOINTLY CONTROLLED ASSETS

Where a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINTLY CONTROLLED ASSETS (continued)

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as the contract revenue recognised. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses 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 consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors, deposits and prepayments.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance lease) other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets classified as held for sale are measured at the lower of the previous carrying amount of the assets and their fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligation under finance lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease except for those that are classified and accounted for as investment properties under the fair value model. Where the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development which are developed for sale are classified under current assets and stated at the lower of cost and estimated net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors, accrued charges, amounts due to associates, jointly controlled entities and a non-controlling shareholder, unsecured bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Warrants

Warrants issued by the Company to acquire a fixed number of the Company's own equity instruments for a fixed amount of any currency are equity instruments if the Company offers the warrants issues pro rata to all of its existing owners of the same class of its own-derivative equity instruments. When the warrants are exercised, the portion of subscription money with the nominal value of the ordinary shares is recognised to the share capital account while any excess of the subscription money over the nominal value of ordinary shares is taken into the share premium account.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 “profit before tax” as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

RETIREMENT BENEFIT COSTS

Payments to the Group's state-managed retirement plans and other retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The policy below is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 April 2005.

The fair value of services received from employees and others providing similar services (consultants) determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

If new share options are granted as replacement for the cancelled share options, the Group accounts for the granting of the replacement share options in the same way as a modification of the original grant.

For any modification to the terms and conditions of share options granted, the incremental fair value granted is determined at the difference between the fair value of the modified share options and that of the original share options, both as at the date of the modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified share options vest, in addition to the amount based on the granted date fair value of the original share options, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

The Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 April 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded 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 as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Deferred taxes

As disclosed in note 2, the Group has adopted amendments to HKAS 12 which include a presumption that the carrying value of investment properties that are measured at fair value at the end of the reporting date will be recovered through sale for the purposes of measuring deferred taxes. This presumption may be overcome if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time rather than through sale. The Directors of the Company have determined that the presumption that the carrying amounts of the investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Construction contracts

Management estimates the amount of foreseeable losses or attributable profits of construction works based on the latest available budgets of the construction contracts with reference to the overall performance of each construction contract and management's best estimates and judgments. The Group also shared results of its jointly controlled entities which were principally derived from the construction contracts carrying out by the jointly controlled entities. These figures were also derived from the latest available budgets of the construction contracts which were prepared by the management of the respective jointly controlled entities. The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works, which are determined based on independent surveys of work. Estimated construction income is determined in accordance with the terms set out in the relevant contract. Construction costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, management regularly reviews the progress of the contracts and the estimated construction income and costs.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2013 at their fair value of approximately HK\$387 million (2012: HK\$423 million). The fair value was based on valuation on these properties conducted by the independent qualified professional valuers using property valuation techniques which adopt the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or, by capitalising the net rental income derived from the existing tenancies. Favourable or unfavourable changes to the assumptions such as rental yield and estimation of future rentals would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Determination of net realisable value of properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale remaining unsold are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price (based on the direct comparison method) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. Where there is any decrease in the estimated selling price, revision in estimated selling expenses and/or estimated cost of completion arising from any changes to the property market conditions in the People's Republic of China ("PRC") and United Arab Emirates ("UAE"), additional loss may be recognised on the properties under development for sale and properties held for sale in the consolidated statement of comprehensive income. As at 31 March 2013, the cumulative write down of HK\$70,403,000 (2012: HK\$45,850,000) has been recognised for properties under development for sale mainly attributable to the decrease in estimated selling price having considered the current market condition in UAE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income tax

As at 31 March 2013, a deferred tax asset (note 31) in relation to unused tax losses of HK\$123,560,000 (2012: HK\$149,446,000) has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of HK\$402,080,000 and HK\$353,496,000 as at 31 March 2013 and 2012, respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

Land appreciation tax ("LAT")

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT. As at 31 March 2013, the provision for LAT amounting to HK\$27,155,000 (2012: HK\$38,935,000) have been included in tax payable. However, the implementation and settlement of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provision. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, and these differences will impact the income tax expenses and provisions for LAT in the periods in which the LAT filings are confirmed with the local tax authorities according to the prevailing tax rules.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and profits.

The Directors of the Company generally review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Fair value through profit or loss		
– Held for trading	341	468
Loans and receivables (including cash and cash equivalents)	1,576,118	1,336,629
Financial liabilities		
Amortised cost	2,585,916	2,285,051

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include debtors, investments held for trading, amounts due from associates and jointly controlled entities, creditors, accrued charges, amounts due to associates, jointly controlled entities, a non-controlling shareholder, unsecured bonds and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entity. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not expect any significant exposure to foreign exchange fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when it is required. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2013 HK\$'000	2012 HK\$'000
United States dollars	–	21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(i) *Currency risk (continued)*

As Hong Kong dollars is pegged to United States dollars, the Directors of the Company consider that the foreign currency exposure is limited.

In addition, intercompany balances within the Group that form part of the Group's (i.e. Hong Kong dollars) net investment in foreign operations, and are denominated in foreign currency, other than the functional currency of the respective entities (including Renminbi, Singapore dollars and Thai Bahts), at the end of the reporting period amounted to HK\$150,172,000 (2012: HK\$175,042,000).

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) appreciation in the functional currencies of the relevant subsidiaries, Renminbi, Singapore dollars and Thai Bahts, relative to the foreign currency of the relevant subsidiaries, the Hong Kong dollars. There would be an equal and opposite impact where Renminbi, Singapore dollars and Thai Bahts weaken 5% (2012: 5%) against the relevant currency.

	Increase in other comprehensive income	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong dollars	7,509	8,752

(ii) *Fair value and cash flow interest rate risks*

The Group has significant bank borrowings (see note 29 for details) and bank deposits with floating interest rate which bear cash flow interest-rate risk. Unsecured bonds (see note 30 for details) carried at fixed rate expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks. The Directors of the Company consider the Group's exposure of cash flow interest rate risk on the bank deposits is insignificant as most deposits bear variable interest rates which did not significantly fluctuate in recent years.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 (2012: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) Fair value and cash flow interest rate risks (continued)

Sensitivity analysis (continued)

If interest rates had been 100 (2012: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2013 would decrease/increase by approximately HK\$12,962,000 (2012: HK\$10,775,000).

Sensitivity analysis on bank deposits is not presented as the Directors consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

(iii) Other price risk

If the prices of the respective listed equity instruments invested by the Group had been 5% (2012: 5%) higher/lower, profit for the year ended 31 March 2013 would increase/decrease by HK\$17,000 (2012: HK\$23,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 40.

