



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00711



Annual Report 2013/14

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





CONTENTS

- 2** Corporate Culture
- 3** Corporate Information
- 4** Corporate Event Highlights
- 8** Chairman's Statement
- 11** Management Discussion and Analysis
- 31** Corporate Social Responsibility
- 36** Awards and Recognitions
- 41** Biographical Details of Directors and Senior Management
- 49** Corporate Governance Report
- 57** Directors' Report
- 66** Independent Auditor's Report
- 67** Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 68** Consolidated Statement of Financial Position
- 70** Consolidated Statement of Changes in Equity
- 72** Consolidated Statement of Cash Flows
- 74** Notes to the Consolidated Financial Statements
- 160** Financial Summary
- 161** Particulars of Properties



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 45 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
Deacons

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, 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

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.chunwo.com

STOCK CODE

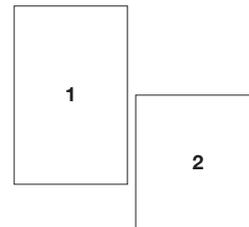
00711

CORPORATE EVENT HIGHLIGHTS

1 FORMER COMMISSIONER FOR LABOUR VISITED “PROJECT CAMPUS” SITE

JUNE 2013

The former Commissioner for Labour, Mr. Cheuk Wing Hing, visited the site of Happy Valley Underground Stormwater Storage Scheme, where “Project Campus” is taking place. Mr. Derrick Pang, the Deputy Chairman of the Group, introduced to Mr. Cheuk the new concepts to enhance the working environment with the innovative information technology in construction sites.



2 SAFETY CAMPAIGN 2013 – SAFETY FORUM AND AWARD PRESENTATION CEREMONY

AUGUST 2013

Chun Wo has arranged the annual safety forum to discuss with industry players the development of construction industry in the perspective of preventing frequently occurring accidents and improving construction safety. We were honoured to have three senior figures at the safety forum to share their valuable insights: Mr. David Leung, JP, the Deputy Commissioner for Labour (Occupational Safety and Health); Mr. Michael Fong, the former Chief Assistant Secretary (Works) of the Development Bureau; and Mr. Chow Luen Kiu, the Chairman of the Hong Kong Construction Industry Employees General Union.

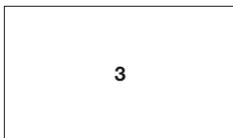


CORPORATE EVENT HIGHLIGHTS

3 WATERWORKS SITE VISITS BY THE DELEGATIONS FROM THE WATERWORKS AUTHORITY OF THAILAND AND SINGAPORE

AUGUST 2013

Two official delegations, from the Metropolitan Waterworks Authority of Bangkok Thailand and PUB, Singapore's National Water Agency, visited the project site of the Group for replacement and rehabilitation of major water mains in Western New Territories. The project team there shared their experiences of waterworks with them, and demonstrated the Spray Applied PU Lining Works technology.



4 SUCCESSFUL BID FOR A PRIME SITE AT KAU TO SHAN

SEPTEMBER 2013

The Group's successful bid for a prime site at Kau To Shan, Shatin, at the amount of HK\$2.71 billion by way of joint venture for a luxury residential development. The site will yield 323,305 square feet in total gross floor area.

5 COMPLETION OF "REEM DIAMOND"

SEPTEMBER 2013

Construction of "Reem Diamond", a low-rise residential development project in Abu Dhabi, the United Arab Emirates ("UAE"), was completed. This 10-storey development provides 48 units ranging from one-bedroom apartments to three-bedroom duplexes. In addition to being a new source of income, "Reem Diamond" has brought the Group valuable experience in developing premium residences which is conducive to the development of future projects.



CORPORATE EVENT HIGHLIGHTS

6 CHUN WO WON THE GOLD AWARD FOR EXCELLENCE IN TRAINING AND DEVELOPMENT

SEPTEMBER 2013

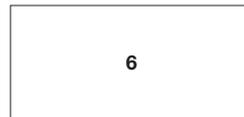
The Hong Kong Management Association (“HKMA”) runs annual awards for Excellence in Training and Development to recognize companies that have performed outstandingly in these areas. Chun Wo Development Holdings Limited was honoured with the Gold Award for Excellence in Training and Development under “Development Category” from HKMA in the Year by its “Elite Programme” tailored for the engineering and quantity surveying graduates.

7 “CHUN WO FUN FUND DAY” CUM ANNUAL DINNER

JANUARY 2014

To celebrate its 45th Anniversary, the Group held a “Chun Wo Fun Fund Day” and annual dinner at the Kowloon Bay International Trade & Exhibition Centre on 25 January 2014.

Chun Wo staff came together to take part in a wide range of activities and games in “Chun Wo Fun Fund Day” and there was a charity booth for selling second-hand goods. All proceeds were donated to charity organizations. At the annual dinner, apart from the wonderful talent performances, the long-term service awards were also presented in recognition of those staff who have dedicated many years to serving the Group.



CORPORATE EVENT HIGHLIGHTS

8 LAUNCH OF “VMV GRAND TROPHY” JANUARY 2014

The “VMV Grand Trophy”, designed to recognize Chun Wo staff with outstanding performances in the Group’s 7 core values throughout the Year, was launched.

9 ASSEMBLY OF THE TUNNEL BORING MACHINE “MU GUI YING” IN HONG KONG MARCH 2014

The tunnel boring machine (“TBM”) – “Mu Gui Ying” (which will be used in the construction project of Diamond Hill to Kai Tak Tunnels of the Shatin to Central Link for MTR Corporation Limited (“MTRC”), handled by Chun Wo-SELI Joint Venture) gained widespread local media attention. “Mu Gui Ying” is the first TBM assembled in Hong Kong in the past decade. The construction works of the tunnel between Kai Tak Development Area to Diamond Hill Station segment is expected to be completed in 2015.



10 TOP FIVE NEW MAJOR CONTRACTS AWARDED IN THE YEAR

Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works – Contract 3

Attributable contract value: HK\$2,545 million

This is a mega-scale civil engineering project granted by the Government of the Hong Kong Special Administrative Region (the “Hong Kong Government”), and is Chun Wo’s biggest-ever solo project.

Handling of Surplus Public Fill (2014–2016) for Civil Engineering and Development Department

Attributable contract value: HK\$1,226 million

MTR Contract No. 11209 – Shatin to Central Link: Platform Modification and Associated Works at East Rail Line

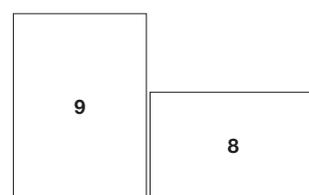
Attributable contract value: HK\$835 million

MTR Contract No. 1108 – Shatin to Central Link: Kai Tak Station and Associated Tunnels

Attributable contract value: HK\$697 million

Main Contract Works for the Retail Expansion of City of Dreams, Macau

Attributable contract value: HK\$579 million



CHAIRMAN'S STATEMENT



“The Group’s proven capabilities in both construction and property development, adapted to current market realities, will enable us to consolidate our footprint in the market and grow sustainably for the foreseeable future.”

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 2014 (the "Year").

NEW MILESTONES IN PERFORMANCE AND QUALITY

The Year was one in which the Group reached a number of significant milestones while at the same time delivered a solid performance in a market that posed significant new challenges. Net profit amounted to approximately HK\$93 million; this represented a rise of 20% over the previous year, and exceeded our previously stated target of achieving an annual net profit growth of 10%. A number of factors, discussed in details below, kept profit margins tight within the construction sector, but the revenue of the construction segment continued to rise as the Group successfully bid for a number of significant projects in Hong Kong, many associated with major ongoing government infrastructure initiatives. At the same time, our future prospects in the property sector is strong with the commencement of several new development projects in Hong Kong.

On the construction side, throughout the Year the Group continued to expand its skill set by broadening its range of technical capabilities in specialist areas such as tunnelling construction, areas which only a few players are active in Hong Kong. This steady enhancement of skills and capabilities has enabled Chun Wo to take its place among the group of international corporations with the ability to undertake complex and mega-scale construction and infrastructure projects in Hong Kong. In the Year, the Group's involvement in these kinds of projects enabled it to achieve significant revenue growth, such that at year-end we had a number of sizeable contracts in hand worth approximately HK\$28.81 billion, against the HK\$25.34 billion recorded last year. The Group remains in an excellent position to continue seizing opportunities arising from the many urban development and infrastructure projects upcoming in Hong Kong and its neighbourhood, including Macau.

However, the Group's success in construction has been tempered to a degree by difficulties within the current environment affecting profitability. Sub-contractor price pressure has arisen due to a flood of construction projects and insufficient labour and skilled workers to manage them. Within the Group, we are developing strategies to counter such external pressures; these include placing a greater focus on short-term projects, for which budgeting and cost control can be managed with more certainty. In addition, the Group is looking to reduce its reliance on external sub-contractors by developing its own internal pool of expertise.

On the property development side, the Group has assessed the effects of government cooling measures on both the Hong Kong and PRC property markets. During the Year, on top of speeding up the sale of remaining inventory in the PRC, we made a move in Hong Kong through the acquisition of a stake in a luxury residential project in Kau To Shan, Shatin. In addition, the Group acquired over 90% of an industrial building in Cheung Sha Wan for redevelopment and further successfully bid a land in Tuen Mun in May 2014 for a composite residential and commercial development. The Group has been cautious about engaging in any major transactions along traditional lines. At the same time, we are in the process of exploring different development models, such as storage capabilities or data centres, which may offer the Group more flexibility, although they are still currently at the assessment stage. We remain open, however, to engaging in small-scale property development projects that can be completed and sold quickly, whether in Hong Kong or Southern China.

CHAIRMAN'S STATEMENT

Across the board, the Group is insisting on stringent criteria for returns from its property investments and is divesting itself of assets that can achieve reasonable returns upon disposal. One example is the sale of the "Infinity 8" shopping mall in Choi Hung, which was completed in June 2014. The Group is also exploring the opportunity of disposing of the property assets it has on hand in the PRC and UAE.

STRATEGIC PLANNING FOR A FUTURE OF PROMISE

Looking ahead, prospects for the Group's construction sector are favourable in terms of the number of projects expected to arise in the coming few years, especially given the Group's proven record in bidding for large-scale projects to date. However, challenges in controlling costs will remain, as the number of new projects will continue to drive up labour and staff costs. The current development policy of the Hong Kong Government and its published master plan indicate much in the pipeline that will benefit the Group's business. The Group's property development segment will also adopt a prudent approach to growth, seeking out medium- to long-term investment opportunities on a scale that matches our resources and capabilities. Our focus will be on projects that require lower levels of speculation, such as upcoming industrial redevelopment projects in the West Kowloon area. We believe that the Group's proven capabilities in both construction and property development, adapted to current market realities, will enable us to consolidate our footprint in the market and continue to meet our profit growth target of 10% per annum.

ACKNOWLEDGEMENTS

The Group has come a long way in these years, and at every step it has relied on the dedication and commitment of management and staff. I would like to thank all staff in Chun Wo for their contributions over the Year to enabling our business to move towards truly international status and capability. I also wish to thank our many business partners for their support over the Year. As we step forward into 2014 and beyond, we will be looking to expand our footprint further, especially in the high-growth and high-expertise sectors, with the aim of achieving steady, sustainable growth and capturing new market opportunities as they arise.

Pang Yat Ting, Dominic

Chairman

Hong Kong, 24 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	2013/14 HK\$'000	2012/13 HK\$'000 (restated ¹)
Total revenue	6,551,240	4,891,770
Profit attributable to owners of the Company	93,009	77,775
Earnings per share	HK8.95 cents	HK7.93 cents
Dividend per share	HK1.7 cents	HK1.4 cents
Equity per share**	HK\$1.52	HK\$1.55

** Equity per share refers to equity attributable to owners of the Company divided by the total number of issued ordinary share capital as at 31 March 2014 and 31 March 2013 respectively.

1 Upon the application of HKFRS 11, all of the Group's joint arrangements that were previously classified as jointly controlled entities under HKAS 31 should be classified as joint operations under HKFRS 11.

FINAL DIVIDEND

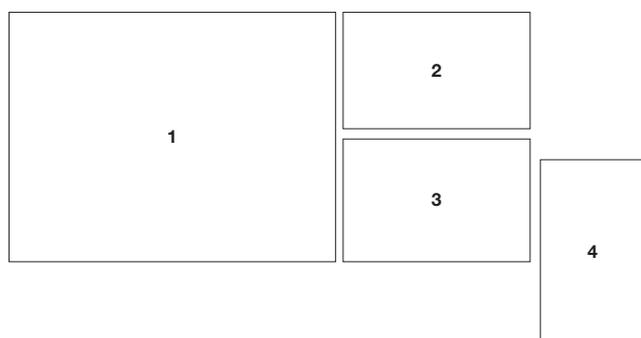
The Board recommended the payment of a final dividend of HK1.7 cents per share (the "Final Dividend") (2013: HK1.4 cents) for the Year to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on Wednesday, 3 September 2014. The proposed Final Dividend will be paid on or about Friday, 19 September 2014 subject to approval from the Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 August 2014 to Friday, 22 August 2014 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the AGM. During which period no transfer of shares 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 granted by the Company. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited ("Tricor") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 August 2014.

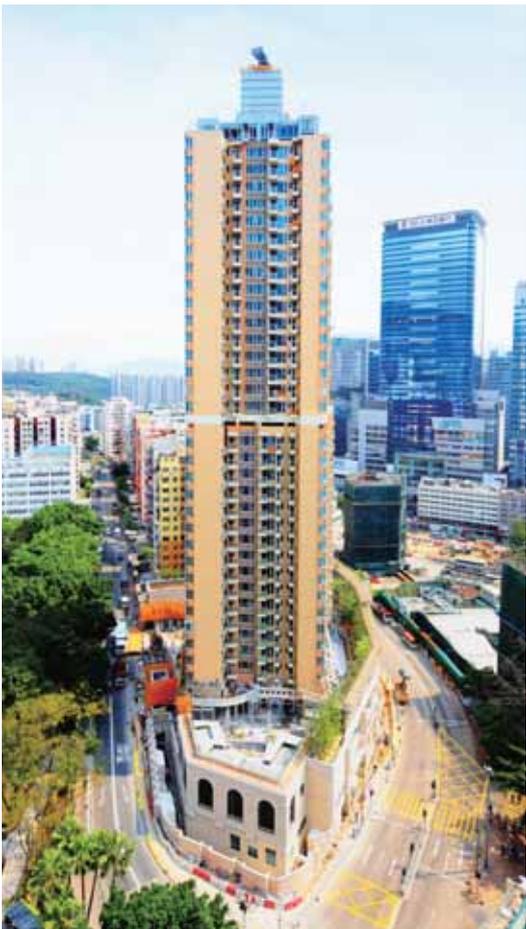
The register of members of the Company will also be closed from Thursday, 28 August 2014 to Wednesday, 3 September 2014 (both days inclusive) for the purpose of determining the entitlement to the proposed Final Dividend. During which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attached to the share options granted by the Company. In order to qualify for the proposed Final Dividend, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with Tricor at the above address for registration not later than 4:30 p.m. on Wednesday, 27 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS



- 1 Wan Chai Development Phase II: Central-Wan Chai Bypass at Wan Chai East
- 2 Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link
- 3 Redevelopment of Hong Kong Sports Institute-Contract 4
- 4 Superstructure Works for the Proposed Composite Development at Yuet Wah Street and Hip Wo Street, Kwun Tong

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group achieved a total revenue of approximately HK\$6.55 billion in the Year, up 34% year-on-year. Net profit surged by 20% year-on-year to HK\$93 million, met the 10% annual growth target in net profit that the Group previously set. Earnings per share rose by 13% to HK8.95 cents.

