

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Listco Offers, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Chun Wo Development Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompany Form(s) of Acceptance, the contents of which form part of the terms of the Listco Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form(s) of Acceptance.

**CHINA NEW WAY
INVESTMENT LIMITED**

(Incorporated in Hong Kong with limited liability)

**CHUN WO DEVELOPMENT
HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH GENERAL OFFERS BY**



金融有限公司
OCTAL Capital Limited

**FOR AND ON BEHALF OF CHINA NEW WAY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHINA NEW WAY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT
WITH IT), AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS
OF CHUN WO DEVELOPMENT HOLDINGS LIMITED**

**Financial Adviser to China New Way Investment Limited
in respect of the Listco Offers**



金融有限公司
OCTAL Capital Limited

**Independent Financial Adviser to the
Independent Board Committee, the Independent Shareholders and
the Optionholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Octal Capital containing, among other things, details of the terms of the Listco Offers, is set out on pages 11 to 24 of this Composite Document.

A letter from the Board is set out on pages 25 to 31 of this Composite Document.

A letter from the Independent Board Committee is set out on pages 32 to 33 of this Composite Document.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 34 to 62 of this Composite Document.

The procedures for acceptance and settlement of the Listco Offers and other related information are set out on pages I-1 to I-8 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer and the Option Offer should be received by the Registrar and the company secretary of the Company respectively by no later than 4:00 p.m. on Friday, 23 January 2015 or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders and Overseas Optionholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Listco Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder and Overseas Optionholder is advised to seek professional advice on deciding whether or not to accept the Listco Offers.

The Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.chunwo.com> as long as the Listco Offers remain open.

2 January 2015

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM OCTAL CAPITAL	11
LETTER FROM THE BOARD	25
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM HALCYON CAPITAL	34
APPENDIX I — FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE LISTCO OFFERS	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP	III-1
APPENDIX IV — GENERAL INFORMATION	IV-1
ACCOMPANY DOCUMENTS — FORM(S) OF ACCEPTANCE	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Document (<i>Note 1</i>)	Friday, 2 January 2015
Listco Offers open for acceptance	Friday, 2 January 2015
Latest time and date for acceptance of Listco Offers (<i>Note 2</i>).....	4:00 p.m. on Friday, 23 January 2015
Listco Offers Closing Date (<i>Note 2</i>)	Friday, 23 January 2015
Announcement of the results of the Listco Offers or as to whether the Listco Offers have been revised or extended on the website of the Stock Exchange (<i>Note 2</i>).....	not later than 7:00 p.m. on Friday, 23 January 2015
Latest date for posting of remittance for the amounts due under the Listco Offers in respect of valid acceptances received on or before the latest time for acceptance of the Listco Offers (<i>Notes 3 and 4</i>)	Tuesday, 3 February 2015

Notes:

- 1. The Listco Offers, which are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Listco Offers Closing Date.*
- 2. The latest time for acceptance of the Listco Offers is 4:00 p.m. on Friday, 23 January 2015. The Listco Offers, which are unconditional, will be closed on Friday, 23 January 2015. The Offeror will issue an announcement no later than 7:00 p.m. on Friday, 23 January 2015 as to whether the Listco Offers have been revised, extended or expired and, in relation to any revision or extension of the Listco Offers, to state either the next closing date or that the Listco Offers will remain open until further notice. In the event that the Offeror decides to extend the Listco Offers and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Listco Offers are closed to those Shareholders and Optionholders who have not accepted the Listco Offers.*
- 3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Shares and the Share Options under the Listco Offers will be posted to the accepting Shareholders and Optionholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days of the date of receipt by the Registrar and the company secretary of the Company of all the relevant documents of title to render the acceptance by such Shareholders and Optionholders respectively under the Listco Offers complete and valid.*

Acceptance of the Listco Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "6. Right of Withdrawal" in Appendix I to this Composite Document.