The Group's credit risk is primarily attributable to its debtors and amounts due from jointly controlled entities and associates. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To mitigate credit risk arising from guarantee provided to banks in respect of credit facilities utilised by associates and jointly controlled entities, the Group has delegated a team responsible for assessing credit standing and limits to the guarantee to be made. In addition, the management considers the credit risk exposure to financial guarantees provided to property purchases is limited because the facilities are secured by the properties. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the above, the Group does not have any significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

With respect to credit risk arising from amounts due from jointly controlled entities and associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has sufficient net assets to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities and associates.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as significant sources of liquidity. Details of which are set out in note 29.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2013 HK\$'000
2013					
Creditors and accrued charges	-	658,641	159,881	818,522	818,522
Unsecured bonds	7.25	10,875	157,039	167,914	150,000
Amounts due to jointly controlled entities	-	45,094	-	45,094	45,094
Amounts due to associates	-	15,902	-	15,902	15,902
Amounts due to a non-controlling shareholder	-	4,026	-	4,026	4,026
Borrowings – variable rate	3.27	1,360,588	213,873	1,574,461	1,552,372
Obligations under finance leases	2.97	17,263	17,283	34,546	33,333
Financial guarantee contracts	-	765,065	-	765,065	-
		2,877,454	548,076	3,425,530	2,619,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2012 HK\$'000
2012					
Creditors and accrued charges	–	638,863	120,016	758,879	758,879
Unsecured bonds	7.25	10,860	167,889	178,749	150,000
Amounts due to jointly controlled entities	–	69,905	–	69,905	69,905
Amounts due to associates	–	15,893	–	15,893	15,893
Borrowings – variable rate	3.08	1,243,016	54,946	1,297,962	1,290,374
Obligations under finance leases	3.03	16,602	15,619	32,221	31,114
Financial guarantee contracts	–	645,542	–	645,542	–
		2,640,681	358,470	2,999,151	2,316,165

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or within 1 year” time band in the above maturity analysis. As at 31 March 2013 and 31 March 2012, the aggregate carrying amounts of these bank borrowings amounted to HK\$1,360,588,000 and HK\$1,211,321,000 respectively. Taking into account the Group’s financial position, the Directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as below:

	Repayable within in			Total undiscounted	Carrying amount
	1 year	1-5 years	Over 5 years	cash flows	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2013					
Bank borrowings with a repayment on demand clause	1,322,663	56,774	6,765	1,386,202	1,360,588
2012					
Bank borrowings with a repayment on demand clause	1,115,161	111,044	8,637	1,234,842	1,211,321

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

C. FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair values of financial guarantee contracts are determined based on the present value of expected payments when default, where the main assumptions are the probability of default by the specific counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (continued)

C. FAIR VALUE (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013 Level 1 HK\$'000	2012 Level 1 HK\$'000
Investments held for trading	341	468

There were no transfers between level 1 and 2 in the current and prior years.

7. SEGMENT INFORMATION

Revenue of the Group represents the contract revenue arising on construction contracts, revenue from sale of properties, rental and leasing income from properties and service income from security and property management services for the year.

The chief operating decision-maker of the Group has been identified as the executive directors and certain senior management (collectively referred as the "CODM"). For the purpose of performance assessment and resource allocation by the CODM, the Group's business activities are categorised under the following operating and reportable segments:

- | | |
|--------------------------|--|
| 1. Construction work | — provision of civil engineering, electrical and mechanical engineering, foundation and building construction work |
| 2. Property development | — sale of properties |
| 3. Property investment | — leasing of properties |
| 4. Professional services | — provision of security and property management services |
| 5. Other activities | — other activities including trading of securities |

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. SEGMENT INFORMATION (continued)

SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 March 2013

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
REVENUE						
External sales (Note)	2,968,800	588,648	12,661	235,222	-	3,805,331
Share of revenue of jointly controlled entities	1,364,020	-	-	-	-	1,364,020
Segment revenue	4,332,820	588,648	12,661	235,222	-	5,169,351
RESULT						
Operating results	26,259	114,173	24,274	9,831	(492)	174,045
Share of results of associates	-	8,771	3,122	-	-	11,893
Share of results of jointly controlled entities	14,117	-	-	-	-	14,117
Segment profit (loss)	40,376	122,944	27,396	9,831	(492)	200,055
Unallocated corporate expenses						(18,281)
Interest income						6,065
Finance costs						(43,638)
Profit before tax						144,201
Income tax expense						(66,426)
Profit for the year						77,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. SEGMENT INFORMATION (continued) SEGMENT REVENUES AND RESULTS (continued) For the year ended 31 March 2012

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
REVENUE						
External sales (Note)	2,610,881	336,737	10,494	235,290	–	3,193,402
Share of revenue of jointly controlled entities	1,644,067	–	–	–	–	1,644,067
Segment revenue	4,254,948	336,737	10,494	235,290	–	4,837,469
RESULT						
Operating results	6,292	56,788	13,054	4,898	(545)	80,487
Share of results of associates	–	15,312	2,235	–	–	17,547
Share of results of jointly controlled entities	50,969	–	–	–	–	50,969
Segment profit (loss)	57,261	72,100	15,289	4,898	(545)	149,003
Unallocated corporate expenses						(16,649)
Interest income						6,311
Finance costs						(29,586)
Profit before tax						109,079
Income tax expense						(56,726)
Profit for the year						52,353

Note: The external sales represented the revenue of the Group as presented in consolidated statement of comprehensive income.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3 except for the segment revenue. The share of revenue of jointly controlled entities has been included in segment revenue for the purpose of performance assessment by the CODM.

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administration expenses directly attributable to each segment without allocation of interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the CODM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. SEGMENT INFORMATION (continued)

OTHER SEGMENT INFORMATION

2013

Amounts included in the measure to segment profit (loss):

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
Depreciation and amortisation	12,749	508	-	560	-	13,817
Fair value changes on investment properties	-	-	10,271	-	-	10,271
(Gain) loss on disposal of property, plant and equipment	(3,581)	58	-	56	-	(3,467)
Allowance for impairment of other receivables	-	12,076	-	-	-	12,076
Write down of properties under development for sale	-	24,553	-	-	-	24,553
Write down of deposits paid for properties held for sale	-	6,485	-	-	-	6,485

2012

Amounts included in the measure to segment profit (loss):

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
Depreciation and amortisation	6,377	877	-	637	-	7,891
Fair value change on investment properties	-	-	1,301	-	-	1,301
(Gain) loss on disposal of property, plant and equipment	(5,671)	674	-	197	-	(4,800)
Write down of properties under development for sale	-	35,710	-	-	-	35,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

7. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas, including Hong Kong (place of domicile) and other regions in the PRC.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong (place of domicile)	3,189,197	2,754,847	669,220	687,863
Other regions in the PRC	595,114	361,528	5,201	12,096
Other jurisdictions	21,020	77,027	70,559	82,566
	3,805,331	3,193,402	744,980	782,525

INFORMATION ABOUT MAJOR CUSTOMERS

Included in the revenue arising from construction work, there were two customers (2012: one) who accounted for over 10% of revenue with revenue of HK\$983,416,000 and HK\$495,784,000 respectively (2012: HK\$924,953,000). The customers are located in Hong Kong.

8. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interests on:		
Bank loans wholly repayable within five years	43,608	42,353
Bank loans not wholly repayable within five years	642	209
Finance leases	996	929
Amount due to a jointly controlled entity	–	477
Unsecured bonds	10,875	3,836
Total borrowing costs	56,121	47,804
Less: Amount attributable to contract work	(10,266)	(9,676)
Amount capitalised as part of costs of properties under development for sale	(2,217)	(8,542)
	43,638	29,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

9. INCOME TAX EXPENSE

	2013 HK\$'000	2012 HK\$'000 (restated)
Current tax		
— Hong Kong Profits Tax		
— current year	9,423	4,584
— under(over)provision in prior years	156	(242)
	9,579	4,342
— PRC Enterprise Income Tax (“EIT”)		
— current year	39,444	22,238
— underprovision in prior years	7,170	1,484
	46,614	23,722
— PRC LAT		
— current year	15,673	38,221
— underprovision in prior year	4,267	—
	19,940	38,221
— Other jurisdictions		
— current year	199	—
— overprovision in prior years	(3,119)	(17)
	(2,920)	(17)
Deferred tax credit (note 31)	(6,787)	(9,542)
	66,426	56,726

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

9. INCOME TAX EXPENSE (continued)

Under the EIT Law of PRC, withholding income tax at 10% is imposed on dividends declared in respect of profits earned in the calendar year 2008 or onwards and being distributed by enterprises established in the PRC to their foreign shareholders, if there is no applicable tax treaty. At the end of the reporting period, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK\$185,694,000 (2012: HK\$170,850,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 31.

Tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2013 HK\$'000	2012 HK\$'000 (restated)
Profit before tax	144,201	109,079
Tax at the Hong Kong Profits Tax rate of 16.5%	23,793	17,998
Tax effect of share of results of associates	(1,962)	(2,895)
Tax effect of share of results of jointly controlled entities	(2,329)	(8,410)
Tax effect of expenses not deductible for tax purpose	25,202	20,337
Tax effect of income not taxable for tax purpose	(3,876)	(2,790)
Underprovision in prior years, net	4,207	1,225
Tax effect of tax losses for current year not recognised	21,664	12,215
Utilisation of tax losses previously not recognised	(10,397)	(9,554)
Recognition of tax losses available to set off the assessable profits of jointly controlled entities	(3,251)	(10,015)
Effect of different tax rates of operations in other jurisdictions	1,034	10,736
PRC LAT	19,940	38,221
Tax effect of LAT	(4,985)	(9,555)
Others	(2,614)	(787)
Tax charge for the year	66,426	56,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

10. PROFIT FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	3,997	3,583
Underprovision in prior year	82	289
	4,079	3,872
Depreciation and amortisation	44,793	37,379
Less: Amount attributable to contract work	(30,976)	(29,488)
	13,817	7,891
Fair value changes on investments held for trading (included in other gains and losses)	127	183
Allowance for impairment of other receivables	12,076	–
Write down of properties under development for sale (included in cost of sales)	24,553	35,710
Write down of deposits paid for properties held for sale	6,485	–
Gain on disposal of property, plant and equipment (included in other gains and losses)	(3,467)	(4,800)
Operating lease rentals for:		
Rental properties	12,507	12,392
Plant and machinery	68,362	57,493
	80,869	69,885
Less: Amount attributable to contract work	(72,834)	(62,264)
	8,035	7,621
Share-based payment expense	1,263	2,943
Staff costs, including directors' emoluments	879,888	799,054
Less: Amount attributable to contract work	(472,780)	(419,116)
Amount attributable to properties under development	(7,867)	(11,982)
	399,241	367,956
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	1,364	10,056
Share of tax of associates (included in share of results of associates)	2,541	6,471
Construction project management fee income (included in other income)	(65,960)	(72,561)
Interest income	(6,065)	(6,311)
Net foreign exchange loss (included in other gains and losses)	498	3,269
Rental income from investment properties, net of direct operating expenses from investment properties that generated rental income during the year of HK\$1,139,000 (2012: HK\$1,190,000)	(11,522)	(9,304)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2012: eight) Directors were as follows:

2013

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contribution HK\$'000	Share-based payment HK\$'000	
Pang Yat Ting, Dominic	-	3,134	15	51	3,200
Pang Yat Bond, Derrick	-	3,248	15	48	3,311
Kwok Yuk Chiu, Clement	-	2,876	15	81	2,972
Li Wai Hang, Christina	-	2,003	15	28	2,046
Au Son Yiu	220	-	-	9	229
Chan Chiu Ying, Alec	220	-	-	9	229
Hui Chiu Chung, Stephen	220	-	-	9	229
Lee Shing See	220	-	-	9	229
	880	11,261	60	244	12,445

2012

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contribution HK\$'000	Share-based payment HK\$'000	
Pang Yat Ting, Dominic	-	3,075	12	120	3,207
Pang Yat Bond, Derrick	-	3,190	12	113	3,315
Kwok Yuk Chiu, Clement	-	2,961	12	191	3,164
Li Wai Hang, Christina	-	2,003	12	67	2,082
Au Son Yiu	220	-	-	21	241
Chan Chiu Ying, Alec	220	-	-	21	241
Hui Chiu Chung, Stephen	220	-	-	21	241
Lee Shing See	220	-	-	21	241
	880	11,229	48	575	12,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(B) EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two (2012: three) Directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2012: two) individuals are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	9,879	6,383
Retirement benefit scheme contributions	29	12
Share-based payment	80	201
	9,988	6,596

The employees' emoluments were within the following bands:

	Number of employees	
	2013	2012
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	2	–
HK\$3,500,001 to HK\$4,000,000	1	1

During both years, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company has waived any remuneration during both years.

12. DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
Final dividend recognised as distribution during the year in respect of 2012 of HK0.8 cent (2011: nil) per share	7,829	–

Final dividend of HK1.4 cents per share in respect of the year ended 31 March 2013 (2012: HK0.8 cent) has been proposed by the Directors of the Company and is subject to approval from shareholders at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

13. EARNINGS PER SHARE

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

	2013 HK\$'000	2012 HK\$'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	77,775	52,353
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	980,286,665	920,235,471
Effect of dilutive potential ordinary shares in respect of		
— Share options	3,320,266	172,338
— Warrants	1,378,910	100
Weighted average number of ordinary shares for the purpose of diluted earnings per share	984,985,841	920,407,909

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For the year ended 31 March 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
COST					
At 1 April 2011	96,152	498,349	46,979	57,198	698,678
Exchange adjustment	–	(8)	68	556	616
Additions	–	18,904	7,836	3,388	30,128
Gain on revaluation upon transfer to investment properties	9,765	–	–	–	9,765
Transfer to investment properties	(40,145)	–	–	–	(40,145)
Disposals	–	(13,178)	(4,073)	(3,598)	(20,849)
At 31 March 2012	65,772	504,067	50,810	57,544	678,193
Exchange adjustment	–	295	5	23	323
Additions	–	44,624	19,869	536	65,029
Transfer to assets classified as held for sale	(1,172)	–	–	–	(1,172)
Disposals	(2,595)	(12,844)	(3,652)	(4,318)	(23,409)
At 31 March 2013	62,005	536,142	67,032	53,785	718,964
DEPRECIATION AND AMORTISATION					
At 1 April 2011	24,275	349,163	35,695	33,328	442,461
Exchange adjustment	–	(2)	52	143	193
Provided for the year	2,134	27,669	3,587	3,989	37,379
Eliminated on transfer to investment properties	(1,745)	–	–	–	(1,745)
Eliminated on disposals	–	(10,391)	(2,956)	(2,638)	(15,985)
At 31 March 2012	24,664	366,439	36,378	34,822	462,303
Exchange adjustment	–	166	4	35	205
Provided for the year	1,598	34,325	5,399	3,471	44,793
Eliminated on transfer to assets classified as held for sale	(356)	–	–	–	(356)
Eliminated on disposals	(464)	(11,884)	(2,967)	(1,519)	(16,834)
At 31 March 2013	25,442	389,046	38,814	36,809	490,111
CARRYING VALUES					
At 31 March 2013	36,563	147,096	28,218	16,976	228,853
At 31 March 2012	41,108	137,628	14,432	22,722	215,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Owner-occupied leasehold land is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

The leasehold land and buildings are depreciated over their terms of the relevant leases.

The other items of property, plant and equipment are depreciated, 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 carrying value of leasehold land and buildings under medium-term leases held by the Group at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
Properties in Hong Kong	35,732	37,207
Properties located elsewhere in the PRC	831	3,901
	36,563	41,108

The carrying value of the Group's property, plant and equipment includes an amount of HK\$36,507,000 (2012: HK\$32,347,000) and HK\$13,332,000 (2012: HK\$6,736,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.