CONSTRUCTION

The Group's construction segment went from strength to strength in the Year, both in terms of the number of projects won, and its success in tendering for complex large-scale projects demanding considerable specialized technical expertise from the winning bidder. Revenue from the construction segment amounted to HK\$5.89 billion for the Year, a further rise from the record HK\$4.06 billion achieved the previous year. Profit from the Group's construction segment was HK\$57.2 million, against the figure HK\$41.7 million in last year.

As at 31 March 2014, the estimated total value of the Group's contracts in hand amounted to approximately HK\$28.81 billion, of which HK\$14.63 billion remains outstanding. These figures represent increases of 14% and 19% respectively over the comparable figures as at 31 March 2013. Subsequent to the close of the Year, the Group had won further new contracts worth approximately HK\$8.42 billion in aggregate.

During the Year the Group won over 14 major contracts, worth a total of approximately HK\$7.86 billion. Some of the most significant included the contract for the Liantang/Heung Yuen Wai Boundary Control Point, which involves major site formation and infrastructure works, as well as a contract for handling surplus public fill for the Hong Kong Government representing a contract sum of around HK\$2.45 billion.

The Group also continued to be successful with a number of railway infrastructure projects. It has proven its capabilities in this field over recent years, particularly in the field of tunnelling, and its new skills in the deployment of sophisticated TBM have significantly expanded the range of projects it is able to compete for. New contracts awarded by MTRC included civil engineering works at Kai Tak Station and associated tunnels for Shatin to Central Link, platform modification and associated works at East Rail Line, and station commercial and improvement works at Fo Tan Station.



Shatin to Central Link: Kai Tak Station and Associated Tunnels



"Mu Gui Ying" is the first TBM assembled in Hong Kong in the past decade

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

CONSTRUCTION (continued)

Following its successful handling of the MGM foundation project in Macau, completed in November 2013, the Group has gone on to take up a number of other projects related to resort development in Macau, primarily for leading gaming operator Melco Crown Entertainment Limited. These include the expansion of retail facilities at Macau's City of Dreams, and the undertaking of a range of projects at Cotai's Studio City for the construction of landscaping, water features and special features. Elsewhere in Macau, the Group also won the government contract for constructing a new hangar at Macau International Airport. These projects generally deliver a better profit margin for the Group compared to those in Hong Kong.

Other major projects won which showcase the breadth of the Group's capabilities included contracts for constructing blocks for the Home Ownership Scheme in Yuen Long, undertaking redevelopment works for the Hong Kong Sports Institute in Shatin, and carrying out noise mitigation works at Tung Chung.

Good progress continued to be made on the largest of the Group's ongoing projects, associated with the Wan Chai Development Phase II and the Central-Wan Chai Bypass. Other major ongoing projects included a number of projects from MTRC, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) and the Kwun Tong Line Extension. Drainage and sewerage projects also continued steadily, these included Tuen Mun western trunk sewerage construction works, the Happy Valley underground stormwater storage scheme, and ongoing work on the government term contract for waterworks in New Territories East.

The Group also successfully completed a number of projects during the Year. These included the infrastructure works at Town Centre South and Tiu Keng Leng, Tseung Kwan O, as well as civil engineering works along the seafront at Tseung Kwan O. A number of electrical and mechanical works and fitting out works at both public and private properties were also completed.

Opportunities for the construction sector in both Hong Kong and Macau were plentiful in the Year, and in general the market offered many opportunities for the Group. On the down side, the very active market resulted in sub-contractors being able to charge a premium for their services, while labour costs also rose due to a shortage of skilled workers. Although the Hong Kong Government's contract price fluctuation system has partially mitigated the risks associated with cost movements, the system is unable to fully reflect the increases in costs. It is difficult to predict this kind of price inflation for longer-term projects.

Following a dispute regarding additional works performed and costs incurred by the Group for superstructure works in relation to the main buildings and associated facilities of the Tsz Shan Monastery complex, Chun Wo Building Construction Limited ("CWB"), an indirect wholly-owned subsidiary of the Company, has commenced legal proceedings in pursuit of approximately HK\$335.0 million in outstanding payment due. A writ of summons was issued by CWB at the High Court of the Hong Kong Special Administrative Region against Metta Resources Limited on 8 August 2013. Metta Resources Limited served its Defence and Counterclaim on 22 November 2013 and CWB filed the Reply and Defence to Counterclaim on 17 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS



1

2

3

4

- 1 Infrastructure Works at Town Centre South and Tiu Keng Leng, Tseung Kwan O
- 2 Proposed Commercial Redevelopment at No. 12 Cannon Street & No. 531 Jaffe Road, Causeway Bay, Hong Kong
- 3 Retrofitting of Noise Barriers on Fanling Highway (MTR Fanling Station and Wo Hing Road)
- 4 Construction of Kwun Tong Promenade (Stage 2)

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

New Major Projects Awarded in the Year:

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Building Construction Works		
1 Main Contract Works for the Retail Expansion of City of Dreams, Macau	Sep 2015	579
2 Proposed Commercial Redevelopment at No. 12 Cannon Street & No. 531 Jaffe Road, Causeway Bay, Hong Kong	Jul 2015	564
3 Construction of Home Ownership Scheme at Wang Yip Street West, Yuen Long	Aug 2016	423
4 Redevelopment of Hong Kong Sports Institute – Contract 4	Nov 2014	218
5 Construction Works for the Landscaping, Water Features, Special Features & External Works of Studio City Macau, Cotai	May 2015	213
6 Construction Works for New Hangar of Macau International Airport	Aug 2014	191
Civil Engineering Works		
7 Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works – Contract 3	Aug 2019	2,545
8 Handling of Surplus Public Fill (2014–2016)	Jan 2017	1,226
9 MTR Contract No. 1108 – Shatin to Central Link: Kai Tak Station and Associated Tunnels	Apr 2018	697
10 MTR Contract No. C5115-13C – Noise Mitigation Works at Tung Chung	Aug 2016	82
Fitting Out Works		
11 Proposed Commercial Development at Nos. 2–6 Sha Tsui Road, Tsuen Wan	Oct 2014	88
Foundation Works		
12 Foundation and Pile Cap Works for Redevelopment of Wing On Central Building at 26 Des Voeux Road Central, Hong Kong	Apr 2015	102
Maintenance Works		
13 MTR Contract No. 11209 – Shatin to Central Link: Platform Modification and Associated Works at East Rail Line	May 2016	835
14 MTR Contract No. K0109-11C – Station Commercial and Improvement Works at Fo Tan Station	Mar 2015	101

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Major Projects Completed in the Year:

Project Name	Attributable Contract Value (HK\$' Million)
Building Construction Works	
1 Superstructure Works for the Proposed Residential Development at R.B.L. 380, 38 Repulse Bay Road, Hong Kong	79
Civil Engineering Works	
2 Infrastructure Works at Town Centre South and Tiu Keng Leng, Tseung Kwan O	368
3 Cycletracks and Associated Facilities along the Seafront at Tseung Kwan O Town Centre South	92
Foundation Works	
4 Bored Piling and Precast Prestressed Concrete Piling Contract at Area 3 for MGM Cotai Project, MGM Grand Paradise, Macau	236
5 ELS, Pile Cap & Piled Foundation Works for Proposed Office Development at No. 17 Cheung Shun Street, Cheung Sha Wan	104
6 Bored Piled Foundation Works for the Proposed 5 Storeys Industrial Development at Subsection 3 of Section S of Tseung Kwan O Town Lot No. 39 and Extension	87

Major Projects in Progress at the End of the 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	Jun 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 German Swiss International School Redevelopment Phase 3	Jun 2014	196

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Major Projects in Progress at the End of the Year: (continued)

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Civil Engineering Works		
7 Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link	May 2018	2,412
8 Wan Chai Development Phase II: Central-Wan Chai Bypass at Wan Chai East	Sep 2017	2,362
9 Wan Chai Development Phase II: Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre	Oct 2016	1,134
10 Happy Valley Underground Stormwater Storage Scheme	Apr 2018	711
11 Construction Works of Tuen Mun Western Trunk Sewerage	Aug 2014	711
12 MTR Contract No. 1107 – Shatin to Central Link: Diamond Hill to Kai Tak Tunnels	Apr 2018	534
13 MTR Contract No. 1002 – Kwun Tong Line Extension: Whampoa Station and Overrun Tunnel	May 2015	428
14 Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Island Sewage Treatment Works – Effluent Tunnel and Disinfection Facilities	Mar 2015	347
15 Construction of Kwun Tong Promenade (Stage 2)	Aug 2014	223
16 Retrofitting of Noise Barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road)	Feb 2015	192
17 Construction of Open Space in Area 117, Tin Shui Wai	Jul 2014	165
18 MTR Contract No. 1119 – Shatin to Central Link: Trackwork and Overhead Line Modification Works at Lo Wu and Pat Heung Depot	Dec 2015	58
Electrical & Mechanical Works		
19 MTR Contract No. 771B – West Island Line: Building Services for Kennedy Town Station	Jun 2014	112
20 MTR Contract No. 965B – South Island Line (East): Building Services for Wong Chuk Hang Depot	Jul 2015	99

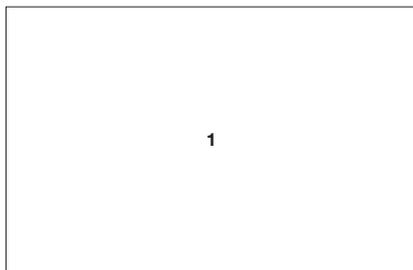
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Major Projects in Progress at the End of the Year: (continued)

Project Name	Expected Completion Date	Attributable Contract Value (HK\$' Million)
Foundation Works		
21 Bored Piles, Sheet Pile & Precast Prestressed Concrete Pile Works for Nova City Phase 5, Macau	Dec 2014	211
22 Foundation Works for Public Rental Housing Development in Kwun Tong at Anderson Road Sites A and B Phase 1 and 2	Oct 2014	153
Maintenance Works		
23 Term Contract for Waterworks District E – New Territories East	Aug 2015	700
24 Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1: Mains in Eastern and Southern Districts	Aug 2015	543
25 Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1: Major Mains in Western New Territories	Apr 2015	431
26 Replacement and Rehabilitation of Water Mains, Stage 2: Mains on Hong Kong Island North and South West	Dec 2014	362
27 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
28 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
29 Replacement and Rehabilitation of Water Mains, Stage 3: Mains in Tai Po and Sha Tin	Dec 2014	317
30 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	Oct 2014	292
31 Replacement and Rehabilitation of Water Mains, Stage 3: Mains in Tuen Mun and Yuen Long	May 2014	275
32 Term Contract for Waterworks: District L – Lantau and the Outlying Islands	Aug 2014	220
Railway Works		
33 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 Happy Valley Underground Stormwater Storage Scheme
- 2 West Island Line: Building Services for Kennedy Town Station
- 3 Kwun Tong Line Extension: Whampoa Station and Overrun Tunnel
- 4 Cycletracks and Associated Facilities along the Seafront at Tseung Kwan O Town Centre South

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

Revenue from the Group's property development segment amounted to HK\$356.3 million during the Year, as compared with the figure HK\$588.6 million in last year. The decrease was resulted from lack of major disposal comparable to the sale of our property development project in Shenyang during the last financial year. Nevertheless, the Group proceeded cautiously in the Year as the property market cooling measures in Mainland China and Hong Kong are expected to continue. The Group will adjust its strategies to cope with market changes and assess potential projects very carefully. The Group also aims to seek ways of diversifying the nature of our property business and will dispose of property projects and/or properties under development as appropriate for the benefit of the Group and its shareholders as a whole.

During the Year, the Group entered into a joint venture by which it acquired a minority interest in a prime site at Kau To Shan, Shatin, for a winning bid of HK\$2.71 billion. The site is earmarked for a luxury residential development that will comprise a mix of houses and apartments, with a projected gross floor area of 323,305 sq.ft. The project is scheduled for completion in 2017.

Elsewhere in Hong Kong, the Group acquired over 90% in an industrial building in Cheung Sha Wan for the purposes of redevelopment. An application to the Lands Tribunal for a compulsory sale order was made in June 2013. The redevelopment will begin once the ownership formalities have been concluded and the nature of the redevelopment has been finalized by the Group. Further to the winning bid for the prime site at Kau To Shan, the Group successfully bid for a 23,700 sq.ft. plot of land in Tuen Mun in May 2014, which it intends to develop into a composite residential and commercial development with a total gross floor area of around 137,000 sq.ft. The land acquisition was undertaken as a joint venture, in which the Group has more than half of the equity interest.

The Group continued to investigate a number of potential property development projects in Southern China over the Year, according to strict criteria for turnaround times and satisfactory returns.

Meanwhile, as part of its strategy to refocus its property development activities in Southern China and Hong Kong, the Group continued to actively promote sales of the last remaining units in Towers 8 and 9 of its "Arc De Royal" project in Shijiazhuang, Hebei Province. As of 31 March 2014, all of the units in Tower 9 and 84% of the units in Tower 8 had been sold, and the Group is optimistic that the few remaining units will be sold in the coming year. The project also includes a vacant land in Phase 3, which will be considered possibly developing with a joint venture partner or disposal on favourable terms. Sale of property development projects in different stages of development is one of the principal activities of the Group which is in line with our business model to sell the property projects for optimized returns on investments.

As for "Le Palais Royal" in Shanwei, 99% of its residential units and 98% of its retail units had been sold as of 31 March 2014. Further afield, in Abu Dhabi, UAE, the Group has started to lease out the units in its now-completed "Reem Diamond" low-rise residential development project in April 2014. In addition to being a new source of income, "Reem Diamond" has brought the Group valuable experience in developing premium residences, which will be prove useful in the development of future projects.

PROPERTY INVESTMENT

The Group's property investment portfolio performed satisfactorily over the Year. The Group recorded a 21% year-on-year increase in rental income from "Infinity 8", a shopping mall in Choi Hung. A sale and purchase agreement was concluded for the disposal of "Infinity 8" for HK\$353.8 million in December 2013. The transaction was completed in June 2014.

In a similar vein, the Group is actively pursuing various options for its 40% shareholding interest in the shopping mall of "Grand View Garden" in Hammer Hill Road, which recorded 6% year-on-year rental growth.

MANAGEMENT DISCUSSION AND ANALYSIS

SECURITY AND PROPERTY MANAGEMENT SERVICES

The Group's security and property management services subsidiaries continued to achieve excellent and sustainable turnover. Each continued to expand its footprint by winning a number of significant new contracts in the Year. These included security contracts for Modern Terminals Limited and Princess Margaret Hospital, cleaning and security contracts for Kai Tak Cruise Terminal, and a clubhouse management contract for Tung Chung Coastal Skyline. The Year was also the fourth consecutive year in which the Group's security subsidiary was appointed as the exclusive security service provider for the Hong Kong Brands and Products Expo. In planning for future growth, the subsidiaries are currently focusing on optimizing their human resources arrangements and integrating management systems in order to enhance the quality of their one-stop facilities solutions and provide an even more solid foundation for exploring new business opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



- 1 "Reem Diamond" Residence, Abu Dhabi
- 2 German Swiss International School Development Phase 3
- 3 Construction Works for New Hangar of Macau International Airport
- 4 Main Contract Works for the Retail Expansion of City of Dreams, Macau

MANAGEMENT DISCUSSION AND ANALYSIS

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 2014, the total net debts of the Group amounted to approximately HK\$1,198.3 million, representing total debts of approximately HK\$2,523.8 million less total of pledged bank deposits and bank balances and cash of approximately HK\$1,325.5 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2014 is analysed as follows:

	As at 31 March 2014 HK\$ million	As at 31 March 2013 HK\$ million (restated)
Borrowings and obligations under finance leases repayable:		
Within one year or on demand	2,004.2	1,652.7
After one year, but within two years		
– On demand shown under current liabilities	18.4	61.9
– Remaining balances	15.8	9.0
After two years, but within five years		
– On demand shown under current liabilities	26.6	25.8
– Remaining balances	243.8	199.6
Over five years		
– On demand shown under current liabilities	–	6.6
	2,308.8	1,955.6
Unsecured bonds		
– Repayable within one year	150.0	–
– Repayable after one year, but within two years	–	150.0
Amounts due to joint operations / other partner of a joint operation		
– Repayable on demand	55.0	–
– Repayable within one year	10.0	–
Total debts	2,523.8	2,105.6

At 31 March 2014, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.73 (31 March 2013: 0.79).