EXPECTED TIMETABLE

4. *If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:*
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Listco Offers and the latest date for posting of remittances for the amounts due under the Listco Offers in respect of valid acceptances, the latest time for acceptance of the Listco Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day;*
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Listco Offers and the latest date for posting of remittances for the amounts due under the Listco Offers in respect of valid acceptances, the latest time for acceptance of the Listco Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

Save as mentioned above, if the latest time for the acceptance of the Listco Offers and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, these defined terms are not included in the table below:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the same meaning ascribed to it under the Listing Rules
“Bermuda”	the Islands of Bermuda
“Board”	the board of Directors
“Bond”	the 7.25% bonds due on 22 November 2014 issued by the Company with an aggregate outstanding principal amount of HK\$150,000,000 held by Talent Effort, a company indirectly wholly-owned by Madam Li Wai Hang, Christina, Mr. Pang Yat Ting, Dominic and Mrs. Lee Pang Yat Sum, Rita
“Bond Extension”	the extension of the maturity date of the Bond to 23 November 2015, which constitutes a special deal for the Company under Rule 25 of the Takeovers Code
“Business Day(s)”	a day on which the banks are open for business in Hong Kong, other than Saturdays, Sundays and public holidays
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular dated 26 November 2014 issued by the Company in relation to, among other things, the Sale and Purchase Agreement, the Subscription Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan, the proposed Increase in Authorised Share Capital and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the Conversion Shares under the Specific Mandate
“Company”	Chun Wo Development Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange

DEFINITIONS

“Composite Document”	this composite offer and response document together with (i) the white Form of Share Offer Acceptance and (ii) the yellow Form of Option Offer Acceptance despatched to the Shareholders and the Optionholders respectively pursuant to the Listco Offers
“Conversion Price”	HK\$0.463 per Conversion Share, being the initial conversion price at which the Conversion Shares will be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Shares to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds due on the third anniversary date of the date of issue in the aggregate principal amount of up to HK\$84,266,000 issued by the Company to the Offeror pursuant to the Subscription Agreement on the Subscription Completion Date
“Directors”	the director(s) of the Company
“Distributed Business”	the Group’s business of property investment carried on by the Privateco Group upon completion of the Group Restructuring and the Distribution In Specie
“Distribution In Specie”	a distribution in specie of the Privateco Shares by the Company to the Shareholders as described in the Circular
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any of his/her delegate
“Form(s) of Acceptance”	collectively, the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and “Form of Acceptance” shall mean each and any one of them
“Form of Option Offer Acceptance”	the yellow form of acceptance and cancellation of the Share Options and in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the white form of acceptance and transfer of the Offer Shares and in respect of the Share Offer accompanying this Composite Document

DEFINITIONS

“Group”	the Company and its subsidiaries
“Group Restructuring”	the group restructuring of the Group, details of which are set out in the Circular
“GT Winners Loan”	an unsecured loan of HK\$50.5 million extended by the Vendor to Privateco Subsidiary before the Distribution In Specie which bears an interest rate of 7.25% per annum and is repayable on demand
“Halcyon Capital” or “Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Listco Offers
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huinong Financial”	Huinong Financial Holdings Limited, a company incorporated in Hong Kong on 2 April 2014 with limited liability which is beneficially owning 25% of equity interest of the Offeror and is wholly-owned by Huinong Financial Holdings Ltd.
“Increase in Authorised Share Capital”	the increase in authorised share capital of the Company from HK\$150,000,000 (divided into 1,500,000,000 Shares) to HK\$250,000,000 (divided into 2,500,000,000 Shares) by the creation of additional 1,000,000,000 Shares
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen JP and Mr. Lee Shing See GBS, OBE, JP which has been established by the Company to make recommendations to (i) the Independent Shareholders regarding the Share Offer; and (ii) the Optionholders regarding the Option Offer
“Independent Shareholders”	Shareholders other than (i) the Vendor, its associates and parties acting in concert with any of them; and (ii) the Offeror, its associates and parties acting in concert with any of them
“Interim Bond Extension Agreement”	the agreement dated 20 November 2014 entered into between the Company and Talent Effort to extend the maturity date of the Bond from 22 November 2014 up to 19 December 2014