During the year ended 31 March 2012, the Group changed the usage of a building, which was transferred from leasehold land and buildings (classified as property, plant and equipment) to investment properties at the fair value of HK\$38,400,000 on the date of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

15. INVESTMENT PROPERTIES

	2013 HK\$'000	2012 HK\$'000
FAIR VALUE		
At beginning of the year	422,622	370,193
Transfer from property, plant and equipment	–	38,400
Transfer from properties held for sale	11,716	12,728
Transfer to assets classified as held for sale	(5,505)	–
Disposals	(52,509)	–
Increase in fair value recognised in profit or loss	10,271	1,301
At end of the year	386,595	422,622

The fair values of the Group's investment properties as at 31 March 2013 have been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited, Chesterton International LLC and Vigers Appraisal and Consulting Limited (2012: Centaline Surveyors Limited, Chesterton International LLC, Jones Lang LaSalle Sallmanns Limited and Vigers Appraisal and Consulting Limited), independent qualified professional valuers not connected with the Group. All of these valuers are members of the Hong Kong Institute of Surveyors or Royal Institution of Chartered Surveyors United Kingdom. The valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are situated in the following locations:

	2013 HK\$'000	2012 HK\$'000
Under medium-term leases:		
Hong Kong	370,000	409,200
Other regions in the PRC	–	5,582
	370,000	414,782
Under long lease:		
Others	16,595	7,840
	386,595	422,622

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For the year ended 31 March 2013

15. INVESTMENT PROPERTIES (continued)

Included in investment properties in Hong Kong with a total carrying value of HK\$43,000,000 (2012: HK\$43,000,000) are co-owned with a venturer. The carrying value represents the Group's proportionate share in the valuation of the relevant properties. Details of which are set out in note 17.

16. INTERESTS IN ASSOCIATES

	2013 HK\$'000	2012 HK\$'000
Cost of unlisted investments in associates	42,783	42,783
Share of post-acquisition profits and other comprehensive income, net of dividend received	19,305	23,604
	62,088	66,387

Particulars of the Group's principal associates as at 31 March 2013 and 2012 are set out in note 45.

The summarised financial information in respect of the Group's associates is set out below:

	2013 HK\$'000	2012 HK\$'000
Total assets	698,141	741,082
Total liabilities	(410,667)	(423,828)
Net assets	287,474	317,254
Group's share of net assets of associates	62,088	66,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

16. INTERESTS IN ASSOCIATES (continued)

	2013 HK\$'000	2012 HK\$'000
Revenue	14,979	12,391
Profit for the year	51,660	85,825
Other comprehensive (expense) income	(6,832)	3,155
Group's share of profits of associates for the year	11,893	17,547
Group's share of other comprehensive (expense) income of associate for the year	(694)	446

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES JOINTLY CONTROLLED ENTITIES

	2013 HK\$'000	2012 HK\$'000
Cost of unlisted investments in jointly controlled entities	8,928	8,928
Share of post-acquisition profits net of dividend received	58,516	68,698
	67,444	77,626

Particulars of the Group's principal jointly controlled entities as at 31 March 2013 and 2012 are set out in note 46.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the Group's share of jointly controlled entities which are accounted for using the equity method is set out below:

	2013 HK\$'000	2012 HK\$'000
Current assets	1,104,888	684,802
Non-current assets	3,045	4,723
Current liabilities	(1,040,489)	(611,899)
	67,444	77,626
Income recognised in profit or loss	1,364,332	1,644,680
Expenses recognised in profit or loss	1,350,215	1,583,655

JOINTLY CONTROLLED ASSETS

Investment properties include the Group's share of interest in jointly controlled assets with a carrying value of HK\$43,000,000 (2012: HK\$43,000,000). The Group's share of net income in relation to the jointly controlled assets amounted to HK\$2,600,000 (2012: HK\$2,559,000).

18. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and will not be repayable within the next twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2013 HK\$'000	2012 HK\$'000
Contracts in progress at the end of the reporting period		
Costs incurred to date plus recognised profits less recognised losses	13,806,433	12,741,942
Less: Progress billings	(13,267,849)	(12,297,604)
	538,584	444,338
Analysed for reporting purposes as:		
Amounts due from customers for contract work	743,609	564,814
Amounts due to customers for contract work	(205,025)	(120,476)
	538,584	444,338

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013 HK\$'000	2012 HK\$'000
Debtors	353,345	276,668
Less: Allowance for doubtful debts	(534)	(534)
	352,811	276,134
Retention receivables	225,793	229,498
Consideration receivables in respect of disposal of investment properties	44,610	–
Prepayments, deposits and other receivables	99,123	73,366
Less: Allowance for impairment of other receivables	(12,076)	–
	87,047	73,366
	710,261	578,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

20. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Retention receivable is analysed as follows:

	2013 HK\$'000	2012 HK\$'000
Due within one year	14,852	4,497
Due after one year	210,941	225,001
	225,793	229,498

Except for the rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of debtors of HK\$352,811,000 (2012: HK\$276,134,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	2013 HK\$'000	2012 HK\$'000
Not yet due	304,062	262,739
Amounts past due but not impaired:		
1–30 days	45,514	11,596
31–90 days	2,068	888
91–180 days	386	538
Over 180 days	781	373
	48,749	13,395
	352,811	276,134

Included in the Group's debtors balance are debtors with a carrying amount of HK\$48,749,000 (2012: HK\$13,395,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

20. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Movement in allowance for doubtful debts:

	2013 HK\$'000	2012 HK\$'000
Balance at beginning and end of the year	534	534

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

In determining the recoverability of a debtor, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Directors believe that there is no further allowance required in excess of the allowance for doubtful debts.

Included in allowance for impairment of other receivables are individually impaired advance payments in relation to development costs of property development projects with an aggregate amount of HK\$12,076,000 (2012: HK\$nil). The Directors believe that the recoverable amount of these receivables are in doubt as these amounts have been outstanding for a number of years.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in the amount are properties under development for sale of HK\$745,449,000 (2012: HK\$613,555,000) expected to be completed after the next twelve months from the end of the reporting period.

Deposits paid for properties under development for sale of HK\$212,080,000 at 31 March 2013 (2012: HK\$179,783,000) represent the deposits paid for two pieces of land.

22. INVESTMENTS HELD FOR TRADING

	2013 HK\$'000	2012 HK\$'000
Investment held for trading: Equity securities listed outside Hong Kong stated at fair values	341	468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

23. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from associates included in current assets are unsecured, interest-free and repayable on demand.

The amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand. Included in the amounts due from jointly controlled entities are trade receivables and retention receivables of HK\$32,035,000 (2012: HK\$4,795,000) and HK\$29,783,000 (2012: HK\$7,276,000) respectively.

The ageing analysis of amounts due from jointly controlled entities that are trade receivables is as follows:

	2013 HK\$'000	2012 HK\$'000
Not yet due	28,102	4,527
Amounts past due but not impaired:		
1–30 days	2,406	219
31–90 days	36	–
91–180 days	1,487	49
Over 180 days	4	–
	3,933	268
	32,035	4,795

Included in amounts due from jointly controlled entities is an advance of HK\$35,000,000 (2012: HK\$nil) as at 31 March 2013. The advance is interest-free, unsecured and repayable on demand.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged deposits have been placed in designated banks as part of the security to secure general banking facilities granted to the Group. The bank deposits carry interest at a rate of 1.18% (2012: 1.03%) per annum as of 31 March 2013.

Bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at a rate of 0.63% (2012: 0.47%) per annum as of 31 March 2013.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 11 January 2013, the Group entered into an agreement to dispose of certain property and investment properties at an aggregate consideration of HK\$6,559,000. Accordingly, the assets are classified as held for sale. The transaction was subsequently completed in April 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

26. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$438,574,000 (2012: HK\$403,059,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	2013 HK\$'000	2012 HK\$'000
Not yet due	277,058	257,700
1–30 days	91,021	92,968
31–90 days	53,047	43,174
91–180 days	9,787	6,758
Over 180 days	7,661	2,459
	438,574	403,059

Included in the amount of creditors, deposits and accrued charges are retention payables to sub-contractors of HK\$159,881,000 (2012: HK\$120,016,000).

27. AMOUNTS DUE TO ASSOCIATES/JOINTLY CONTROLLED ENTITIES/A NON-CONTROLLING SHAREHOLDER

The amounts are unsecured, interest-free and repayable on demand.

The amount due to a non-controlling shareholder is trade-related. The ageing analysis of amount due to a non-controlling shareholder that are trade-related is as following:

	2013 HK\$'000	2012 HK\$'000
Not yet due	2,883	–
1–30 days	1,138	–
31–90 days	5	–
	4,026	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amounts payable under finance leases				
Within one year	17,263	16,602	16,531	15,864
In more than one year but not more than two years	9,342	11,989	9,019	11,667
In more than two years but not more than five years	7,941	3,630	7,783	3,583
	34,546	32,221	33,333	31,114
Less: Future finance charges	(1,213)	(1,107)	–	–
Present value of lease obligations	33,333	31,114	33,333	31,114
Less: Amount due for settlement within 12 months (shown under current liabilities)			(16,531)	(15,864)
Amount due for settlement after 12 months			16,802	15,250

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease terms range from two to three years (2012: range from two to three years). The effective borrowing rates underlying all obligations under finance leases are fixed at respective contract rates range from 2.3% to 3.5% (2012: 2.5% to 3.6%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

29. BORROWINGS

	2013 HK\$'000	2012 HK\$'000
Borrowings comprise:		
Trust receipt loans (note a)	318,953	244,140
Bank loans (note b)	1,217,945	1,028,990
Mortgage loans (note c)	15,474	17,244
	1,552,372	1,290,374
Analysed as:		
Secured	847,312	664,782
Unsecured	705,060	625,592
	1,552,372	1,290,374
Carrying amount repayable (note d)		
Within one year	–	30,864
More than one year, but not exceeding two years	–	24,378
More than two years, but not more than five years	191,784	23,811
	191,784	79,053
Carrying amount of bank loans that contain a repayment on demand clause		
– repayable within one year	1,300,111	1,095,139
– repayable after one year (shown under current liabilities)	60,477	116,182
	1,360,588	1,211,321
	1,552,372	1,290,374
Amounts repayable within one year shown under current liabilities	(1,360,588)	(1,242,185)
Amounts due after one year	191,784	48,189

All the Group's borrowings are denominated in the functional currencies of the relevant group companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

29. BORROWINGS (continued)

Notes:

- (a) The trust receipt loans are unsecured and carry interest at floating rates ranging from Hong Kong Interbank Offered Rates ("HIBOR") plus 2.0% to 3.25% (2012: HIBOR plus 2.0% to 3.25%).
- (b) Bank loans of HK\$1,149,875,000 (2012: HK\$882,036,000) are denominated in Hong Kong dollars carrying interest at floating rates with average interest rates ranging from HIBOR plus 1.8% to 3.8% (2012: HIBOR plus 1.7% to 4%). The remaining borrowings are denominated in Renminbi carrying interest at floating rates with average interest rates of benchmark interest rate from the People's Bank of China ("Benchmark Rate") with 20% mark-up or Benchmark Rate plus 1.5% per annum, whichever is higher (2012: Benchmark Rate to Benchmark Rate with 20% mark-up or Benchmark Rate plus 1.5% per annum, whichever is higher). The balance comprised secured bank loans and unsecured bank loans of HK\$831,838,000 (2012: HK\$647,538,000) and HK\$386,107,000 (2012: HK\$381,452,000), respectively.
- (c) Mortgage loans are secured and carry interest at floating rates of Hong Kong Dollars Prime Rate ("Prime") minus 2.25% or HIBOR plus 0.925% (2012: Prime minus 2.25% or HIBOR plus 0.925%).
- (d) The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

30. UNSECURED BONDS

On 23 November 2011, the Company entered into a subscription agreement with Talent Effort Limited ("Talent Effort"), a company indirectly beneficially owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic, both being executive directors of the Company and the substantial shareholders of the ultimate holding company, in relation to the issue of unsecured bonds in the principal amount of HK\$150 million by the Company to Talent Effort. The bonds were issued to Talent Effort on 23 November 2011, which will be matured on 22 November 2014 at par with interest of 7.25% per annum payable semi-annually in arrear.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Other deductible temporary differences	Fair value gain of investment properties	Undistributed earnings of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 as originally stated	(28,321)	12,384	4,731	(30,467)	(4,702)	(46,375)
Effect of change in accounting policies	–	–	–	30,467	–	30,467
At 1 April 2011 as restated	(28,321)	12,384	4,731	–	(4,702)	(15,908)
(Charge) credit to profit or loss	(3,424)	12,275	691	–	–	9,542
At 31 March 2012	(31,745)	24,659	5,422	–	(4,702)	(6,366)
(Charge) credit to profit or loss	(1,634)	1,903	6,518	–	–	6,787
Utilisation of tax loss by jointly controlled entities	–	(6,175)	–	–	–	(6,175)
At 31 March 2013	(33,379)	20,387	11,940	–	(4,702)	(5,754)

At the end of the reporting period, the Group has unused tax losses of HK\$525,640,000 (2012: HK\$502,942,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$123,560,000 (2012: HK\$149,446,000) of such losses, including tax loss of HK\$39,915,000 (2012: HK\$60,697,000) which will be available to the Company's jointly controlled entities to offset the jointly controlled entities' future taxable profit. No deferred tax asset has been recognised in respect of the remaining HK\$402,080,000 (2012: HK\$353,496,000) losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

31. DEFERRED TAX LIABILITIES (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	31.3.2013 HK\$'000	31.3.2012 HK\$'000 (restated)	1.4.2011 HK\$'000 (restated)
Deferred tax assets	6,586	10,015	–
Deferred tax liabilities	(12,340)	(16,381)	(15,908)
	(5,754)	(6,366)	(15,908)

32. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2013	2012	2013 HK\$'000	2012 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and at end of the year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	978,638,531	916,132,531	97,864	91,613
Exercise of warrants	2,148,754	6,000	215	1
Exercise of share options	6,978,000	–	698	–
Issue of subscription shares	–	62,500,000	–	6,250
At end of the year	987,765,285	978,638,531	98,777	97,864

Details of the exercise of warrants and share options during the years ended 31 March 2012 and 2013 are set out in notes 33 and 34 respectively.

On 12 January 2012, GT Winners Limited, the ultimate holding company of the Company, which is incorporated in the British Virgin Islands with limited liability and the Company entered into a subscription agreement pursuant to which GT Winners Limited has agreed to subscribe for and the Company has agreed to allot and issue 62,500,000 ordinary shares of HK\$0.1 each at a consideration of HK\$25,000,000.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

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33. WARRANTS

Pursuant to the resolution passed at a board of directors meeting of the Company held on 16 July 2010, a bonus issue of warrants (the “Warrants”) on the basis of three warrants for every sixteen shares of HK\$0.1 each held by shareholders on the register of members of the Company as at 3 September 2010 was approved. A total of 171,748,312 units of the Warrants with an aggregate subscription amount of HK\$85,874,156 were issued on 9 September 2010. Each of the Warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.5 per share, subject to anti-dilutive adjustments, at any time from the date of issue up to and including 12 September 2013.