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 2014, the Group pledged bank deposits, properties, plant and equipment of approximately HK\$1,403.9 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.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 40 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 4,970 employees as at 31 March 2014. Total remuneration of employees for the year ended 31 March 2014 amounted to approximately HK\$1,157.8 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

According to the latest government statistics, the balance available in the Hong Kong Government's Capital Works Reserve Fund as at 1 April 2014 is estimated to be approximately HK\$78.7 billion. This amount, earmarked for major infrastructure and similar construction projects, indicates that the Hong Kong Government will continue to be a significant source of project works for coming years. Among the high-profile developments that the Hong Kong Government will move ahead with are the West Kowloon Cultural District, Kowloon East, the Tuen Mun-Chek Lap Kok Link, the Tuen Mun Western Bypass, and the Central-Kowloon Route. As a regular and proven government contractor, Chun Wo expects to be highly competitive in the bidding for upcoming projects over the next few years. Its competitiveness for such large-scale projects was shown in April 2014 when the Group won an important joint venture contract for work on the substantial HK-Shenzen-Zhuhai-Macao Bridge project. The new project will see Chun Wo constructing the Hong Kong Boundary Crossing Facilities, including the Passenger Clearance Building and Public Transport Interchange.

Moving forward, the Group will focus particularly on forthcoming large-scale civil engineering and public housing projects. In addition, the broader and more specialized technical expertise Chun Wo has acquired from recent projects, in areas such as tunnelling, has further strengthened its strong and unique market position in relation to upcoming tenders for large-scale and complicated infrastructure projects. As complexity is a characteristic of these projects, bidders face a higher entry barrier. Chun Wo is one of the few bidders equipped to undertake these kinds of projects.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS (continued)

CONSTRUCTION (continued)

Inevitably, certain projects will bring pricing pressures to bear on the Group due to the current severe shortage of labour and staff and the rapid increases in sub-contractor prices. To counter these, the Group intends to source shorter-term projects where possible, and speed up its project completion timetable, when possible. Projections of likely rises in sub-contractor costs will be adjusted to reflect the actual rises seen over the past few years, which have proved much higher than previously expected. These strategies will be supplemented by renewed efforts to strengthen Chun Wo's internal talent base, for instance through its pioneering elite training programme and talent retention initiatives, in order to secure a continuity of future development for the Group.

PROPERTY DEVELOPMENT

Various government cooling measures introduced over the last 18 months, in both Hong Kong and China, have calmed previously volatile markets and made property developers more cautious about engaging in new projects. The Group is therefore stepping back from traditional build/sell models and looking at property development opportunities that offer less conventional and more creative possibilities.

At the same time, the Group is working to ensure that any development opportunities it undertakes are optimally suited to its resources and capacity. For instance, the Group is particularly interested in redevelopment projects where construction expertise is particularly complementary. Moreover, the possibility of forming partnerships for new projects will be fully explored by the Group in order to lower risks and reduce the levels of working capital required. Through entering into a joint venture, the Group acquired more than half of the equity interest in a plot of land in Tuen Mun in May 2014.

The Group is focusing on development projects that deliver good returns to our shareholders. For this reason, in the coming year, the Group plans to divest itself of some of the older property development projects that have been on its books for some time in order to free-up capital.

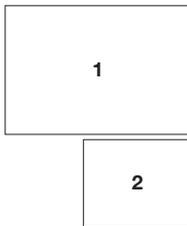
The Group does not expect any significant positive developments within the property market environment in either Hong Kong or the PRC as a result of the government cooling measures. Consequently, caution and prudence will remain watchwords across its activities. It will, however, remain alert to viable opportunities in Hong Kong and Southern China should they arise.

OVERVIEW

Overall, the Group is very optimistic about its trajectory over the coming year, given the progress it has made in consolidating its reputation and expanding its skill set in the construction segment. A large number of suitable projects are coming up or are in the pipeline, and the steps being taken to counter rising sub-contractor costs and similar factors should help improve profitability. In the property development business, upcoming redevelopment projects look to offer further good opportunities for progress in a market where traditional build/sell residential projects have become less attractive. We are therefore confident that our annual target of a 10% growth in net profit is achievable for the coming financial year.

CORPORATE SOCIAL RESPONSIBILITY

Chun Wo originated in Hong Kong for more than 45 years. It has been seeking for ways of giving back value to the community. Besides providing financial support to different disadvantaged minorities, the Group always encourages its staff to engage in voluntary activities and involve themselves in the community in various capacities. The Group's aim is to be a model corporate citizen, reflecting the values of service and commitment that it applies in its business activities on a wider scale. The galleries below highlight some of the key social and charitable activities which Chun Wo has been involved over the past year.



1 YOUTH BUILD 2013

APRIL 2013

During 26 to 28 April 2013, 5 enthusiastic volunteers from Chun Wo participated in “Youth Build 2013” of the Habitat for Humanity China in Conghua, Guangdong province. They helped to renovate the homes of poor villagers in order to improve their living conditions.

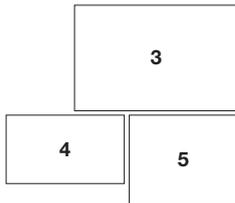
2 WALK FOR WATER

MAY 2013

To help impoverished peasants in northwest drought areas in Mainland China by building water cellars, the Group joined the “Walk for Water” event organized by A Drop of Life. The participants carried heavy bottles of water on their backs throughout the arduous 4km walk, as a way not only of raising funds but also to experience what the peasants have to undergo each day to get access to clean water.



CORPORATE SOCIAL RESPONSIBILITY



3 YOUTH OUTREACH FLAG DAY

JUNE 2013

Over 60 Chun Wo staff and their family members participated in the Youth Outreach Flag Day in Hong Kong Islands on 8 June 2013, selling flags in Tin Hau and Fortress Hill. All donations went towards supporting Youth Outreach to provide services for youth at risk and help them to recommence an active life.

4 SPCA FLAG DAY

AUGUST 2013

On 3 August 2013, over 60 Chun Wo staff and their family members took part in flag selling for The Society for the Prevention of Cruelty to Animals (Hong Kong) ("SPCA") in Mong Kok and Causeway Bay. The aim was to raise funds for the SPCA's 24-hour animal rescue and emergency hotline, as well as its Cat Colony Care Programme, adoption service, and the community education on animal welfare it provides.



5 HOME VISIT TO ELDERLY

AUGUST 2013

To extend love and care and to show our genuine concern for the needs of the elderly, Chun Wo participated in the "Love & Peace of Mind" Corporate Engagement Programme and visited the elderly who live alone as well as several elderly couples arranged by Senior Citizen Home Safety Association on 24 August 2013.

CORPORATE SOCIAL RESPONSIBILITY

6 MTR HONG KONG RACE WALKING 2013

OCTOBER 2013

Continuing its support of previous years, Chun Wo once again took part in the “MTR Hong Kong Race Walking 2013” event, jointly organized by the Hong Kong Amateur Athletic Association and MTRC. The event was held in Chater Road, Central on 14 October 2013. It raised funds to support the disease prevention and health education work of the Hospital Authority’s Health InfoWorld, and also raised awareness of health problems relating to obesity among the working population and youngsters. Mr. Dominic Pang, Chairman of the Company, enthusiastically joined the “MTR Chairman’s Invitational” once again to convey a message of health to the public. Cheered on by a cheering team made up of over 60 staff and their family members, two teams of Chun Wo athletes also took part in the “Corporate Team Challenge”, a race walking in the 4 x 100m relay.



7 CARITAS BAZAAR

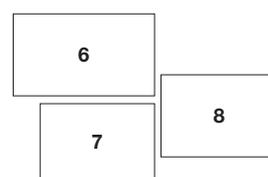
NOVEMBER 2013

Chun Wo has played an active role in the “Caritas Bazaar” for the last eight consecutive years. This year, in November 2013, over 200 energetic staff and their family members participated in three bazaars, held in Tsuen Wan, Prince Edward and Causeway Bay. They did their utmost to sell goods even in the rain. Finally, they raised a total of over HK\$300,000, breaking records in the past.

8 BOCHK OUTWARD BOUND CORPORATE CHALLENGE 2013

DECEMBER 2013

For seven consecutive years, Chun Wo has been an active participant in the “Corporate Challenge” organized by Outward Bound Hong Kong. On 8 December 2013, two teams of Chun Wo athletes competed in games with challenges to accomplish their mission at The Chinese University of Hong Kong. The funds raised will be used to support the ongoing work of Outward Bound Hong Kong in maintaining high quality training programmes and sponsoring deserving applicants participating in special trainings.



CORPORATE SOCIAL RESPONSIBILITY



9

10



9 LOVE IN ART – BUILDING STRENGTH, SHARING DREAMS

FEBRUARY 2014

In 2014, Chun Wo collaborated with St. James' Settlement in holding a series of volunteer activities under the theme "Love In Art – Building Strength, Sharing Dreams". On 15 February 2014, the volunteers guided a number of children with special educational needs together with some elderly participants on a visit to the Terminal 2 Skyplaza at Hong Kong International Airport, one of the completed projects of Chun Wo. The volunteers from Chun Wo also explained the basic principles of construction work and drew pictures with them, achieving for the purpose of a harmonious society for cross generations.

10 STANDARD CHARTERED HONG KONG MARATHON 2014

FEBRUARY 2014

Mr. Dominic Pang and Mr. Derrick Pang, the Chairman and the Deputy Chairman of Chun Wo Group led a group of staff, together with partners from the Drainage Services Department participated in the 10km Run of "Standard Chartered Hong Kong Marathon 2014" on 16 February 2014. The athletes, inspired by the theme "Run For A Reason", provided each other with the mutual encouragement and support that enabled them all to successfully cross the finish line, in the process demonstrating "Collaboration", one of the Group's core values. This event raised funds for ORBIS, the Hong Kong Anti-Cancer Society and the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled.

CORPORATE SOCIAL RESPONSIBILITY

11 LEARNING BY EXPLORING

MARCH 2014

The Group cooperated with St. James' Settlement on the theme of "Learning By Exploring", nearly 50 Chun Wo staff took a group of children with special educational needs and some elderly folk on a visit to the Peak Tower on 15 March 2014, where they learned some of the basic concepts of construction and design. Volunteers then led the children and elderly in interactive drawing and games, with all parties ending the day well satisfied with the time they spent together.



12 THE CONSTRUCTION INDUSTRY SPORTS DAY CUM CHARITY FUN DAY 2014

MARCH 2014

The Construction Industry Council held "The Construction Industry Sports Day cum Charity Fun Day 2014" on 16 March 2014. With a strong team spirit, Chun Wo staff and their family members enthusiastically participated in the sports events as well as in the Charity Costume Match, conveying the message of healthy lifestyle.

13 FUNK WALK 2014

MARCH 2014

To draw attention to the importance of vocational safety and health, over 30 Chun Wo staff joined in the "Funk Walk 2014" organized by The HKFTU Occupational Safety and Healthy Association on 23 March 2014. The funds raised will be used to help people suffering from occupational injuries with economic aid and by providing them vocational rehabilitation services.



11

12

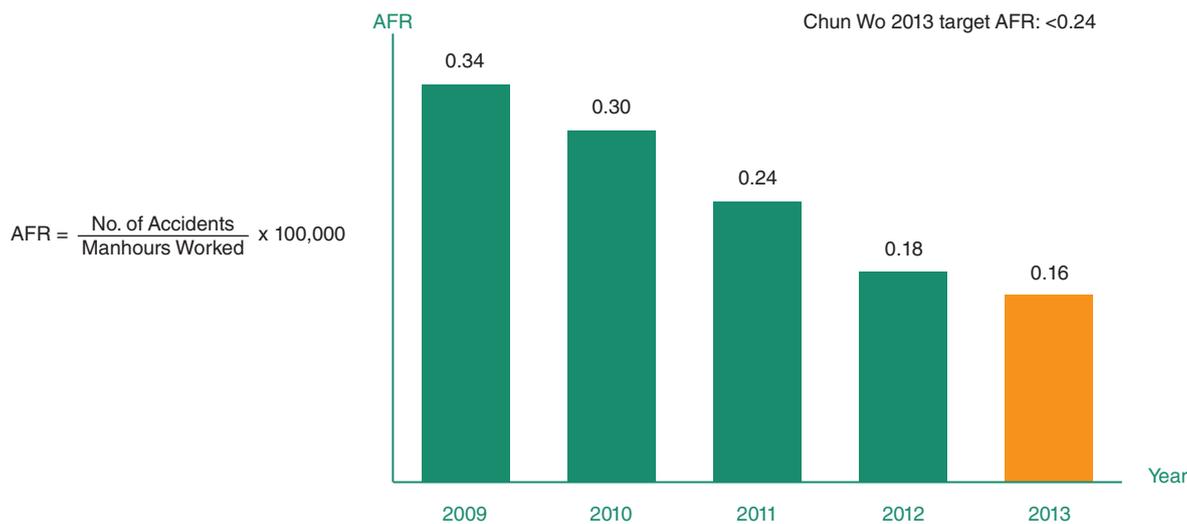
13

AWARDS AND RECOGNITIONS

Chun Wo's culture of safety is the result of more than 45 years of ceaseless promotion of safe working habits. Sound safety training and a strict insistence on the application of all appropriate rules and regulations regarding safety have helped the Group to keep accident frequency rates low. In addition, the Group promotes and fosters various health and safety initiatives across its organization, ensuring high levels of safety awareness among its staff and sub-contractors and enabling it to maintain an excellent occupational safety record.

ACCIDENT FREQUENCY RATE

For the Year, the Group achieved an accident frequency rate ("AFR") of 0.16 accidents per 100,000 manhours worked. Once again, this was considerably lower than the target AFR of not more than 0.6 set by the Development Bureau. Considering the very large number of projects the Group was involved with, and the nature of its work, this is an excellent outcome, and continues the trend of a declining accident frequency rate of the Group since 2009.



SAFETY, ENVIRONMENTAL AND PROJECT QUALITY AWARDS

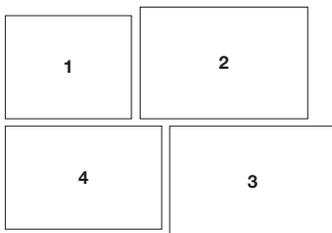
During the Year, Chun Wo maintained its core values of showing the virtue of "Concern" for the environment by making environmental issues a priority. Its outstanding performance in environmental management, resource recycling as well as the actual practices for construction works had gained recognition from various parties.

On the environmental side, the Group was honoured to win two Gold Awards and two Bronze Awards respectively in the "Green Management Award (Corporation) – Project Management", awarded by the Green Council for its four construction projects. The Group also was the winner of the Second Runner-Up in the "Plastic Recycling Partnership Scheme 2012 – Construction" which held by Yan Oi Tong EcoPark Plastic Resources Recycling Centre, and won a "Green Contractor Bronze Award" from the Architectural Services Department.