DEFINITIONS

“Investec”	Investec Capital Asia Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (assets management) regulated activities under the SFO, being the financial adviser to Well Perfection in respect of the Privateco Offer
“Joint Announcement”	the joint announcement issued by the Offeror, Well Perfection and the Company dated 20 October 2014 in relation to, among other things, the Sale and Purchase Agreement, the Subscription Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the proposed Increase in Authorised Share Capital, the Listco Offers and the Privateco Offer
“Last Trading Day”	10 September 2014, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	31 December 2014, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Letter of Undertaking”	the non-acceptance and disposal undertaking dated 10 September 2014 executed by the Vendor and the Pang Family, further details of which are set out in the subsection headed “Letter of Undertaking” under the section headed “The Listco Offers” in the “Letter from Octal Capital” set out in this Composite Document
“Listco Offers”	the Share Offer and the Option Offer
“Listco Offers Closing Date”	23 January 2015, the first closing date of the Listco Offers, which is 21 days after the date on which this Composite Document is posted, or if the Listco Offers are extended, any subsequent closing date of the Listco Offers as extended and announced by the Offeror in accordance with the Takeovers Code
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 4 July 2014 entered into between the Vendor and the Purchaser in relation to the possible sale and purchase of all or part of the Shares held by the Vendor

DEFINITIONS

“MOU Announcement”	the announcement issued by the Company dated 7 July 2014 in relation to the entering into of the MOU between the Vendor and the Purchaser for the possible sale and purchase of all or part of the Shares held by the Vendor
“Mr. Wei Judong”	Mr. Wei Judong, beneficially owning 25% equity interest of the Offeror
“Mr. Wei Lidong”	Mr. Wei Lidong, the ultimate beneficial owner and sole director of Huinong Financial
“Mr. Xu”	Mr. Xu Jianhua, the sole director of the Offeror and New Way International
“Mr. Zhang”	Mr. Zhang Xiaoliang, beneficially owning 25% equity interest of the Offeror
“Ms. Yang”	Ms. Yang Weizhi, beneficially owning 25% equity interest of the Offeror
“New Way International”	New Way International Investment Holdings Limited, a company incorporated in BVI on 3 April 2014 with limited liability which is owned by each of Mr. Zhang, Mr. Wei Judong, Ms. Yang and Huinong Financial as to 25% equity interest
“Non-acceptance Shares”	the 109,200,000 Shares held by the Vendor, the Pang Family and their respective associates immediately after the Sale and Purchase Completion and the Subscription Completion
“Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Offeror in respect of the Listco Offers
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror” or “Purchaser”	China New Way Investment Limited, a company incorporated in Hong Kong with limited liability on 16 April 2014
“Optionholder(s)”	holders of the Share Options (other than PF Share Options)

DEFINITIONS

“Option Offer”	the unconditional mandatory cash general offer to be made by Octal Capital on behalf of the Offeror to cancel all the outstanding Share Options pursuant to Rule 13.5 of the Takeovers Code
“Option Offer Price(s)”	the respective offer prices for cancellation of each outstanding Share Option as stated under the paragraph headed “The Option Offer” in the section headed “The Listco Offers” in the “Letter from Octal Capital” set out in this Composite Document
“Overseas Optionholders”	Optionholder(s) whose addresses, as shown on the register of optionholders of the Company, are outside Hong Kong
“Overseas Shareholders”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“Pang Family”	collectively Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick, Madam Li Wai Hang, Christina, Mrs. Lee Pang Yat Sum, Rita and Ms. Pang Yat Yan, Angela
“PF Share Options”	the outstanding vested Share Options held by the Pang Family
“PRC”	the People’s Republic of China
“Privateco”	Excel Value International Limited, a private company incorporated in BVI with limited liability, which is operating the Distributed Business
“Privateco Group”	Privateco and Privateco Subsidiary
“Privateco Offer”	the unconditional voluntary cash offer to be made by Investec on behalf of Well Perfection to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by Well Perfection and parties acting in concert with it)
“Privateco Share(s)”	ordinary share(s) in the share capital of Privateco
“Privateco Subsidiary”	Smart Wealth Asia Pacific Limited, a private company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Privateco
“Registrar”	Tricor Secretaries Limited, the Company’s branch registrar and transfer office in Hong Kong located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