During the year ended 31 March 2013, 2,148,754 new shares (2012: 6,000) of the Company of HK\$0.1 each were issued upon the exercise of the Warrants. At 31 March 2013, the Company had 169,452,025 outstanding Warrants (2012: 171,600,779). Exercise in full of such outstanding Warrants would result in the issue of 169,452,025 additional shares (2012: 171,600,779).

34. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed on 3 September 2012, the Company has adopted a new share option scheme (the “New Scheme”). No further options can be granted under the share option scheme which was adopted on 28 August 2002 (the “Old Scheme”) since 28 August 2012.

(A) OLD SCHEME

The primary purpose of the Old Scheme is to provide 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 the 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 (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 Old 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 Old 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 Old 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 the refreshment of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Old Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

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34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

The total number of shares issued and to be issued upon exercise of the options granted to any Eligible Personnel (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue without prior approval from the shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Personnel within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director, 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 by the shareholders.

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 Old Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002 and no further options can be granted under the share option scheme since 28 August 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

Details of the movements in share options are as follows:

For the year ended 31 March 2013

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			Outstanding at 31/3/2013
				Outstanding at 1/4/2012	Exercised during the year (Note 3)	Lapsed during the year	
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	9,652,000	-	-	9,652,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	747,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	2,445,000	-	-	2,445,000
	15/1/2010	0.650	15/1/2012 to 14/1/2014	2,445,000	-	-	2,445,000
	15/1/2010	0.650	15/1/2013 to 14/1/2014	3,260,000	-	-	3,260,000
Employees	17/1/2012	0.410	17/1/2012 to 16/1/2014	12,494,400	(4,126,800)	(906,000)	7,461,600
	17/1/2012	0.410	17/1/2013 to 16/1/2014	8,329,600	(2,101,200)	(1,254,000)	4,974,400
Consultants	15/1/2010	0.650	15/1/2011 to 14/1/2014	113,400	-	-	113,400
	15/1/2010	0.650	15/1/2012 to 14/1/2014	113,400	-	-	113,400
	15/1/2010	0.650	15/1/2013 to 14/1/2014	151,200	-	-	151,200
	22/3/2010	0.660	22/3/2010 to 21/3/2013	75,757	-	(75,757)	-
	17/1/2012	0.410	17/1/2012 to 16/1/2014	750,000	(750,000)	-	-
	17/1/2012	0.410	17/1/2013 to 16/1/2014	500,000	-	-	500,000
Other (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	-	-	1,464,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	747,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	834,600	-	-	834,600
	15/1/2010	0.650	15/1/2012 to 14/1/2014	834,600	-	-	834,600
	15/1/2010	0.650	15/1/2013 to 14/1/2014	1,112,800	-	-	1,112,800
				46,069,757	(6,978,000)	(2,235,757)	36,856,000
Number of option exercisable at the end of the reporting period							36,856,000
Weighted average exercise price				0.608	0.410	0.420	0.657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

Details of the movements in share options are as follows: (continued)

For the year ended 31 March 2012

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			Outstanding at 31/3/2012
				Outstanding at 1/4/2011	Replacement during the year (Note 4)	Lapsed during the year	
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	9,652,000	-	-	9,652,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	747,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	2,445,000	-	-	2,445,000
	15/1/2010	0.650	15/1/2012 to 14/1/2014	2,445,000	-	-	2,445,000
	15/1/2010	0.650	15/1/2013 to 14/1/2014	3,260,000	-	-	3,260,000
Employees	15/1/2010	0.650	15/1/2011 to 14/1/2014	6,720,600	(6,247,200)	(473,400)	-
	15/1/2010	0.650	15/1/2012 to 14/1/2014	6,720,600	(6,247,200)	(473,400)	-
	15/1/2010	0.650	15/1/2013 to 14/1/2014	8,960,800	(8,329,600)	(631,200)	-
	17/1/2012	0.410	17/1/2012 to 16/1/2014	-	12,494,400	-	12,494,400
	17/1/2012	0.410	17/1/2013 to 16/1/2014	-	8,329,600	-	8,329,600
Consultants	31/7/2008	0.684	31/1/2009 to 30/7/2011	219,294	-	(219,294)	-
	15/1/2010	0.650	15/1/2011 to 14/1/2014	771,600	(375,000)	(283,200)	113,400
	15/1/2010	0.650	15/1/2012 to 14/1/2014	771,600	(375,000)	(283,200)	113,400
	15/1/2010	0.650	15/1/2013 to 14/1/2014	1,028,800	(500,000)	(377,600)	151,200
	22/3/2010	0.660	22/3/2010 to 21/3/2013	75,757	-	-	75,757
	17/1/2012	0.410	17/1/2012 to 16/1/2014	-	750,000	-	750,000
	17/1/2012	0.410	17/1/2013 to 16/1/2014	-	500,000	-	500,000
Other (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	-	-	1,464,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	747,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	834,600	-	-	834,600
	15/1/2010	0.650	15/1/2012 to 14/1/2014	834,600	-	-	834,600
	15/1/2010	0.650	15/1/2013 to 14/1/2014	1,112,800	-	-	1,112,800
				48,811,051	-	(2,741,294)	46,069,757
Number of option exercisable at the end of the reporting period							32,716,157
Weighted average exercise price				0.719	0.410	0.653	0.608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

Details of the movements in share options are as follows: (continued)

Notes:

1. These outstanding share options were held by a former independent non-executive director and a deceased director. The Board has approved that these outstanding share options can be exercised on or before 14 January 2014, 12 August 2014 and 1 April 2017 respectively.
2. All options referred to in the above tables are not subject to any vesting period save as the options granted on 31 July 2008, 15 January 2010 and 17 January 2012, the vesting dates are 31 January 2009, 15 January 2011, 15 January 2012, 15 January 2013 and 17 January 2013 respectively.
3. In respect of the share options exercised during the year ended 31 March 2013, the weighted average share price at the date of exercise was HK\$0.41.
4. On 17 January 2012, the share options previously granted to employees and consultant of the Group on 15 January 2010 to subscribe for a total of 22,074,000 ordinary shares in the share capital of the Company had been cancelled (the "Cancelled Share Options") with immediate effect. These share options had not been exercised since they were granted.

The Company had granted 22,074,000 new share options under the Old Scheme to holders of the Cancelled Share Options to subscribe for a total of 22,074,000 shares in the replacement of the Cancelled Share Options held by them.

The Directors considered that the exercise price for the Cancelled Share Options (being HK\$0.65 per share) was higher than the recent market prices of the shares, the Cancelled Share Options could no longer serve the purpose of providing incentives or rewards to the holders thereof. The replacement by the new share options, by bringing the exercise price (being HK\$0.41 per share) to the current trading price level of the shares, would better serve the purpose of the Old Scheme in providing incentives or rewards to eligible participants thereunder for their contributions to the Group. The fair value of the new options determined at the date of replacement using the Black-Scholes option pricing model ranged from HK\$0.073 to HK\$0.085. The fair value of the Cancelled Share Options determined at the date of replacement using the Black-Scholes option pricing model is HK\$0.044. As the replacement of a portion of the share options occurred after their vesting period, the incremental fair value of the options determined on the date of replacement using the Black-Scholes option pricing model of HK\$389,000 was recognised immediately in profit or loss. In addition, the incremental fair value recognised in current year relating to the replaced share options not yet vested at the date of replacement amounting to HK\$76,000 has been recognised in profit or loss. The remaining incremental fair value of HK\$280,000 in respect of those replaced share options not yet vested will be expensed over the remaining vesting period of one year.