AWARDS AND RECOGNITIONS

SAFETY, ENVIRONMENTAL AND PROJECT QUALITY AWARDS (continued)

In terms of performance in prime projects, the Group was proud to receive recognition from its major client, the Hong Kong Housing Authority at the “Quality Public Housing Construction and Maintenance Awards 2013”, the Group was proud to receive a “Certificate of Quality Maintenance Contractor”, which highlighted the acknowledgement from customers and the public towards the Group. It also won the Bronze Award for “Outstanding Maintenance and Improvement Projects”.



- 1 The Safe Project Team Award 2013 – Runner-Up issued by The Lighthouse Club
- 2 Two Gold Awards and two Bronze Awards in the “Green Management Award (Corporation) – Project Management” issued by Green Council
- 3 The Silver Safety Award for Shatin to Central Link Project issued by MTRC
- 4 Several OSH Awards issued by Occupational Safety & Health Council

AWARDS AND RECOGNITIONS

SAFETY, ENVIRONMENTAL AND PROJECT QUALITY AWARDS (continued)

No.	Award Name	Issuing Authority
Awards in Corporate Brand and Manpower Development		
1	Award for Excellence in Training and Development 2013 — Development Category — Gold Award	The Hong Kong Management Association
2	The Hong Kong's 100 Most Influential Brands of the Year 2013	World Brand Laboratory and World Executive Group
Awards in Project Quality		
3	Innovation Award for the Engineering Industry 2012/2013 — Construction Category — Merit Award	The Hong Kong Institution of Engineers
4	Quality Public Housing Construction & Maintenance Awards 2013 <ul style="list-style-type: none"> Outstanding Maintenance & Improvement Projects — Bronze Award Certificate for Quality Maintenance Contractor 	Hong Kong Housing Authority
Awards in Environmental Protection		
5	Green Contractor Award 2013 — Green Contractor Bronze Award	Architectural Services Department
6	Hong Kong Awards for Environmental Excellence 2012 — Sectoral Awards (Construction Industry) — Certificate of Merit	Environmental Campaign Committee
7	Hong Kong Green Awards 2013 — Green Management Award (Corporation) — Project Management — Gold and Bronze Awards	Green Council
8	Plastic Recycling Partnership Scheme 2012 — Construction — Second Runner-Up	Yan Oi Tong EcoPark Plastic Resources Recycling Centre
Awards in Safety		
9	Construction Sites Housekeeping Award Scheme (2013) — The Grand Award	Drainage Services Department
10	HKCA Safety Awards — HKCA Proactive Safety Contractors Award for the Year 2012	Hong Kong Construction Association
11	Contractors Safety Award 2013 <ul style="list-style-type: none"> Safe Project Team Award 2013 — Runner-Up 	The Lighthouse Club
12	Projects Quality, Safety, Environmental and Stakeholder Engagement Awards <ul style="list-style-type: none"> Lowest Reportable Accident Frequency Rate Award 	MTR Corporation Limited

AWARDS AND RECOGNITIONS

SAFETY, ENVIRONMENTAL AND PROJECT QUALITY AWARDS (continued)

No.	Award Name	Issuing Authority
Awards in Safety (continued)		
13	Projects Division — Contractors Safety Awards <ul style="list-style-type: none"> • Silver Safety Award for Shatin to Central Link Project • Lowest Reportable Accident Frequency Rate Award for West Island Line Project • DNV Independent Audit Highest Audit Score Award for Kwun Tong Line Extension Project • Contractors' Supervisor Safety Award — Runner-Up 	MTR Corporation Limited
14	The 12th Hong Kong Occupational Safety & Health Award <ul style="list-style-type: none"> • Safety Management System Award — Construction — Bronze and Merit Awards • Safety Performance Award — Construction • OSH Annual Report Award — Merit Award 	Occupational Safety & Health Council
15	Construction Safety Forum and Award Presentation 2013 <ul style="list-style-type: none"> • Best Refurbishment and Maintenance Contractor in OSH — Bronze Award • Best Safety Enhancement Program for Working at Height — Merit Award • Best Safety Culture Site — Merit Award • Best Safety Culture Activity Team — Merit Award • Best Safe Working Cycle Site — Merit Award 	Occupational Safety & Health Council
16	Occupational Health Award 2013–14 <ul style="list-style-type: none"> • Hearing Conservation Best Practices Award — Excellence Award 	Occupational Safety & Health Council

AWARDS AND RECOGNITIONS

SAFETY, ENVIRONMENTAL AND PROJECT QUALITY AWARDS (continued)

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



GOLD Corporation

**Green Management Award
(Project Management)**

Hong Kong Green Awards 2013



Silver Member
純銀會員 2013/14

HONG KONG



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

Aged 41. 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, PhD, MICE, PE(US) Deputy Chairman*

Aged 39. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree and obtained a Master of Engineering degree in Civil and Environmental Engineering from Massachusetts Institute of Technology in 1998 and a Master degree in Business Administration from The Chinese University of Hong Kong in 2007. Obtained a Doctor of Philosophy in Civil Engineering from the Hong Kong University of Science and Technology in 2014. A member of the Institution of Civil Engineers, the 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 13 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 61. 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 40 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 63. Joined the Group in 1975 and has over 35 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 68. 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 55. 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 a member of the Hong Kong Securities and Investment 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 67. Currently the Chairman and CEO of Luk Fook Financial Services Limited. Has 43 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, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and a member of Government “Appointee” (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. 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 Hengqin New Area Development Advisory Committee, and Hong Kong and Macao legal Issues Expert Group of Hengqin New Area of the Administrative Committee of Hengqin New Area, Zhuhai. He is also serves as an Independent Non-executive Director of the HKEx, Zhuhai Holdings Investment Group Limited, Lifestyle International Holdings Limited, Gemdale Properties and Investment Corporation 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

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

LEE SHING SEE *GBS, OBE, JP*

Aged 72. 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, the United Kingdom. He joined the Hong Kong Government since he graduated from the university and has over 49 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 the Chairman of the Construction Industry Council, a Vice Chairperson of the CreateSmart Initiative Vetting Committee, 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 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 of the Company in January 2006.

SENIOR MANAGEMENT

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

Aged 62. 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, the 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 33 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 71. Graduated from Sheffield College of Technology in 1961. A fellow of the China Hong Kong Railway Institution. Has more than 53 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. since March 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (continued)

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

Aged 50. 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, the United Kingdom in 1994 and a Master Degree in Construction Law from The Hong Kong Polytechnic University in 2011. A member of the Institution of Civil Engineers, the United Kingdom, a fellow member of the Hong Kong Institution of Engineers, a Registered Professional Engineer in civil discipline in Hong Kong and Associate Fellow of China Hong Kong Railway Institution. Has 27 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 the 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, the United Kingdom in 1980 with a Bachelor of Science degree (Honors) in Building. A Chartered Builder and a Registered Professional Engineer, a fellow member of the Chartered Institute of Building, the 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 36 years' experience in project management of large scale building construction projects in Hong Kong. He is a Director of Chun Wo Elegant Decoration Engineering Company Limited.

LAI KAM HUNG, JOSEPH

Aged 56. Graduated from The Hong Kong Polytechnic University in 1980. A member of the Hong Kong Institution of Engineers. He has over 38 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 since April 2006.

LAM CHI WING, ERIC *BScCivil, MHKIE, RPE(Civil)*

Aged 59. Graduated from the University of Calgary, Canada in 1980 with a Bachelor degree in Civil Engineering. A member of the Hong Kong Institution of Engineers and a Registered Professional Engineer. Has more than 33 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 since September 2007.

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

Aged 55. 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 32 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

SENIOR MANAGEMENT (continued)

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

Age 59. 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 34 years' experience in heavy construction industry on tendering, supervision and project management in local and overseas market. Joined the Group as Director of Chun Wo Construction and Engineering Company Limited since 2010 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 56. 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 33 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 57. Graduated from Costa Rica Institute of Technology 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, the 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 31 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 since April 2013.

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

Aged 57. Joined the Group in February 2010 and appointed as managing director of Chun Wo E & M Engineering Limited since 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 in building services discipline and a member of Society of Registered Safety Officers in Hong Kong. Has more than 34 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

SENIOR MANAGEMENT (continued)

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

Aged 48. 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 since April 2012.

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

Aged 68. Graduated from the University of Sheffield, the United Kingdom with a Bachelor of Engineering (Hons) degree in Civil Engineering and a member of the Institute of Civil Engineers, the United Kingdom. Rejoined the Group as Director (Projects) in early 2009. Has 45 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 55. Graduated from the University of Leeds, the United Kingdom in 1981. Has over 31 years' experience in the construction industry including civil, water works and building construction projects in Hong Kong, Macau, China and Singapore. Joined the Group as Director of Chun Wo Building Construction Limited since October 2012.

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

Aged 52. Graduated from The University of Hong Kong in 1986 with degree in Bachelor of Arts (Architectural Studies) and Bachelor of Architecture. A Registered Architect HK and Authorized Person (List of Architects) with PRC Class 1 Registered Architect Qualification. Has more than 28 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., MEcon., FCPA(Aust.), CPA, CTA, ACMA, ISCA, ATIIHK, CGMA*

Aged 47. Graduated from Monash University of Australia with a Bachelor degree in Business. Completed a postgraduate programme of Public Finance (Taxation) and obtained a Master degree in Economics from Jinan University, China in 2013. 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 the United Kingdom, Institute of Singapore Chartered Accountants and Chartered Global Management Accountant, and a Certified Tax Adviser of Hong Kong and obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen–Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. He worked as company secretary and qualified accountant in various Hong Kong Main Board listed companies for many years. Since 2001, appointed as independent non-executive director of Beijing Enterprises Water Group Limited, a company listed on the Stock Exchange. Joined the Group as Financial Controller of property development since 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (continued)

TO KAI YIN, KELVIN *MCIQB, MAIB*

Aged 53. 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 30 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 since March 1999.

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

Aged 45. Graduated from City University of Hong Kong in 2008 with Bachelor of Engineering (Honours) in Building Engineering (Construction Engineering and Management). Obtained a 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, since April 2011.

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

Aged 59. Graduated from The Hong Kong Polytechnic University in 1978 and continue the study in Brighton Polytechnic, the 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 33 years' experience in construction industry. Joined the Group in 2004 and appointed as General Manager (Construction) of Chun Wo Construction and Engineering Company Limited since February 2009 to take charge of the maintenance and minor works division.

WONG WING TONG, MICHAEL *MISM, MIPS A*

Age 58. Has more than 17 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 since June 2006 and June 2007 respectively.

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

Aged 60. 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, the United Kingdom and also a Registered Professional Engineer, Hong Kong. Has more than 37 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 since May 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (continued)

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

Aged 58. 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 the United Kingdom. A member each of the Royal Institution of Chartered Surveyors, the Institution of Civil Engineers, the United Kingdom, the Hong Kong Institution of Engineers, the American Society of Civil Engineers, a fellow member each of the Chartered Institute of Arbitrators, the United Kingdom and the Hong Kong Institute of Arbitrators. Rejoined the Group in 2008 with over 33 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 since December 2008 and Deputy Managing Director (Construction) of Chun Wo Development Holdings Limited since 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 a 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 of 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 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 contained in Appendix 10 (the “Model Code”) to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, after a specific enquiry made by the Company, that they have fully complied with the required standard set out in the Model Code throughout the Year.

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;
- focusing its attention on matters affecting the Company’s overall strategic policies, finances and Shareholders;
- consideration of dividend policy and dividend amount; and
- reviewing and monitoring the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

The Board had duly performed its duties relating to the corporate governance functions. Save for the deviation from the Code as aforesaid, it was not aware of any other code provisions of the Code being violated during the Year.

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. The 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.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and maintain a sustainable development in long run. In this regard, the Nomination Committee has endorsed a Board Diversity Policy (the “Policy”) which sets out the approach to achieve diversity on the Board.

Board diversity shall be achieved through consideration to a number of factors and measurable objectives as set out in the Policy, including but not limited to gender, age, cultural and educational background, professional expertise, industry experience, skills and knowledge.

The Nomination Committee is responsible for monitoring the implementation of the Policy and will review the Policy, as appropriate, to ensure the effectiveness of the Policy.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

ATTENDANCES AT MEETINGS

During the Year, 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 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	–	1/1	–	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	2/2	1/1	1/1	1/1
Mr. Chan Chiu Ying, Alec	4/4	2/2	–	1/1	1/1
Mr. Hui Chiu Chung, Stephen	4/4	2/2	–	–	1/1
Mr. Lee Shing See	4/4	–	1/1	–	1/1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to attend relevant training courses at the Company's expense. During the Year, all Directors had participated in a briefing regarding the disclosure of inside information 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.

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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established various committees, inter alia, the Audit Committee, the Nomination Committee and the Remuneration Committee. The respective terms of reference of the Audit Committee, the Nomination Committee and the Remuneration 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.

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 heads of Project Management which cascades performance management down to project level.

The Executive Committee comprises four members, 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (continued)

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

During the Year, the Remuneration Committee assessed the performance of Executive Directors and approved the remuneration packages of Executive Directors and senior management of the Group for 2013/2014.

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 is set out below:

Remuneration Band	Number of Senior Management
Up to HK\$1,000,000	1
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	6

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 and the succession planning for 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 and all Board appointments will be based on merit while taking into account diversity.

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (continued)

The following is a summary of work performed by the Nomination Committee during the Year:

- (i) reviewed the structure, size and composition of the Board;
- (ii) assessed the independence of the INEDs; and
- (iii) proposed rotational retiring Directors who were eligible for re-election at the 2013 annual general meeting for Shareholders' approval.

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:

- (i) reviewed the annual report and the annual results announcement of the Group for the year ended 31 March 2013, with a recommendation to the Board for approval;
- (ii) reviewed the external auditor's independence and objectivity and the effectiveness of the audit process, with a recommendation to the Board for the re-appointment of the external auditor at the 2013 annual general meeting;
- (iii) 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;
- (iv) reviewed the interim report and the interim results announcement of the Group for the six months ended 30 September 2013, with a recommendation to the Board for approval; and
- (v) overseen the Group's financial reporting system and internal control procedures.

CORPORATE GOVERNANCE REPORT

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, Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK\$3,717,000 and tax and consulting services amounted to approximately HK\$1,540,000.

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, Ms. Chan Sau Mui, Juanna, the company secretary of the Company (the "Company Secretary"), undertook no less than fifteen 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 one hundred 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

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.

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 and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by 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.

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 are set out in the consolidated statement of profit or loss and other comprehensive income on page 67.

The Board recommended the payment of a final dividend of HK1.7 cents per share (2013: HK1.4 cents) for the Year to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 3 September 2014. The proposed Final Dividend will be paid on or about Friday, 19 September 2014 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 160.

INVESTMENT PROPERTIES

Details of the revalued investment properties of the Group as at 31 March 2014 are set out in Note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group acquired property, plant and equipment at a cost of approximately HK\$96.3 million for the purpose of expanding the Group's business.

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

DIRECTORS' REPORT

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of the movements during the Year 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.

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 is set out in Note 8 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Particulars of the Company's principal subsidiaries and the Group's principal associates and joint operations as at 31 March 2014 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 2014 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	284,628
	<hr/>
	337,180
	<hr/>

Details of the movements in the reserves of the Group during the Year 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

The brief biographical details of Directors and senior management are set out on pages 41 to 48.

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. Chan Chiu Ying, Alec and Mr. Lee Shing See 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 as at 31 March 2014 or at any time during the Year.

