CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL HIGHLIGHTS

	2013/14	2012/13
	HK$'000	*HK$'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.*

RESULTS

The Board of Directors (the "Board" or the "Directors") of Chun Wo Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively "Chun Wo" or the "Group") for the year ended 31 March 2014, together with the relevant comparative figures for the previous financial year as follows:

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	*2*	**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		**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	*3*	**(41,405)**	(43,638)
Profit before tax		**139,821**	145,565
Income tax expense	*4*	**(46,498)**	(67,790)
Profit for the year	*5*	**93,323**	77,775
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
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

	Notes	2014 HK$'000	2013 HK$'000 (restated)
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	*7*		
– 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	8	**279,237**	231,225	218,682
Investment properties		**60,982**	386,595	422,622
Interests in associates		**66,083**	62,088	66,387
Deferred tax assets		**7,768**	6,586	10,015
Amounts due from associates		**103,611**	103,345	103,420
Amount due from an investee company		**154,200**	–	–
		671,881	789,839	821,126
Current assets				
Amounts due from customers for contract work		**1,466,461**	1,276,578	722,357
Debtors, deposits and prepayments	9	**1,289,232**	914,016	793,158
Properties under development for sale		**773,242**	847,287	642,587
Deposits paid for properties under development for sale		**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		**220**	341	468
Amounts due from associates		**16,055**	705	705
Amounts due from joint operations/other partners of joint operations		**232,260**	125,047	58,502
Tax recoverable		**8,254**	1,842	17,111
Pledged bank deposits		**504,584**	295,015	277,724
Bank balances and cash		**820,930**	607,615	599,731
		5,594,263	4,621,641	3,785,218
Assets classified as held for sale		**353,800**	6,321	–
		5,948,063	4,627,962	3,785,218
Current liabilities				
Amounts due to customers for contract work		**893,991**	466,649	294,347
Creditors, deposits and accrued charges	10	**1,346,417**	1,029,049	953,958
Deposits received from sales of properties		**14,632**	95,964	63,646
Amounts due to associates		**20,151**	15,902	15,893
Amounts due to joint operations/other partners of joint operations		**163,025**	74,190	28,797
Amounts due to non-controlling shareholders		**10,006**	4,026	–
Tax payable		**49,774**	83,111	95,568
Obligations under finance leases		**18,642**	16,531	15,864
Bank borrowings		**2,030,576**	1,730,488	1,429,225
Unsecured bonds		**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

	Notes	**31.3.2014**	31.3.2013	1.4.2012
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Non-current liabilities				
Obligations under finance leases		**28,305**	16,802	15,250
Bank borrowings		**231,284**	191,784	48,189
Unsecured bonds		**–**	150,000	150,000
Deferred tax liabilities		**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		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. 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.

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.

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.

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. 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.

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)
Change in profit for the year attributable to the owners of the Company	–

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	Adjustments	As at 1 April 2012 as restated
	HK$'000	*HK$'000*	*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

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

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.

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.

2. 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.

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**

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.

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.

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

Geographical information

The Group operates in three principal geographical areas, including Hong Kong (place of domicile), Macau and other regions in the People's Republic of China (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	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(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.

3. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'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

4. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'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 Enterprise Income Tax ("EIT")		
– current year	**18,968**	39,444
– underprovision in prior years	**1,818**	2,904
	20,786	42,348
– PRC Land Appreciation Tax ("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)	**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.

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.

5. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation	**45,183**	45,207
Less: Amount attributable to contract work	**(38,324)**	(30,974)
	6,859	14,233
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)
Interest income (included in other income)	**(12,489)**	(6,065)
Net foreign exchange loss (included in other gains and losses)	**203**	498

6. DIVIDENDS

	2014	2013
	HK$'000	*HK$'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.

7. 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	2013
	HK$'000	*HK$'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

8. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$96,307,000 (2013: HK$65,029,000) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$3,110,000 (2013: HK$6,575,000).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are 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	2013
	HK$'000	*HK$'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

10. 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	2013
	HK$'000	*HK$'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

11. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

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

	2014	2013
	HK$'000	*HK$'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.

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.

12. 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.

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 (restated)).

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

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

PLEDGE OF ASSETS

As at 31 March 2014, the Group pledged bank deposits, properties, plant and equipment of approximately HK$1,404 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 11 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.

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 ended 31 March 2014 (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.

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 12.9% 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 government of the Hong Kong Special Administrative Region (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 Tunnel Boring Machines ("TBM") have significantly expanded the range of projects it is able to compete for. New contracts awarded by MTR Corporation Limited ("MTRC") included civil engineering works at Kai Tak Station and associated tunnels for the Shatin to Central Link, platform modification and associated works at East Rail Line, and station commercial and improvement works at Fo Tan Station.

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 the 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 Tseung Kwan O Town Centre South and Tiu Keng Leng, 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.

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, United Arab Emirates, 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 is expected to close 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.

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.

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.

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.

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.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Further information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2013/2014 Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec (Chairman of the Audit Committee), and Mr. Hui Chiu Chung, Stephen, all are independent non-executive directors of the Company. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual results of the Group for the Year.

By order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 24 June 2014

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick, Mr. Kwok Yuk Chiu, Clement and Madam Li Wai Hang, Christina and the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen JP and Mr. Lee Shing See GBS, OBE, JP.