5. No share options were granted or cancelled during the year ended 31 March 2013.

The Group recognised the total expense of HK\$1,190,000 for the year ended 31 March 2013 (2012: HK\$2,943,000) in relation to share options granted/replaced by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

The following assumptions were used to calculate the fair values of share options replaced/cancelled during the year ended 31 March 2012:

Date of replacement/ cancellation of the share option	Exercise price per option	Share price at replacement/ cancellation	Expected life of share option	Expected volatility of share prices	Expected dividend yield
17 January 2012	0.410	0.410	1.00 year	44.97%	0.00%
17 January 2012	0.410	0.410	1.50 years	42.30%	0.00%
17 January 2012	0.650	0.410	2.00 years	44.96%	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1–2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Black-Scholes option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 March 2013, the total number of shares in respect of which share options had been granted/replaced under the Old Scheme and remained outstanding under the Old Scheme was 36,856,000 shares (2012: 46,069,757) representing 3.7% (2012: 4.71%) of the shares of the Company in issue as at 31 March 2013.

(B) NEW SCHEME

On 3 September 2012, the New Scheme was adopted by the Company for the primary purpose of providing 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 the 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 (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 New Scheme and other share option schemes of the Company must not exceed the Scheme Limit. No options will be granted under the New Scheme at any time if such grant will result in the Scheme Limit being exceeded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company shall not exceed Scheme Mandate Limit, subject to the refreshment of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the 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 Eligible Personnel (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue without prior approval from the shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Personnel within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an Independent Non-executive Director, 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 by the shareholders.

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 New Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 3 September 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

Details of the movements in share options are as follows:

For the year ended 31 March 2013

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options	
				Granted during the year	Outstanding at 31/3/2013
Employees	20/2/2013	0.660	20/2/2014 to 19/2/2017	2,133,600	2,133,600
	20/2/2013	0.660	20/2/2015 to 19/2/2017	2,133,600	2,133,600
	20/2/2013	0.660	20/2/2016 to 19/2/2017	2,844,800	2,844,800
				<u>7,112,000</u>	<u>7,112,000</u>

Number of option exercisable at the end of the reporting period

–

Weighted average exercise price

0.660

Note:

The vesting period, which is the period from the date of grant to the exercisable date, of the share options granted is determined by Directors of the Company at each time when the options are granted. Holders of share options granted under the New Scheme may only exercise their options during the exercisable periods as follows:

New Scheme	Maximum % of share options exercisable
20/2/2014 – 19/2/2015	up to 30%
20/2/2015 – 19/2/2016	up to 60%
20/2/2016 – 19/2/2017	up to 100%

The Group recognised the total expense of HK\$73,000 (2012: Nil) for the year ended 31 March 2013 in relation to share options granted by the Company under the New Scheme.

The following assumptions were used to calculate the fair values of share options grant in current year:

Date of grant of the share option	Exercise price per option	Share price at grant date	Expected life of share option	Expected volatility of share prices	Expected dividend yield
20 February 2013	0.660	0.660	2.50 years	35.49%	1.21%
20 February 2013	0.660	0.660	3.00 years	38.21%	1.21%
20 February 2013	0.660	0.660	3.50 years	39.19%	1.21%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1–2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Black-Scholes option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 March 2013, the total number of shares in respect of which share options had been granted under the New Scheme and remained outstanding was 7,112,000 shares (2012: Nil), representing 0.72% (2012: Nil) of the shares of the Company in issue as at 31 March 2013.

35. RETIREMENT BENEFIT SCHEMES

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 statement of comprehensive income 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 benefit scheme contributions of HK\$14,315,000 (2012: HK\$24,752,000) after forfeited contributions utilised of HK\$17,727,000 (2012: HK\$3,984,000).

At the end of the reporting period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

35. RETIREMENT BENEFIT SCHEMES (continued)

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. Contributions paid or payable for these retirement benefits schemes for the year are HK\$1,545,000 (2012: 2,141,000).

36. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2013, the Group disposed of its property under development in Shenyang through the disposal of a wholly-owned subsidiary which was established in the PRC and engaged in property development for a cash consideration of HK\$265,884,000 to an independent third party. The disposal was accounted for as a sale of property inventories in the ordinary course of the Group's property development business. Upon the sale of the subsidiary, the corresponding consideration for and the carrying amounts of the underlying properties interests were recorded as revenue and cost of sales respectively. Translation reserve relating to the relevant subsidiary of HK\$17,484,000 was released to profit or loss for the year.

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of plant and machinery and motor vehicles with a total capital value at the inception of the leases of HK\$21,716,000 (2012: HK\$20,031,000).

38. CAPITAL COMMITMENTS

	2013 HK\$'000	2012 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	9,811	11,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

39. OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSEE:

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	9,705	10,002
In the second to fifth year inclusive	6,125	6,620
	15,830	16,622

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

THE GROUP AS LESSOR:

Property rental income earned during the year was HK\$12,661,000 (2012: HK\$10,494,000). The properties held have committed tenants for an average term of two years.

At the end of the reporting period, 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:

	2013 HK\$'000	2012 HK\$'000
Within one year	12,148	9,154
In the second to fifth year inclusive	7,299	12,721
	19,447	21,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

40. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2013 HK\$'000	2012 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	402,339	255,797
– jointly controlled entities	45,178	33,491
	447,517	289,288
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
– an associate	32,000	32,000
– jointly controlled entities	439,000	344,500
	471,000	376,500
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	294,065	269,042

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the consolidated statement of financial position.

41. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure banking facilities granted to the Group:

	2013 HK\$'000	2012 HK\$'000
Investment properties	370,000	409,200
Property, plant and equipment	46,437	31,497
Properties under development for sale	421,542	8,679
Properties held for sale	–	132,272
Bank deposits	237,670	242,082
	1,075,649	823,730

In addition, the Group has pledged its entire equity interest in one of its wholly-owned subsidiaries to secure the banking facilities granted to the Group as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

42. RELATED PARTY TRANSACTIONS AND BALANCES

(i) During the year, the Group had the following transactions with related parties:

	Associates		Jointly controlled entities		Non-controlling shareholder		A related party (note 30)	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the year:								
Contract revenue recognised	-	-	394,364	502,278	-	-	-	-
Construction project management fee income received (Note)	-	-	65,960	72,561	-	-	-	-
Security guard services income received	-	-	2,395	2,880	-	-	-	-
Staff costs	-	-	121,333	109,265	-	-	-	-
Purchase of construction materials	-	-	-	-	5,537	-	-	-
Interest expense	-	-	-	477	-	-	10,875	3,836
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by jointly controlled entities	-	-	45,178	33,491	-	-	-	-
Extent of guarantee issued to financial institutions to secure credit facilities granted	32,000	32,000	439,000	344,500	-	-	-	-

Note: Construction project management fee income relates to the provision of supervising services in managing the construction project such as leading and coordinating negotiations with the employer; organising and coordinating dealings with financial institutions and provide company secretarial and other corporate functional support services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (ii) On 12 January 2012, GT Winners Limited, the ultimate company of the Company, which is incorporated in the British Virgin Islands with limited liability and the Company entered into a subscription agreement pursuant to which GT Winners Limited has agreed to subscribe for and the Company has agreed to allot and issue 62,500,000 ordinary shares at a consideration of HK\$25,000,000. Details of the transaction are set out in the Company's announcement dated 12 January 2012 and disclosed in note 32.
- (iii) The Group's key management personnel are all Directors of the Company, details of their remuneration are disclosed in note 11.
- (iv) Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 18, 23, 27 and 30.