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

As at 31 March 2014, 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:

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

Directors	Number of ordinary shares held				% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Madam Li Wai Hang, Christina	10,148,875	–	610,042,884 (Note 1)	620,191,759	57.26%
Mr. Pang Yat Ting, Dominic	5,680,000	–	610,042,884 (Note 1)	615,722,884	56.85%
Mr. Pang Yat Bond, Derrick	1,000,000	–	–	1,000,000	0.09%
Mr. Kwok Yuk Chiu, Clement	3,650,000	860,000 (Note 2)	–	4,510,000	0.42%
Mr. Au Son Yiu	601,816	–	–	601,816	0.06%

Notes:

1. 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 ordinary shares of the Company held by GT Winners Limited.
2. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

DIRECTORS' REPORT

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

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

Directors	Number of underlying shares held			% of the Company's issued share capital
	Personal interests (Note 1)	Family interests (Note 2)	Total interests	
Madam Li Wai Hang, Christina	747,000	1,479,000	2,226,000	0.21%
Mr. Pang Yat Bond, Derrick	6,326,000	–	6,326,000	0.58%
Mr. Kwok Yuk Chiu, Clement	3,326,000	–	3,326,000	0.31%

Notes:

1. 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.
2. Madam Li Wai Hang, Christina is deemed to have interest in the share options of the Company held by her spouse, the late Dr. Pang Kam Chun.

In addition, Madam Li Wai Hang, Christina holds 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 2014, 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 are as follows:

Name of Director	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options held		
				Outstanding at 1/4/2013	Lapsed during the Year	Outstanding at 31/3/2014
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	Number of share options held		
				Outstanding at 1/4/2013	Lapsed during the Year	Outstanding at 31/3/2014
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	(10,932,000)	12,610,000

Note:

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 within their respective exercisable periods.

Save as disclosed above and other than the New Scheme as set out in Note 34 to the consolidated financial statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements 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.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDER

As at 31 March 2014, the following shareholder (other than Directors or chief executive of the Company) was recorded in the register kept by the Company under Section 336 of the SFO as being interested or deemed to have interest in 5% or more of the issued share capital of the Company:

Shareholder	Capacity	Number of ordinary shares held	% of the Company's issued share capital
GT Winners Limited	Beneficial owner	610,042,884	56.32%

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 ordinary shares of the Company held by GT Winners Limited.

Save as disclosed above, as at 31 March 2014, the Company had not been notified of any other person or corporation (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 or short position in shares or underlying shares 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.

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 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 in accordance with Rule 14A.65 of the Listing Rules as set out in Note 30 to the consolidated financial statements.

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, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 70% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 39% 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, the Group made charitable and other donations totalling approximately HK\$1,771,000.

AUDITOR

The consolidated financial statements for the Year were audited by Deloitte Touche Tohmatsu ("Deloitte") which would retire at the conclusion of the AGM, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders to re-appoint Deloitte as the auditor of the Company and to authorize the Board to fix its remuneration at the AGM.

On behalf of the Board

Pang Yat Ting, Dominic

Chairman

Hong Kong, 24 June 2014

INDEPENDENT AUDITOR'S REPORT



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 159, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 2014, 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

24 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	NOTES	2014 HK\$'000	2013 HK\$'000 (restated)
Revenue	7	6,551,240	4,891,770
Cost of sales		(6,136,466)	(4,451,824)
Gross profit		414,774	439,946
Other income		27,624	18,982
Other gains and losses		22,772	20,326
Fair value changes on investment properties	15	34,750	10,271
Selling expenses		(15,004)	(6,978)
General and administrative expenses		(313,818)	(305,237)
Share of results of associates		10,128	11,893
Finance costs	8	(41,405)	(43,638)
Profit before tax		139,821	145,565
Income tax expense	9	(46,498)	(67,790)
Profit for the year	10	93,323	77,775
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		9,074	(5,228)
Release of translation reserve upon deregistration/disposal of a subsidiary		(22,313)	(17,484)
Share of translation reserve of associates		(216)	(694)
Other comprehensive expense for the year		(13,455)	(23,406)
Total comprehensive income for the year		79,868	54,369
Profit for the year attributable to:			
Owners of the Company		93,009	77,775
Non-controlling interests		314	–
		93,323	77,775
Total comprehensive income attributable to:			
Owners of the Company		79,554	54,369
Non-controlling interests		314	–
		79,868	54,369
Earnings per share	13		
– Basic		8.95 cents	7.93 cents
– Diluted		8.90 cents	7.90 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	NOTES	31.3.2014 HK\$'000	31.3.2013 HK\$'000 (restated)	1.4.2012 HK\$'000 (restated)
Non-current assets				
Property, plant and equipment	14	279,237	231,225	218,682
Investment properties	15	60,982	386,595	422,622
Interests in associates	16	66,083	62,088	66,387
Deferred tax assets	31	7,768	6,586	10,015
Amounts due from associates	17	103,611	103,345	103,420
Amount due from an investee company	18	154,200	–	–
		671,881	789,839	821,126
Current assets				
Amounts due from customers for contract work	19	1,466,461	1,276,578	722,357
Debtors, deposits and prepayments	20	1,289,232	914,016	793,158
Properties under development for sale	21	773,242	847,287	642,587
Deposits paid for properties under development for sale	21	224,880	212,080	179,783
Properties held for sale		233,741	319,791	457,088
Deposits paid for properties held for sale		24,404	21,324	36,004
Investments held for trading	22	220	341	468
Amounts due from associates	23	16,055	705	705
Amounts due from joint operations/other partners of joint operations	23	232,260	125,047	58,502
Tax recoverable		8,254	1,842	17,111
Pledged bank deposits	24	504,584	295,015	277,724
Bank balances and cash	24	820,930	607,615	599,731
		5,594,263	4,621,641	3,785,218
Assets classified as held for sale	25	353,800	6,321	–
		5,948,063	4,627,962	3,785,218
Current liabilities				
Amounts due to customers for contract work	19	893,991	466,649	294,347
Creditors, deposits and accrued charges	26	1,346,417	1,029,049	953,958
Deposits received from sales of properties		14,632	95,964	63,646
Amounts due to associates	27	20,151	15,902	15,893
Amounts due to joint operations/other partners of joint operations	27	163,025	74,190	28,797
Amounts due to non-controlling shareholders	27	10,006	4,026	–
Tax payable		49,774	83,111	95,568
Obligations under finance leases	28	18,642	16,531	15,864
Bank borrowings	29	2,030,576	1,730,488	1,429,225
Unsecured bonds	30	150,000	–	–
		4,697,214	3,515,910	2,897,298
Net current assets		1,250,849	1,112,052	887,920
Total assets less current liabilities		1,922,730	1,901,891	1,709,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	NOTES	31.3.2014 HK\$'000	31.3.2013 HK\$'000 (restated)	1.4.2012 HK\$'000 (restated)
Non-current liabilities				
Obligations under finance leases	28	28,305	16,802	15,250
Bank borrowings	29	231,284	191,784	48,189
Unsecured bonds	30	–	150,000	150,000
Deferred tax liabilities	31	18,595	12,340	16,381
		278,184	370,926	229,820
Net assets				
		1,644,546	1,530,965	1,479,226
Capital and reserves				
Share capital	32	108,310	98,777	97,864
Reserves		1,535,572	1,431,838	1,381,012
Equity attributable to owners of the Company		1,643,882	1,530,615	1,478,876
Non-controlling interests		664	350	350
Total equity				
		1,644,546	1,530,965	1,479,226

The consolidated financial statements on pages 67 to 159 were approved and authorised for issue by the board of directors (the “Board” or the “Directors”) on 24 June 2014 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 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	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 translation 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
Profit for the year	-	-	-	-	-	-	-	93,009	93,009	314	93,323
Exchange differences arising on translation	-	-	-	-	-	9,074	-	-	9,074	-	9,074
Share of translation reserve of associates	-	-	-	-	-	(216)	-	-	(216)	-	(216)
Release of translation reserve upon deregistration of a subsidiary	-	-	-	-	-	(22,313)	-	-	(22,313)	-	(22,313)
Total comprehensive (expense) income for the year	-	-	-	-	-	(13,455)	-	93,009	79,554	314	79,868
Dividend	-	-	-	-	-	-	-	(13,878)	(13,878)	-	(13,878)
Recognition of equity-settled share-based payments	-	-	-	516	-	-	-	-	516	-	516
Issue of shares upon exercise of warrants	8,875	35,503	-	-	-	-	-	-	44,378	-	44,378
Issue of shares upon exercise of share options	658	2,039	-	-	-	-	-	-	2,697	-	2,697
Lapse of share options	-	-	-	(7,085)	-	-	-	7,085	-	-	-
At 31 March 2014	108,310	427,201	2,900	1,090	8,531	82,579	-	1,013,271	1,643,882	664	1,644,546

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

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 2014

	2014 HK\$'000	2013 HK\$'000 (restated)
Operating activities		
Profit before tax	139,821	145,565
Adjustments for:		
Finance costs	41,405	43,638
Interest income	(12,489)	(6,065)
Share of results of associates	(10,128)	(11,893)
Depreciation and amortisation	6,859	14,233
Cumulative exchange gains relating to subsidiary deregistered/disposed of	(22,313)	(17,484)
Fair value changes on investment properties	(34,750)	(10,271)
Share-based payment expense	516	1,263
Fair value changes on investments held for trading	121	127
Gain on disposal of property, plant and equipment	(956)	(3,467)
Allowance for impairment of other receivables	–	12,076
Write down of properties under development for sale	14,780	24,553
Write down of deposits paid for properties held for sales	1,225	6,485
Operating cash flows before movements in working capital	124,091	198,760
Decrease (increase) in amounts due from (to) customers for contract work	304,425	(332,160)
Increase in debtors, deposits and prepayments	(433,197)	(132,900)
Decrease (increase) in properties under development for sale	68,860	(225,739)
Increase in deposits paid for properties under development for sale	(12,981)	(32,242)
Decrease in properties held for sale	89,122	126,201
(Increase) decrease in deposits paid for properties held for sale	(4,305)	8,198
Increase in amounts due from joint operations/other partners of joint operations	(52,235)	(56,045)
Increase in creditors, deposits and accrued charges	320,508	74,867
(Decrease) increase in deposits received from sales of properties	(81,954)	32,178
Increase in amounts due to joint operations/other partners of joint operations	23,857	45,393
Increase in amount due from an associate	(3,920)	–
(Decrease) increase in amounts due to non-controlling shareholders	(2,875)	4,026
Cash from (used in) operations	339,396	(289,463)
Income taxes paid	(82,365)	(65,725)
Net cash from (used in) operating activities	257,031	(355,188)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK\$'000	2013 HK\$'000 (restated)
Investing activities		
Dividend received from an associate	9,080	15,498
Proceeds from disposal of property, plant and equipment	3,804	10,042
Proceeds from disposal of investment properties	51,157	52,509
Proceeds from disposal of assets classified as held for sale	6,321	–
Interest received	12,489	6,065
Increase in amounts due from associates	(1,825)	–
Advances to a joint operation/other partner of a joint operation	(54,978)	(10,500)
Increase in amount due from an investee company	(154,200)	–
Purchase of property, plant and equipment	(60,430)	(43,313)
Placement in pledged bank deposits	(374,248)	(128,424)
Withdrawal from pledged bank deposits	167,105	111,508
Net cash (used in) from investing activities	(395,725)	13,385
Financing activities		
Advances from joint operations/other partner of a joint operation	64,978	–
Advance from a non-controlling shareholder	10,000	–
New trust receipt loans raised	1,552,170	1,184,348
Repayment of trust receipt loans	(1,517,612)	(1,109,535)
New bank loans raised	2,175,793	1,206,876
Repayment of bank loans	(1,856,402)	(835,425)
Repayment of mortgage loans	(15,474)	(1,770)
Repayment of principal portion of obligations under finance leases	(22,263)	(19,497)
Interest paid	(74,414)	(64,640)
Proceeds from issue of shares	47,075	3,936
Dividends paid	(13,878)	(7,829)
Net cash from financing activities	349,973	356,464
Net increase in cash and cash equivalents	211,279	14,661
Cash and cash equivalents at beginning of the year	607,615	599,731
Effect of foreign exchange rate changes	2,036	(6,777)
Cash and cash equivalents at end of the year, represented by bank balances and cash	820,930	607,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 parent and 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”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year.

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

Except as described below, the application of the new and revised 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 financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Impact of the application of HKFRS 10 Consolidated Financial Statements

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*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 April 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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)

Impact of the application of HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Upon the application of HKFRS 11, the Directors concluded that all of the Group’s joint arrangements that were previously classified as jointly controlled entities under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, and should be accounted for in accordance with the preceding paragraph. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group’s joint arrangements.

Impact of the application of HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. The Directors consider that the Group’s associates and subsidiaries that have non-controlling interests are not material to the Group and thus no further disclosure regarding these associates and non-controlling interests have been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

HKFRS 13 FAIR VALUE MEASUREMENT

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see note 15 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The Group has applied the amendments to HKAS 1 *Presentation of items of other comprehensive income*. Upon the adoption of the amendments to HKAS 1, the Group’s “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

SUMMARY OF THE EFFECTS OF THE ABOVE CHANGES IN ACCOUNTING POLICIES

The effects of changes in accounting policies described above on the results for the prior year by line items are as follows:

Impact on profit for the year of the application of HKFRS 11

	2013 HK\$'000
Increase in revenue	1,086,439
Increase in cost of sales	(1,005,999)
Decrease in other income	(65,648)
Decrease in general and administrative expenses	689
Decrease in share of results of joint ventures	(14,117)
Increase in income tax expense	(1,364)
<hr/>	
Change in profit for the year attributable to the owners of the Company	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

SUMMARY OF THE EFFECTS OF THE ABOVE CHANGES IN ACCOUNTING POLICIES (continued)

Impact on assets, liabilities and equity as at 1 April 2012 of the application of HKFRS 11

	As at 1 April 2012 as previously reported HK\$'000	Adjustments HK\$'000	As at 1 April 2012 as restated HK\$'000
Property, plant and equipment	215,890	2,792	218,682
Interests in joint ventures	77,626	(77,626)	–
Amounts due from customers for contract work	564,814	157,543	722,357
Debtors, deposits and prepayments	578,998	214,160	793,158
Amounts due from joint ventures	54,581	(54,581)	–
Amounts due from joint operations/other partners of joint operations	–	58,502	58,502
Tax recoverable	17,010	101	17,111
Pledged bank deposits	242,082	35,642	277,724
Bank balances and cash	414,944	184,787	599,731
Amounts due to customers for contract work	(120,476)	(173,871)	(294,347)
Creditors, deposits and accrued charges	(765,213)	(188,745)	(953,958)
Amounts due to joint ventures	(69,905)	69,905	–
Amounts due to joint operations/other partners of joint operations	–	(28,797)	(28,797)
Tax payable	(82,796)	(12,772)	(95,568)
Bank borrowings	(1,242,185)	(187,040)	(1,429,225)
Other assets and liabilities	1,593,856	–	1,593,856
Total net assets and equity	1,479,226	–	1,479,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

SUMMARY OF THE EFFECTS OF THE ABOVE CHANGES IN ACCOUNTING POLICIES (continued)

Impact on assets, liabilities and equity as at 31 March 2013 of the application of HKFRS 11

	As at 31 March 2013 as previously reported HK\$'000	Adjustments HK\$'000	As at 31 March 2013 as restated HK\$'000
Property, plant and equipment	228,853	2,372	231,225
Interests in joint ventures	67,444	(67,444)	–
Amounts due from customers for contract work	743,609	532,969	1,276,578
Debtors, deposits and prepayments	710,261	203,755	914,016
Amounts due from joint ventures	187,334	(187,334)	–
Amounts due from joint operations/other partners of joint operations	–	125,047	125,047
Tax recoverable	639	1,203	1,842
Pledged bank deposits	237,670	57,345	295,015
Bank balances and cash	405,547	202,068	607,615
Amounts due to customers for contract work	(205,025)	(261,624)	(466,649)
Creditors, deposits and accrued charges	(825,960)	(203,089)	(1,029,049)
Amounts due to joint ventures	(45,094)	45,094	–
Amounts due to joint operations/other partners of joint operations	–	(74,190)	(74,190)
Tax payable	(76,839)	(6,272)	(83,111)
Bank borrowings	(1,360,588)	(369,900)	(1,730,488)
Other assets and liabilities	1,463,114	–	1,463,114
Total net assets and equity	1,530,965	–	1,530,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

SUMMARY OF THE EFFECTS OF THE ABOVE CHANGES IN ACCOUNTING POLICIES (continued)

Impact on cash flows for the year ended 31 March 2013 of the application of HKFRS 11

	Adjustments HK\$'000
Increase in net cash outflow from operating activities	(135,564)
Decrease in net cash inflow from investing activities	(21,502)
Increase in net cash inflow from financing activities	174,341
Net increase in cash and cash equivalents	17,275

The above changes in accounting policies do not have any impact on the Group's basic earnings per share for the current and prior years.

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

HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for annual periods beginning on or after 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

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* are 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 change in financial liabilities’ 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 fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors of the Company do not anticipate that the adoption of HKFRS 9 in the future will have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities.

The Directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have any material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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, assets classified as held for sale 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Service income is recognised when services are provided.

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

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. 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. Under the equity method, an investment in an associate is 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 associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by reference to surveys of the value of work carried out to date as certified by external valuer. 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 properties 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 and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (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 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance lease) 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 assets less their residual values 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 and disposal groups 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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

NON-CURRENT ASSETS HELD FOR SALE (continued)

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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.

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 2014

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 HELD FOR SALE

Properties under development for sale after completion of development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Properties under development for sale are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

Completed properties held for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price based on prevailing market conditions less estimated selling expenses.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised 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

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.

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 FVTPL

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 term; or
- on initial recognition it is a part of a portfolio of identified 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 in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

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, an investee company and joint operations/other partners of joint operations, 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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 when 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.

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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 with 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including creditors, accrued charges, amounts due to associates, joint operations/other partners of joint operations and non-controlling shareholders, unsecured bonds and bank 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured 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, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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. When 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 of disposal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT LOSSES ON TANGIBLE ASSETS (continued)

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 immediately in profit or loss.

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 profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 base 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 arrangements, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION (continued)

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.

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, rather than through sale.

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 recognised 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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 each reporting period. Income and expenses items are translated at the average exchange rates for the period, 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.

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, 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 share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

CRITICAL JUDGMENTS IN APPLYING 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

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.

Joint arrangements

The Directors performed an assessment of whether the Group has control over investees that were previously classified as jointly controlled entities under HKAS 31, under HKFRS 10. After considering the Group's power over these investees, exposure, or rights, to variable returns from its involvement with the investees and the ability to use its power over the investees to affect the amount of the Group's return, the Directors concluded that the Group does not have control over the investees that were previously classified as jointly controlled entities under HKAS 31.

Accordingly, the Directors have performed an assessment of whether the Group has joint control over these investees. Pursuant to the respective contractual agreements regarding each of these investees, all major decisions and the decisions regarding the relevant activities of these investees require the unanimous consent of all parties to the arrangement. Accordingly, the Directors concluded that the Group has joint control over these investees with the other parties to the joint agreement.

Furthermore, the Directors assessed whether such arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the Directors concluded that all of the Group's joint arrangements that were previously classified as jointly controlled entities under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 as the relevant joint arrangements specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

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.

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 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.

In the current year, a subsidiary of the Group has commenced legal proceedings to seek payment for an outstanding amount of approximately HK\$335 million against Metta Resources Limited, the employer in relation to Tsz Shan Monastery project. Therefore, a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against Metta Resources Limited for additional works performed and costs incurred by the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex on 8 August 2013. Subsequently, the subsidiary of the Group has received a defence and counterclaim from Metta Resources Limited on 22 November 2013, in which Metta Resources Limited accepted that it was liable to pay only a certain amount of the Group's claims and in addition is alleging contra charges against the Group in respect of rectification of alleged non-compliance works and sectional liquidated damages.

The Group has recognised contract revenue and cost in profit or loss up to 31 March 2014, by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by reference to the value of work carried out to date as certified by the architect. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable.

In addition to the management's internal assessment, the management has also sought advice from independent quantum assessor and legal advisor. After having taken these steps, the Directors of the Company are of the opinion that the defence and counterclaim by Metta Resources Limited has no merit and would be successfully defended; therefore the entire carrying amount of amounts due from customers for contract work in relation to this project is considered to be recoverable and no material adverse financial impact to the Group is expected.

However, the ultimate outcome of the case will depend on the evidence adduced before the court at trial which is not expected at least until early 2016, there may be potential adjustment to the amount due from customers for contract work and profit or loss in respect of this project should the judgment handed by the court is different to its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2014 at their fair value of approximately HK\$61 million (2013: HK\$387 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 profit or loss and other 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 Hong Kong, 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 profit or loss and other comprehensive income. As at 31 March 2014, the cumulative write down of HK\$85,183,000 (2013: HK\$70,403,000) has been recognised for properties under development for sale and properties held for sale mainly attributable to the decrease in estimated selling price having considered the current market condition in UAE.

Income tax

As at 31 March 2014, a deferred tax asset (note 31) in relation to unused tax losses of HK\$146,268,000 (2013: HK\$123,560,000) has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of HK\$397,006,000 and HK\$362,563,000 as at 31 March 2014 and 2013, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Land appreciation tax ("LAT")

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT. Significant judgment is required as the implementation and settlement of the tax varies amongst different jurisdictions in various cities in the PRC and the determination of the final amount is subject to agreement on calculation with the relevant tax authority. During the year ended 31 March 2014, the finalisation of LAT filings with various tax authorities in the PRC has been performed and fully settled, accordingly, only an insignificant amount of LAT has been provided for as at 31 March 2014 in relation to sales of properties after the date of finalising of LAT filings. In prior year, provision of LAT HK\$27,155,000 has been included in tax payable as at 31 March 2013 since the Group had not finalized its LAT returns with various tax authorities in the PRC. Accordingly, in prior year, significant judgment was required in determining the amount of land appreciation tax payable and its related Enterprise Income Tax ("EIT") recoverable. The Group recognises these assets/liabilities based on management's best estimates.

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 bank 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 with reference to gearing ratio on a semi-annual basis and before each major financing or investment decision is made. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and gearing requirements set out in existing financial covenants. 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.

6. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 HK\$'000	2013 HK\$'000 (restated)
Financial assets		
Fair value through profit or loss		
– Held for trading	220	341
Loans and receivables (including cash and cash equivalents)	3,009,996	1,929,512
Financial liabilities		
Amortised cost	3,850,688	3,188,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include debtors, investments held for trading, amounts due from associates, an investee company and joint operations/other partners of joint operations, pledged bank deposits, bank balances and cash, creditors, accrued charges, amounts due to associates, joint operations/other partners of joint operations, non-controlling shareholders, unsecured bonds and bank 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 and monetary liabilities at the reporting date as follows:

	Assets		Liabilities	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	858	37	–	–
Euro	3,135	–	5,314	–
Swiss Franc	618	–	808	–
Renminbi	–	–	22,764	2,468

In addition, intercompany balances within the Group that form part of the Group's net investment in foreign operations, and are denominated in foreign currency (i.e. Hong Kong dollars), 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\$134,613,000 (2013: HK\$150,172,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 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, United States dollars, Euro, Swiss Franc and Renminbi. There would be an equal and opposite impact where Renminbi, Singapore dollars and Thai Bahts weaken 5% (2013: 5%) against the relevant currencies.

	Decrease (increase) in profit for the year		Increase in other comprehensive income	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	43	2	6,731	7,509
Euro	(109)	–	–	–
Swiss Franc	(9)	–	–	–
Renminbi	(1,138)	(123)	–	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) *Interest rate risk*

The Group has significant bank borrowings (see note 29 for details), bank deposits and certain amounts due from/to joint operations with floating interest rate which are exposed to 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 fluctuated in recent years.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and certain amounts due from/to joint operations 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 (2013: 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.

If interest rates had been 100 (2013: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2014 would decrease/increase by approximately HK\$10,555,000 (2013: HK\$10,836,000).

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% (2013: 5%) higher/lower, profit for the year ended 31 March 2014 would increase/decrease by HK\$11,000 (2013: HK\$17,000) as a result of the changes in fair value of held-for-trading investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 associates, an investee company and joint operations/other partners of joint operations. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors are generated from a limited number of customers. At the end of the reporting period, two (2013: three) customers of the Group accounted for about 65% (2013: 61%) of the Group's trade debtors, which are the Government of Hong Kong Special Administrative Region ("the Government of HKSAR") and certain Hong Kong listed companies engaged in infrastructure business in Hong Kong. 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, 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.

With respect to credit risk arising from amounts due from associates, an investee company and joint operations/other partners of joint operations, 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/or a good history of repayment. The investee company is engaged in property development business in Hong Kong and it is a subsidiary of a Hong Kong listed company engaged in various business segments including property development business. The Group does not expect to incur a significant loss for uncollected amounts due from these associates, investee company and joint operations/other partners of joint operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 31.3.2014 HK\$'000
2014					
Creditors and accrued charges	-	979,620	266,026	1,245,646	1,245,646
Unsecured bonds	7.25	157,039	-	157,039	150,000
Amounts due to joint operations/ other partners of joint operations					
- interest-free	-	98,047	-	98,047	98,047
- variable rate	2.51	56,356	-	56,356	54,978
- fixed rate	3.00	10,050	-	10,050	10,000
Amounts due to associates	-	20,151	-	20,151	20,151
Amounts due to non-controlling shareholders	-	10,006	-	10,006	10,006
Bank borrowings - variable rate	2.80	2,030,576	251,226	2,281,802	2,261,860
Obligations under finance leases	2.72	19,630	29,048	48,678	46,947
Financial guarantee contracts	-	789,741	-	789,741	-
		4,171,216	546,300	4,717,516	3,897,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 31.3.2013 HK\$'000
2013 (restated)					
Creditors and accrued charges	–	806,793	214,817	1,021,610	1,021,610
Unsecured bonds	7.25	10,875	157,039	167,914	150,000
Amounts due to joint operations/ other partners of joint operations	–	74,190	–	74,190	74,190
Amounts due to associates	–	15,902	–	15,902	15,902
Amount due to a non-controlling shareholder	–	4,026	–	4,026	4,026
Bank borrowings – variable rate	3.27	1,730,488	213,873	1,944,361	1,922,272
Obligations under finance leases	2.97	17,263	17,283	34,546	33,333
Financial guarantee contracts	–	765,065	–	765,065	–
		3,424,602	603,012	4,027,614	3,221,333

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 2014 and 31 March 2013, the aggregate carrying amounts of these bank borrowings amounted to HK\$2,030,576,000 and HK\$1,730,488,000 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 2014

6. FINANCIAL INSTRUMENTS (continued)

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	Repayable within in 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2014					
Bank borrowings with a repayment on demand clause	2,013,003	47,612	-	2,060,615	2,030,576
2013 (restated)					
Bank borrowings with a repayment on demand clause	1,669,193	92,443	6,765	1,768,401	1,730,488

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 included in the level 2 and level 3 categories have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties;
- the fair values of financial guarantee contracts are determined based on the present value of expected payments when default occurs, 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 2014

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).

	2014 Level 1 HK\$'000	2013 Level 1 HK\$'000
Investments held for trading	220	341

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 of the Company 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 or investment in 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 2014

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 2014

	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	5,891,362	356,297	12,430	291,151	-	6,551,240
RESULT						
Operating results	59,115	57,920	45,180	16,955	(486)	178,684
Share of results of associates	(1,892)	8,552	3,468	-	-	10,128
Segment profit (loss)	57,223	66,472	48,648	16,955	(486)	188,812
Unallocated corporate expenses						(20,075)
Interest income						12,489
Finance costs						(41,405)
Profit before tax						139,821
Income tax expense						(46,498)
Profit for the year						93,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. SEGMENT INFORMATION (continued)

SEGMENT REVENUES AND RESULTS (continued)

For the year ended 31 March 2013

	Construction work HK\$'000 (restated)	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000 (restated)
REVENUE						
External sales	4,055,239	588,648	12,661	235,222	-	4,891,770
RESULT						
Operating results	41,740	114,173	24,274	9,831	(492)	189,526
Share of results of associates	-	8,771	3,122	-	-	11,893
Segment profit (loss)	41,740	122,944	27,396	9,831	(492)	201,419
Unallocated corporate expenses						(18,281)
Interest income						6,065
Finance costs						(43,638)
Profit before tax						145,565
Income tax expense						(67,790)
Profit for the year						77,775

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administrative 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 2014

7. SEGMENT INFORMATION (continued)

OTHER SEGMENT INFORMATION

2014

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	5,537	370	-	952	-	6,859
Fair value changes on investment properties	-	-	34,750	-	-	34,750
Gain on disposal of property, plant and equipment	783	120	-	53	-	956
Write down of properties under development for sale	-	14,780	-	-	-	14,780
Write down of deposits paid for properties held for sale	-	1,225	-	-	-	1,225

2013

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

	Construction work HK\$'000 (restated)	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000 (restated)
Depreciation and amortisation	13,165	508	-	560	-	14,233
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

The Group operates in three principal geographical areas, including Hong Kong (place of domicile), Macau 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 (Note) and (ii) the Group's non-current assets other than financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)
Hong Kong (place of domicile)	5,529,132	4,275,636	327,237	597,225
Macau	645,297	20,161	268	97
Other regions in the PRC	376,064	595,114	4,795	5,201
Other jurisdictions	747	859	74,002	77,385
	6,551,240	4,891,770	406,302	679,908

Note: Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties sold, leased out, or managed or construction work operations.