43. COMPANY'S CONDENSED STATEMENT OF FINANCIAL POSITION

	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES		
Total assets	1,623,996	1,429,558
Total liabilities	(853,108)	(635,029)
	770,888	794,529
CAPITAL RESERVES		
Share capital	98,777	97,864
Reserves	672,111	696,665
	770,888	794,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Company/subsidiaries		attributable to the Group		
			2013 %	2012 %	2013 %	2012 %	
Bloom Team Building Construction Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Construction
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$291,000,000 ordinary shares	100	100	100	100	Construction
		HK\$9,000,000 non-voting deferred shares	(note a)				
Chun Wo E & M Engineering Limited	Hong Kong	HK\$15,000,000 ordinary shares	100	100	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$14,000,000 ordinary shares	100	100	100	100	Interior design and decoration
Chun Wo Engineering (Macau) Company Limited	Macau	MOP1,000,000 capital	100	100	100	100	Construction
Chun Wo Foundations Limited	Hong Kong	HK\$19,000,000 ordinary shares	100	100	100	100	Construction
Chun Wo Foundations (Macau) Engineering Limited	Macau	MOP100,000 capital	100	100	100	100	Construction
City Professional Management Limited	Hong Kong	HK\$3,400,000 ordinary shares	100	100	100	100	Property management services
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	100	100	Security guard services
Green Solution Interior Design and Decoration Company Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Interior design and decoration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Company/subsidiaries		attributable to the Group		
			2013 %	2012 %	2013 %	2012 %	
Mandarin Group Ltd	British Virgin Islands	HK\$26,000,000 ordinary shares	100	100	100	100	Investment holding
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property investment
Smart Wealth Asia Pacific Limited	Hong Kong	HK\$1 ordinary share	100	–	100	–	Property development
Smartwill Asia Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Property development
Vasteam Construction Limited	Hong Kong	HK\$18,000,000 ordinary shares	100	100	100	100	Construction
Wing Cheong Electrical Engineering & Contracting Company Limited	Hong Kong	HK\$15,000,000 ordinary shares	100	100	100	100	Electrical and mechanical contract works
石家莊俊景房地產開發有限公司 (note b)	PRC	HK\$150,000,000 registered capital	100	100	100	100	Property development
沈陽盛隆房地產開發有限公司 (note b and c)	PRC	US\$20,000,000 registered capital	–	100	–	100	Property development

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.
- The subsidiaries are wholly foreign owned enterprise.
- The subsidiary has been disposed of during the year ended 31 March 2013 as disclosed in note 36.
- All the above principal subsidiaries are indirectly held by the 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 2013 or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

45. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 March 2013 and 2012 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group		Principal activities
				2013 %	2012 %	
Grand View Properties Limited	Incorporated	Hong Kong	HK\$10 ordinary shares	40	40	Property investment
Vietnam Land (HK) Ltd	Incorporated	British Virgin Islands	US\$25,000,000 ordinary shares	20	20	Investment holding

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities as at 31 March 2013 and 2012 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to the Group		Principal activities
			2013 %	2012 %	
Chun Wo – CRGL Joint Venture	Unincorporated	Hong Kong	70 (Note)	70 (Note)	Construction
Chun Wo – CRGL – MBEC Joint Venture	Unincorporated	Hong Kong	60 (Note)	60 (Note)	Construction
Chun Wo – CRGL – QR Joint Venture	Unincorporated	Hong Kong	45 (Note)	45 (Note)	Construction
Chun Wo – CEC Joint Venture	Unincorporated	Hong Kong	51 (Note)	51 (Note)	Construction
Chun Wo – Henryvicy – GTECH Joint Venture	Unincorporated	Hong Kong	55 (Note)	–	Construction
Chun Wo – Hip Hing Joint Venture	Unincorporated	Hong Kong	50	50	Construction
Chun Wo – Leader Joint Venture	Unincorporated	Hong Kong	49 (Note)	49 (Note)	Construction
CW – SELI Joint Venture	Unincorporated	Hong Kong	50	–	Construction
JEC – CW E&M Joint Venture	Unincorporated	Hong Kong	50	–	Construction

Note: The Group holds greater or less than 50% interests in these entities. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. The joint venture partners have contractually agreed sharing of control over the financial and operating policies of these entities, therefore these entities are classified as jointly controlled entities.

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

FINANCIAL SUMMARY

	Year ended 31 March				2013
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000 (restated)	HK\$'000
RESULTS					
Revenue	2,010,338	2,606,241	3,002,446	3,193,402	3,805,331
(Loss) profit before tax	(100,275)	26,062	(16,918)	109,079	144,201
Income tax (expense) credit	(19,602)	5,028	(38,045)	(56,726)	(66,426)
(Loss) profit for the year	(119,877)	31,090	(54,963)	52,353	77,775
Attributable to:					
Owners to the Company	(119,877)	31,090	(54,963)	52,353	77,775
Non-controlling interests	–	–	–	–	–
	(119,877)	31,090	(54,963)	52,353	77,775
At 31 March					
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000 (restated)	2012 HK\$'000 (restated)	2013 HK\$'000
ASSETS AND LIABILITIES					
Total assets	3,602,100	3,657,073	3,902,006	4,085,024	4,547,820
Total liabilities	(2,315,195)	(2,308,734)	(2,546,627)	(2,605,798)	(3,016,855)
	1,286,905	1,348,339	1,355,379	1,479,226	1,530,965
Equity attributable to:					
Owners to the Company	1,286,555	1,347,989	1,355,029	1,478,876	1,530,615
Non-controlling interests	350	350	350	350	350
	1,286,905	1,348,339	1,355,379	1,479,226	1,530,965

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR DEVELOPMENT/SALE

Location	Stage of completion	Expected date of completion	Usage	Total estimated site area (square metres)	Total estimated gross floor area (square metres)	Group's interest
A parcel of land located between northern side of He Ping Road and southern side of Guang Hua Road, Shijiazhuang, Hebei Province, The People's Republic of China	Phase 1: Completed Phase 2: Completed Phase 3: Planning	– – –	Residential, commercial and carpark	111,554	240,317 (Phase 2: Unsold units and Phase 3)	100%
A parcel of land located at the northeastern side of Shanwei Middle Road, Shanwei City, Guangdong Province, The People's Republic of China	Completed	–	Residential, commercial and carpark	8,576	26,312 (Unsold Units)	100%
Plot No. S5-C35 at Shams Abu Dhabi, Al Reem Island, Abu Dhabi, United Arab Emirates	Planning	–	Residential	2,425	22,715	100%
Plot No. S6-C05 at Shams Abu Dhabi, Al Reem Island, Abu Dhabi, United Arab Emirates	Construction in progress	September 2013	Residential	1,646	5,644	100%
Plot No. 2APT002A, Al Marjan Island, Ras Al Khaimah, United Arab Emirates	Planning	–	Residential	9,099	27,286	100%
Kelly Court Redevelopment, 55-57 Wing Hong Street, 84-86 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong	Planning	–	Industrial	14,506	174,072	100%

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
Commercial Shops and Carparks, Inland Lot No. 6179, No.8 Clear Water Bay Road, Kowloon, Hong Kong	Commercial and carpark	Medium
Apartment#2405, 24th Floor, Sun Tower, Shams Gate District, Al Reem Island, Abu Dhabi, United Arab Emirates	Residential apartment	Long
Apartment#2505, 25th Floor, Sun Tower, Shams Gate District, Al Reem Island, Abu Dhabi, United Arab Emirates	Residential apartment	Long
Townhouse #V4C-38, Al Muneera Island, Al Raha Beach, Abu Dhabi, United Arab Emirates	Residential house	Long