INFORMATION ABOUT MAJOR CUSTOMERS

Included in the revenue arising from construction work, there were two customers (2013: three) who accounted for over 10% of revenue with revenue of HK\$2,540,562,000 (2013: HK\$1,995,004,000), HK\$1,071,827,000 (2013: HK\$495,784,000) and Nil (2013: HK\$419,000,000) respectively. The customers are located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000 (restated)
Interests on:		
Bank loans wholly repayable within five years	61,831	52,769
Unsecured bonds	10,875	10,875
Finance leases	1,245	996
Amounts due to joint operations/other partner of a joint operation	463	–
Total borrowing costs	74,414	64,640
Less: Amount attributable to contract work	(27,654)	(18,785)
Amount capitalised as part of costs of properties under development for sale	(5,355)	(2,217)
	41,405	43,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000 (restated)
Current tax		
– Hong Kong Profits Tax		
– current year	9,795	11,599
– under(over)provision in prior years	92	(657)
	9,887	10,942
– PRC EIT		
– current year	18,968	39,444
– underprovision in prior years	1,818	2,904
	20,786	42,348
– PRC LAT		
– current year	8,574	19,940
– underprovision in prior years	–	4,267
	8,574	24,207
– Other jurisdictions		
– current year	4,355	199
– overprovision in prior years	–	(3,119)
	4,355	(2,920)
Deferred tax charge (credit) (note 31)	2,896	(6,787)
	46,498	67,790

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 2014

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\$173,143,000 (2013: HK\$185,694,000) 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 profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000 (restated)
Profit before tax	139,821	145,565
Tax at the Hong Kong Profits Tax rate of 16.5%	23,070	24,018
Tax effect of share of results of associates	(1,671)	(1,962)
Tax effect of expenses not deductible for tax purpose	13,874	25,202
Tax effect of income not taxable for tax purpose	(10,716)	(4,146)
Underprovision in prior years, net	1,910	3,395
Tax effect of tax losses for current year not recognised	11,458	21,951
Utilisation of tax losses previously not recognised	(2,048)	(10,397)
Recognition of tax losses available to set off the assessable profits of joint operations	(3,432)	(3,251)
Effect of different tax rates of operations in other jurisdictions	5,422	1,034
PRC LAT	8,574	19,940
Tax effect of LAT	(2,143)	(4,985)
Others	2,200	(3,009)
Tax charge for the year	46,498	67,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	3,717	4,171
Underprovision in prior year	1,169	79
	4,886	4,250
Depreciation and amortisation	45,183	45,207
Less: Amount attributable to contract work	(38,324)	(30,974)
	6,859	14,233
Fair value changes on investments held for trading (included in other gains and losses)	121	127
Allowance for impairment of other receivables	–	12,076
Write down of properties under development for sale (included in cost of sales)	14,780	24,553
Write down of deposits paid for properties held for sale	1,225	6,485
Gain on disposal of property, plant and equipment (included in other gains and losses)	(956)	(3,467)
Operating lease rentals for:		
Rental properties	22,664	18,480
Plant and machinery	93,542	71,796
	116,206	90,276
Less: Amount attributable to contract work	(108,750)	(82,241)
	7,456	8,035
Share-based payment expense	516	1,263
Staff costs, including directors' emoluments	1,385,611	1,058,234
Less: Amount attributable to contract work	(916,120)	(651,126)
Amount attributable to properties under development for sale	(7,719)	(7,867)
	461,772	399,241
Share of tax of associates (included in share of results of associates)	3,014	2,541
Interest income (included in other income)	(12,489)	(6,065)
Net foreign exchange loss (included in other gains and losses)	203	498
Rental income from premises and machineries, net of direct operating expenses from premises and machineries that generated rental income during the year of HK\$1,443,000 (2013: HK\$1,139,000)	(14,341)	(11,522)
Cumulative exchange gains relating to subsidiary deregistered (2013: disposed of) (included in other gains and losses)	(22,313)	(17,484)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2013: eight) Directors were as follows:

2014

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based payment HK\$'000	
Pang Yat Ting, Dominic	-	3,177	15	-	3,192
Pang Yat Bond, Derrick	-	3,296	15	-	3,311
Kwok Yuk Chiu, Clement	-	2,663	15	-	2,678
Li Wai Hang, Christina	-	2,003	15	-	2,018
Au Son Yiu	222	-	-	-	222
Chan Chiu Ying, Alec	222	-	-	-	222
Hui Chiu Chung, Stephen	222	-	-	-	222
Lee Shing See	222	-	-	-	222
	888	11,139	60	-	12,087

2013

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(B) EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two (2013: two) Directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2013: three) individuals are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	10,454	9,879
Retirement benefit scheme contributions	30	29
Share-based payment	–	80
	10,484	9,988

The employees' emoluments were within the following bands:

	Number of employees	
	2014	2013
HK\$3,000,001 to HK\$3,500,000	1	2
HK\$3,500,001 to HK\$4,000,000	2	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

	2014 HK\$'000	2013 HK\$'000
Final dividend recognised as distribution during the year in respect of 2013 of HK1.4 cents (2012: 0.8 cent) per share	13,878	7,829

Final dividend of HK1.7 cents per share in respect of the year ended 31 March 2014 (2013: HK1.4 cents) 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 2014

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:

	2014 HK\$'000	2013 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	93,009	77,775
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,038,788,979	980,286,665
Effect of dilutive potential ordinary shares in respect of		
– Share options	1,980,936	3,320,266
– Warrants	4,440,341	1,378,910
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,045,210,256	984,985,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 2012 (restated)	65,772	508,235	50,810	57,545	682,362
Exchange adjustment	–	292	5	23	320
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 (restated)	62,005	540,307	67,032	53,786	723,130
Exchange adjustment	–	–	–	(26)	(26)
Additions	–	68,852	19,760	7,695	96,307
Disposals	–	(5,165)	(6,207)	(1,565)	(12,937)
At 31 March 2014	62,005	603,994	80,585	59,890	806,474
DEPRECIATION AND AMORTISATION					
At 1 April 2012 (restated)	24,664	367,814	36,378	34,824	463,680
Exchange adjustment	–	168	4	36	208
Provided for the year	1,598	34,739	5,399	3,471	45,207
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 (restated)	25,442	390,837	38,814	36,812	491,905
Exchange adjustment	–	–	–	(24)	(24)
Provided for the year	1,533	31,208	9,387	3,055	45,183
Eliminated on disposals	–	(4,048)	(4,594)	(1,185)	(9,827)
At 31 March 2014	26,975	417,997	43,607	38,658	527,237
CARRYING VALUES					
At 31 March 2014	35,030	185,997	36,978	21,232	279,237
At 31 March 2013 (restated)	36,563	149,470	28,218	16,974	231,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Owner-occupied leasehold land located elsewhere in the PRC is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably. Owner-occupied leasehold land located in Hong Kong is capitalised as finance leases.

The leasehold land and buildings are depreciated over the shorter of the term of the lease or 2% to 4% per annum.

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:

	2014 HK\$'000	2013 HK\$'000
Properties in Hong Kong	34,256	35,732
Properties located elsewhere in the PRC	774	831
	35,030	36,563

The carrying value of the Group's property, plant and equipment includes an amount of HK\$40,368,000 (2013: HK\$36,507,000) and HK\$18,175,000 (2013: HK\$13,332,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. INVESTMENT PROPERTIES

	2014 HK\$'000	2013 HK\$'000
FAIR VALUE		
At beginning of the year	386,595	422,622
Exchange adjustment	(16)	–
Transfer from properties held for sale	–	11,716
Transfer to assets classified as held for sale	(353,800)	(5,505)
Disposals	(6,547)	(52,509)
Increase in fair value recognised in profit or loss – unrealised	34,750	10,271
At end of the year	60,982	386,595

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 fair value of an investment property classified as held for sale upon meeting the condition of such classification (note 25) is based on the consideration stated on the sale and purchase agreement. The fair value hierarchy of the investment property is Level 2.

In estimating the fair value of other investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model.

The fair values of the Group's other investment properties as at 31 March 2014 have been arrived at on the basis of valuations carried out on that date by Asteco Property Management LLC and Vigers Appraisal and Consulting Limited (2013: Chesterton International LLC 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 income potential of the respective properties. In the valuation under direct comparison approach, which falls under Level 3 of the fair value hierarchy, the comparable properties are made by reference to those of similar properties in the neighbourhood. In the valuation under income capitalisation approach, which falls under Level 3 of the fair value hierarchy, the market rentals of all car parking spaces are made by reference to the rentals achieved by the Group in the car parking spaces, the capitalisation rate adopted is by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted for the valuers' knowledge of factors specific to the respective properties. There has been no change from the valuation technique used in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key inputs used in valuing the investment properties in Hong Kong under the income capitalisation approach were the capitalisation rates used and monthly unit rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. Moreover, a slight increase in the monthly unit rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Details of the significant unobservable input under the income capitalisation approach are as follows:

Investment properties held by the Group	Capitalisation rates
Car parking spaces in Hong Kong	9.50% per annum

Residential units in UAE were valued under direct comparison approach, market price point is one of the key inputs, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property. A slight increase in the market price point used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. The fair value was arrived at using market price point for the residential units in UAE at Emirati Dirham 1,094 per square feet (equivalent to HK\$2,311 per square feet).

The investment properties, which fall under level 3 of the fair value hierarchy, are situated in the following locations:

	2014 HK\$'000	2013 HK\$'000
Under medium-term leases:		
Car parking spaces in Hong Kong	50,000	370,000
Under long lease:		
Residential units in UAE	10,982	16,595
	60,982	386,595

There were no transfers into or out of Level 3 during the year.

Included in investment properties in Hong Kong with a total carrying value of HK\$50,000,000 (2013: HK\$43,000,000) are co-owned with a joint venturer. The carrying value represents the Group's proportionate share in the valuation of the relevant properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. INTERESTS IN ASSOCIATES

	2014 HK\$'000	2013 HK\$'000
Cost of unlisted investments in associates	45,946	42,783
Share of post-acquisition profits and other comprehensive income, net of dividend received	20,137	19,305
	66,083	62,088

Particulars of the Group's principal associates as at 31 March 2014 and 2013 are set out in note 45.

The aggregate summarised financial information in respect of the Group's associates that are not individually material to the Group is set out below:

	2014 HK\$'000	2013 HK\$'000
Total assets	710,595	698,141
Total liabilities	(415,895)	(410,667)
Net assets	294,700	287,474
Group's share of net assets of associates	66,083	62,088

	2014 HK\$'000	2013 HK\$'000
Revenue	17,397	14,979
Profit for the year	47,583	51,660
Other comprehensive expense	(916)	(6,832)
Group's share of profits of associates for the year	10,128	11,893
Group's share of other comprehensive expense of associates for the year	(216)	(694)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. AMOUNTS DUE FROM ASSOCIATES

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

18. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company represents the amount advanced to an investee company for one of the Group's property development projects, which is unsecured, interest-free and will not be repayable within the next twelve months.

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

	2014 HK\$'000	2013 HK\$'000 (restated)
Contracts in progress at the end of the reporting period:		
Costs incurred to date plus recognised profits less recognised losses	23,132,552	18,100,826
Less: Progress billings	(22,560,082)	(17,290,897)
	572,470	809,929
Analysed for reporting purposes as:		
Amounts due from customers for contract work	1,466,461	1,276,578
Amounts due to customers for contract work	(893,991)	(466,649)
	572,470	809,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014 HK\$'000	2013 HK\$'000 (restated)
Trade debtors	733,827	426,298
Less: Allowance for doubtful debts	(534)	(534)
	733,293	425,764
Retention receivables	441,861	308,428
Consideration receivables in respect of disposal of investment properties	–	44,610
Prepayments, deposits and other receivables	126,154	147,290
Less: Allowance for impairment of other receivables	(12,076)	(12,076)
	114,078	135,214
	1,289,232	914,016

Retention receivable is analysed as follows:

	2014 HK\$'000	2013 HK\$'000 (restated)
Due within one year	2,627	20,321
Due after one year	439,234	288,107
	441,861	308,428

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month. The ageing analysis of trade debtors (by due date) of HK\$733,293,000 (2013: HK\$425,764,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	2014 HK\$'000	2013 HK\$'000 (restated)
Not yet due	695,790	377,015
Amounts past due but not impaired:		
1–30 days	29,793	45,514
31–90 days	3,989	2,068
91–180 days	3,220	386
Over 180 days	501	781
	37,503	48,749
	733,293	425,764

Included in the Group's trade debtors balance are debtors with a carrying amount of HK\$37,503,000 (2013: HK\$48,749,000) 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.

Movement in allowance for doubtful debts:

	2014 HK\$'000	2013 HK\$'000
Balance at beginning and end of the year	534	534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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 (2013: HK\$12,076,000). The Directors believe that the recoverable amount of these receivables are in doubt as these amounts have been outstanding for a number of years and accordingly have made allowance for the full amounts of the advance payments.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE AND DEPOSITS PAID FOR PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in the amount are properties under development for sale of HK\$773,242,000 (2013: HK\$745,449,000) 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\$224,880,000 (2013: HK\$212,080,000) represent the deposits paid mainly to a listed company in the UAE, for two (2013: two) pieces of land.

22. INVESTMENTS HELD FOR TRADING

	2014 HK\$'000	2013 HK\$'000
Investment held for trading:		
Equity securities listed outside Hong Kong stated at fair value	220	341

The valuation of investments held for trading are classified as Level 1 fair value measurement which is derived from quoted market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

23. AMOUNTS DUE FROM ASSOCIATES AND JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS

The amounts are unsecured and repayable on demand. Except for amounts due from a joint operation/ other partner of a joint operation of HK\$54,978,000 (2013: Nil) which carry interest at Hong Kong Interbank Offered Rates ("HIBOR") plus 2.25%, the remaining balances are interest-free.

The amounts due from joint operations/other partners of joint operations comprise:

	2014 HK\$'000	2013 HK\$'000 (restated)
Amounts due from joint operations (Note)	194,914	77,685
Amounts due from other partners of joint operations	37,346	47,362
	232,260	125,047

Note: Amounts represent the portion shared by other partners of joint operations according to respective joint arrangement agreements.

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 an average floating rate of 1.07% (2013: 1.18%) per annum as of 31 March 2014.

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 an average floating rate of 1.15% (2013: 0.63%) per annum as of 31 March 2014.

25. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2013, the Group entered into an agreement with an independent third party to dispose of certain investment properties at a consideration of HK\$353,800,000. The transaction was completed in June 2014. Accordingly, the properties are reclassified from investment properties to assets held for sale. Please refer to note 15 for details on fair value disclosures.

In January 2013, the Group entered into an agreement with an independent third party to dispose of certain property and investment properties at an aggregate consideration of HK\$6,559,000. Accordingly, such assets were classified as held for sale. The transaction was completed in April 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$730,758,000 (2013: HK\$581,284,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	2014 HK\$'000	2013 HK\$'000 (restated)
Not yet due	589,986	389,710
1–30 days	78,100	112,817
31–90 days	35,856	58,647
91–180 days	9,643	10,567
Over 180 days	17,173	9,543
	730,758	581,284

Included in the amount of creditors, deposits and accrued charges are retention payables to sub-contractors of HK\$266,026,000 (2013: HK\$214,817,000).

27. AMOUNTS DUE TO ASSOCIATES/JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS/NON-CONTROLLING SHAREHOLDERS

The amounts are unsecured and repayable on demand. Except for amounts due to joint operations of HK\$54,978,000 and HK\$10,000,000 (2013: Nil) which carry interest at HIBOR plus 2.25% and at fixed rate by 3.00% respectively, the remaining balances are interest-free.

The amounts due to joint operations/other partners of joint operations comprise:

	2014 HK\$'000	2013 HK\$'000 (restated)
Amounts due to joint operations (Note)	85,818	18,946
Amounts due to other partners of joint operations	77,207	55,244
	163,025	74,190

Note: Amounts represent the portion shared by other partners of joint operations according to respective joint arrangement agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	19,630	17,263	18,642	16,531
In more than one year but not more than two years	16,360	9,342	15,817	9,019
In more than two years but not more than five years	12,688	7,941	12,488	7,783
	48,678	34,546	46,947	33,333
Less: Future finance charges	(1,731)	(1,213)	-	-
Present value of lease obligations	46,947	33,333	46,947	33,333
Less: Amount due for settlement within 12 months (shown under current liabilities)			(18,642)	(16,531)
Amount due for settlement after 12 months			28,305	16,802

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 (2013: range from two to three years). The effective borrowing rates underlying all obligations under finance leases are fixed at respective contract rates range from 2.7% to 4.9% (2013: 2.3% to 3.5%) 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 2014

29. BANK BORROWINGS

	2014 HK\$'000	2013 HK\$'000 (restated)
Bank borrowings comprise:		
Trust receipt loans (note a)	353,511	318,953
Bank loans (note b)	1,908,349	1,587,845
Mortgage loans (note c)	–	15,474
	2,261,860	1,922,272
Analysed as:		
Secured	1,524,053	1,217,212
Unsecured	737,807	705,060
	2,261,860	1,922,272
Carrying amount repayable (note d)		
More than one year, but not more than five years	231,284	191,784
Carrying amount of bank loans that contain a repayment on demand clause		
– repayable within one year	1,985,563	1,636,201
– repayable after one year (shown under current liabilities)	45,013	94,287
	2,030,576	1,730,488
Amounts shown under current liabilities	2,261,860 (2,030,576)	1,922,272 (1,730,488)
Amounts due after one year	231,284	191,784

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. BANK BORROWINGS (continued)

Notes:

- (a) The trust receipt loans are unsecured and carry interest at floating rates ranging from HIBOR plus 2% to 3.25% (2013: HIBOR plus 2% to 3.25%).
- (b) Bank loans of HK\$1,908,349,000 (2013: HK\$1,519,775,000) are denominated in Hong Kong dollars carrying interest at floating rates with average interest rates ranging from HIBOR plus 1% to 3.8% (2013: HIBOR plus 1.8% to 3.8%). As at 31 March 2013, the remaining bank loans were 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 was higher. The bank loans comprised secured bank loans and unsecured bank loans of HK\$1,524,053,000 (2013: HK\$1,201,738,000) and HK\$384,296,000 (2013: HK\$386,107,000), respectively.
- (c) As at 31 March 2013, mortgage loans are secured and carry interest at floating rates of HIBOR plus 0.925%. The loans have been fully repaid during the year.
- (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 2014

31. DEFERRED TAX (LIABILITIES) ASSETS

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other deductible temporary differences HK\$'000	Undistributed earnings of subsidiaries HK\$'000	Total HK\$'000
At 1 April 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 joint operations	–	(6,175)	–	–	(6,175)
At 31 March 2013	(33,379)	20,387	11,940	(4,702)	(5,754)
(Charge) credit to profit or loss	(6,041)	5,924	(2,779)	–	(2,896)
Utilisation of tax loss by joint operations	–	(2,177)	–	–	(2,177)
At 31 March 2014	(39,420)	24,134	9,161	(4,702)	(10,827)

At the end of the reporting period, the Group has unused tax losses of HK\$543,274,000 (2013: HK\$486,123,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$146,268,000 (2013: HK\$123,560,000) of such losses, including tax loss of HK\$47,079,000 (2013: HK\$39,915,000) which will be available to the Company's joint operations to offset the joint operations' future taxable profit. No deferred tax asset has been recognised in respect of the remaining HK\$397,006,000 (2013: HK\$362,563,000) losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	7,768	6,586
Deferred tax liabilities	(18,595)	(12,340)
	(10,827)	(5,754)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2014	2013	2014 HK\$'000	2013 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	987,765,285	978,638,531	98,777	97,864
Issue upon exercise of warrants	88,755,691	2,148,754	8,875	215
Issue upon exercise of share options	6,578,000	6,978,000	658	698
At end of the year	1,083,098,976	987,765,285	108,310	98,777

Details of the exercise of warrants and share options during the years ended 31 March 2013 and 2014 are set out in notes 33 and 34 respectively.

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

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 were issued on 9 September 2010 at nil consideration. 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 2014, 88,755,691 new shares (2013: 2,148,754 new shares) of the Company of HK\$0.1 each were issued upon the exercise of the Warrants. The subscription rights attaching to the remaining unexercised Warrants (the "Subscription Rights") were expired on 12 September 2013 and therefore any Subscription Rights which had not been exercised were lapsed on that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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.

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 been 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

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.

Details of the movements in share options are as follows:

For the year ended 31 March 2014

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2013	Exercised during the year (Note 3)	Lapsed during the year	Outstanding at 31/3/2014
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	7,461,600	(3,946,800)	(3,514,800)	-
	17/1/2012	0.410	17/1/2013 to 16/1/2014	4,974,400	(2,631,200)	(2,343,200)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 2014 (continued)

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2013	Exercised during the year (Note 3)	Lapsed during the year	Outstanding at 31/3/2014
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)	-
	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)	-
				36,856,000	(6,578,000)	(17,668,000)	12,610,000
Number of option exercisable at the end of the reporting period							12,610,000
Weighted average exercise price				0.657	0.410	0.564	0.917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 2013

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2012	Exercised during the year (Note 3)	Lapsed during the year	Outstanding at 31/3/2013
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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 2013 (continued)

Eligible participants	Date of grant/ replacement	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2012	Exercised during the year (Note 3)	Lapsed during the year	Outstanding at 31/3/2013
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:

- 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.
- All options referred to in the above tables are not subject to any vesting period save as the options granted on 15 January 2010 and 17 January 2012, the vesting dates are 15 January 2011, 15 January 2012, 15 January 2013 and 17 January 2013 respectively.
- In respect of the share options exercised during the year ended 31 March 2014, the weighted average share price at the date of exercise was HK\$0.41 (2013: HK\$0.41).
- No share options were granted or cancelled during the year ended 31 March 2014 or 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. SHARE OPTION SCHEMES (continued)

(A) OLD SCHEME (continued)

The Group recognised the total expense of HK\$1,190,000 for the year ended 31 March 2013 in relation to share options granted/replaced by the Company under the Old Scheme.

As at 31 March 2014, 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 12,610,000 shares (2013: 36,856,000 shares) representing 1.2% (2013: 3.7%) of the shares of the Company in issue as at 31 March 2014.

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

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 2014

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 2014

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options		
				Outstanding at 31/3/2013	Lapsed during the year	Outstanding at 31/3/2014
Employees	20/2/2013	0.660	20/2/2014 to 19/2/2017	2,133,600	(246,000)	1,887,600
	20/2/2013	0.660	20/2/2015 to 19/2/2017	2,133,600	(246,000)	1,887,600
	20/2/2013	0.660	20/2/2016 to 19/2/2017	2,844,800	(328,000)	2,516,800
				7,112,000	(820,000)	6,292,000
Number of option exercisable at the end of the reporting period						1,887,600
Weighted average exercise price				0.66	0.66	0.66

Note:

No share options were granted or cancelled during the year ended 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

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

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
				7,112,000	7,112,000
Number of option exercisable at the end of the reporting period					-
Weighted average exercise price					0.66

Note:

The vesting period, which is the period from the date of grant to the first 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:

<u>New Scheme</u>	<u>Maximum % of share options exercisable</u>
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\$516,000 (2013: HK\$73,000) for the year ended 31 March 2014 in relation to share options granted by the Company under the New Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. SHARE OPTION SCHEMES (continued)

(B) NEW SCHEME (continued)

The following assumptions were used to calculate the fair values of share options granted during the year ended 31 March 2013:

Date of grant of the share option	Exercise price per option HK\$	Share price at grant date HK\$	Expected life of share option	Expected volatility of share prices	Expected dividend yield	Risk-free rate
20 February 2013	0.660	0.660	2.50 years	35.49%	1.21%	0.30%
20 February 2013	0.660	0.660	3.00 years	38.21%	1.21%	0.37%
20 February 2013	0.660	0.660	3.50 years	39.19%	1.21%	0.45%

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 2014, the total number of shares in respect of which share options had been granted under the New Scheme and remained outstanding was 6,292,000 shares (2013: 7,112,000 shares), representing 0.58% (2013: 0.72%) of the shares of the Company in issue as at 31 March 2014.

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 profit or loss and other 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\$35,811,000 (2013: HK\$14,315,000) after forfeited contributions utilised of HK\$3,634,000 (2013: HK\$17,727,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. RETIREMENT BENEFIT SCHEMES (continued)

HONG KONG (continued)

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.

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\$1,407,000 (2013: HK\$1,545,000).

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 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 sale consideration, carrying amounts of the underlying properties interests and cumulative exchange gains relating to the relevant subsidiary of HK\$17,484,000 were recorded as revenue, cost of sales and other gains respectively.

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\$35,877,000 (2013: HK\$21,716,000).

38. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	14,710	9,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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:

	2014 HK\$'000	2013 HK\$'000 (restated)
Within one year	16,092	15,846
In the second to fifth year inclusive	8,534	9,202
	24,626	25,048

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:

Rental income earned from properties and machineries during the year were HK\$15,784,000 (2013: HK\$12,661,000). The properties and machineries 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:

	2014 HK\$'000	2013 HK\$'000
Within one year	8,239	12,148
In the second to fifth year inclusive	4,335	7,299
	12,574	19,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

40. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

(A) At the end of the reporting period, the Group had guarantees as follows:

	2014 HK\$'000	2013 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	574,059	402,339
– joint operations	94,092	45,178
	668,151	447,517
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
– an associate	20,800	32,000
– joint operations	509,000	439,000
	529,800	471,000
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	259,941	294,065

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.

(B) In the current year, a subsidiary of the Group has commenced legal proceedings to seek payment for an outstanding amount of approximately HK\$335 million against Metta Resources Limited, the employer in relation to Tsz Shan Monastery project. Therefore, a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against Metta Resources Limited for additional works performed and costs incurred by the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex on 8 August 2013. Subsequently, the subsidiary of the Group has received a defence and counterclaim from Metta Resources Limited on 22 November 2013, in which Metta Resources Limited accepted that it was liable to pay only a certain amount of the Group's claims and in addition is alleging contra charges against the Group in respect of rectification of alleged non-compliance works and sectional liquidated damages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

40. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE (continued)

(B) (continued)

The Group has recognised contract revenue and cost in profit or loss up to 31 March 2014, by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by reference to the value of work carried out to date as certified by the architect. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable.

The ultimate outcome of the case will depend on the evidence adduced before the court at trial which is not expected at least until early 2016.

However, after having performed management's internal critical assessment of the aforesaid case and seeking advice from independent quantum assessor and legal advisor, the Directors of the Company are of the opinion that the defence and counterclaim by Metta Resources Limited has no merit and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

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:

	2014 HK\$'000	2013 HK\$'000 (restated)
Investment properties	50,000	370,000
Assets classified as held for sale	353,800	–
Property, plant and equipment	45,840	46,437
Properties under development for sale	449,669	421,542
Bank deposits	504,584	295,015
	1,403,893	1,132,994

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 2014

42. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Associates		Non-controlling shareholder		A related party (note 30)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Transactions during the year:						
Purchase of construction materials	-	-	-	5,537	-	-
Management fee income	3,920	-	-	-	-	-
Contract revenue recognised	1,381	-	-	-	-	-
Interest expense	-	-	-	-	10,875	10,875
Extent of guarantee issued to financial institutions to secure credit facilities granted	20,800	32,000	-	-	-	-

(ii) The Group's key management personnel include all Directors and certain senior management of the Company, details of their remuneration are disclosed in note 11.

(iii) 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 17, 18, 23, 27 and 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

43. COMPANY'S CONDENSED STATEMENT OF FINANCIAL POSITION

	2014 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES		
Total assets	1,606,295	1,623,996
Total liabilities	(732,515)	(853,108)
	873,780	770,888
CAPITAL RESERVES		
Share capital	108,310	98,777
Reserves	765,470	672,111
	873,780	770,888

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2014 and 2013 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		
			2014 %	2013 %	2014 %	2013 %	
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)				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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		
			2014 %	2013 %	2014 %	2013 %	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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		
			2014 %	2013 %	2014 %	2013 %	
Green Solution Interior Design and Decoration Company Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Interior design and decoration
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	100	100	Property development
Smartwill Asia Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Property development
Wealth Anchor Investments Limited	British Virgin Islands	US\$1 ordinary share	100	–	100	–	Investment holding
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
汕尾市紅海大酒店有限公司 (note b)	PRC	RMB18,000,000 registered capital	100	100	100	100	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (a) 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.
- (b) The subsidiaries are wholly foreign owned enterprise.
- (c) 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 2014 or 2013 or at any time during the years.

45. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 March 2014 and 2013 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
				2014 %	2013 %	
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 2014

46. PARTICULARS OF PRINCIPAL JOINT OPERATIONS

Particulars of the Group's principal joint operations as at 31 March 2014 and 2013 are as follows:

Name of joint operation	Form of business structure	Place of registration/operation	Attributable interest to the Group		Principal activities (Note 2)
			2014 %	2013 %	
			(Note 1)	(Note 1)	
Chun Wo – CRGL Joint Venture	Unincorporated	Hong Kong	70	70	Construction
Chun Wo – CRGL – MBEC Joint Venture	Unincorporated	Hong Kong	60	60	Construction
Chun Wo – CRGL – QR Joint Venture	Unincorporated	Hong Kong	45	45	Construction
Chun Wo – CEC Joint Venture	Unincorporated	Hong Kong	51	51	Construction
Chun Wo – Henryvicy – GTECH Joint Venture	Unincorporated	Hong Kong	55	55	Construction
Chun Wo – Hip Hing Joint Venture	Unincorporated	Hong Kong	50	50	Construction
Chun Wo – Leader Joint Venture	Unincorporated	Hong Kong	49	49	Construction
CW – SELI Joint Venture	Unincorporated	Hong Kong	50	50	Construction
HKPFH Joint Venture	Unincorporated	Hong Kong	50	–	Construction
JEC – CW E&M Joint Venture	Unincorporated	Hong Kong	50	50	Construction
Kaden – Chun Wo Joint Venture	Unincorporated	Hong Kong	49	–	Construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

46. PARTICULARS OF PRINCIPAL JOINT OPERATIONS (continued)

Note 1: The Group's attributable interest is equal to, greater or less than 50% in these entities. However, under the joint arrangement agreements, the joint operators have contractually agreed sharing of control over the relevant activities of these entities, hence all these entities are jointly controlled by the Group and the other joint operators. Furthermore, the relevant joint arrangement agreements specify that the Group and the other parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements in accordance with the attributable interest of the Group as disclosed above and the interest attributable to the other joint operators respectively, therefore these entities are classified as joint operations.

Note 2: All principal joint operations are contracted to carry out infrastructure and public facilities related works in Hong Kong, all these joint operations are contracted by various departments of the Government of HKSAR and certain Hong Kong listed companies engaged in infrastructure business in Hong Kong. These joint operations are strategic to the Group's principal activities in construction work.

The above table lists the joint operations 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 joint operations would, in the opinion of the Directors, result in particulars of excessive length.

FINANCIAL SUMMARY

	Year ended 31 March				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000 (restated)	

RESULTS (Note)

Revenue	2,606,241	3,002,446	3,193,402	4,891,770	6,551,240
Profit (loss) before tax	26,062	(16,918)	109,079	145,565	139,821
Income tax credit (expense)	5,028	(38,045)	(56,726)	(67,790)	(46,498)
Profit (loss) for the year	31,090	(54,963)	52,353	77,775	93,323
Attributable to:					
Owners to the Company	31,090	(54,963)	52,353	77,775	93,009
Non-controlling interests	–	–	–	–	314
	31,090	(54,963)	52,353	77,775	93,323

	At 31 March				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000 (restated)	

ASSETS AND LIABILITIES (Note)

Total assets	3,657,073	3,902,006	4,606,344	5,417,801	6,619,944
Total liabilities	(2,308,734)	(2,546,627)	(3,127,118)	(3,886,836)	(4,975,398)
	1,348,339	1,355,379	1,479,226	1,530,965	1,644,546
Equity attributable to:					
Owners to the Company	1,347,989	1,355,029	1,478,876	1,530,615	1,643,882
Non-controlling interests	350	350	350	350	664
	1,348,339	1,355,379	1,479,226	1,530,965	1,644,546

Note: Financial information presented under “Results” for the year ended 31 March 2010, 2011 and 2012, and financial information presented under “Assets and Liabilities” as at 31 March 2010 and 2011 have not been restated to take into the financial impact of adoption of HKFRS 11 “Joint Arrangements” as it is not cost effective.

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	224,420 (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	397 (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	Completed	–	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, New Kowloon Inland Lot No. 6179, No. 8 Clear Water Bay Road, Kowloon, Hong Kong	Commercial and carpark	Medium
Townhouse #V4C-38, Al Muneera Island, Al Raha Beach, Abu Dhabi, United Arab Emirates	Residential house	Long