DEFINITIONS

“Relevant Period”	the period beginning six months prior to 7 July 2014, being the date of commencement of the Offer Period (i.e. MOU Announcement) and ending on and including the Latest Practicable Date
“Remaining Business”	the Group’s business of 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 carried on by the Remaining Group upon completion of the Group Restructuring and the Distribution In Specie
“Remaining Group”	the Company and the Remaining Subsidiaries upon completion of the Group Restructuring and the Distribution In Specie
“Remaining Subsidiaries”	the remaining subsidiaries of the Company upon completion of the Group Restructuring and the Distribution In Specie, which include all current subsidiaries of the Company other than the Privateco Group
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 September 2014 entered into between the Vendor and the Purchaser in respect of the Sale Shares, as amended by the SPA Supplemental Agreement
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement which took place on the Sale and Purchase Completion Date
“Sale and Purchase Completion Date”	31 December 2014, being the date of the Sale and Purchase Completion
“Sale and Purchase Long Stop Date”	31 January 2015
“Sale Shares”	an aggregate of 510,000,000 Shares, representing approximately 42.76% of the Company’s issued share capital as at the Latest Practical Date, acquired by the Offeror from the Vendor pursuant to the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“SGM”	a special general meeting of the Company held on 19 December 2014 for the purpose of, among other things, considering the resolutions in respect of the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan, the Subscription Agreement, the Increase in Authorised Share Capital and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the Conversion Shares
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the unconditional mandatory cash general offer to be made by Octal Capital on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$1.099 per Share
“Share Option(s)”	option(s) granted under the share option schemes of the Company adopted on 28 August 2002 and 3 September 2012, respectively
“Share Premium Account”	the share premium account of the Company from time to time
“Share Premium Reduction”	the reduction of HK\$200 million standing to the credit of the Share Premium Account and the transfer of the credit arising from the reduction of share premium to the Company’s reserves available for distribution for the purpose of the Distribution In Specie
“Share(s)”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“SPA Supplemental Agreement”	a letter of extension entered into between the Vendor and the Purchaser on 10 November 2014 which extended the Sale and Purchase Long Stop Date from 15 December 2014 to 31 January 2015
“Specific Mandate”	the specific mandate granted by the Independent Shareholders at the SGM to authorise the Directors to allot and issue the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription”	the subscription of the Subscription Shares and the Convertible Bonds by the Offeror pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Offeror on 16 September 2014 in relation to the subscription of the Subscription Shares and the Convertible Bonds, as amended by the Subscription Supplemental Agreement
“Subscription Completion”	the completion of the Subscription
“Subscription Completion Date”	31 December 2014, being the date of the Subscription Completion
“Subscription Long Stop Date”	31 January 2015
“Subscription Price”	the subscription price of HK\$0.463 per Subscription Share
“Subscription Share(s)”	100,000,000 new Shares allotted and issued to the nominee of the Offeror, New Way Strategic Investment Ltd., a wholly-owned subsidiary of the Offeror, by the Company at the Subscription Price on the Subscription Completion Date
“Subscription Supplemental Agreement”	a letter of extension entered into between the Company and the Offeror on 10 November 2014 which extended the Subscription Long Stop Date from 15 December 2014 to 31 January 2015
“Supplemental Announcements”	the supplemental announcements issued by the Company on 11 November 2014 and 24 November 2014 respectively in relation to, among other things, the extension of the Sale and Purchase Long Stop Date and the Subscription Long Stop Date, the delay in despatch of this Composite Document, the GT Winners Loan, the amount of the Share Premium Reduction and delay in despatch of the Circular
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Talent Effort”	Talent Effort Limited, a private company incorporated in Hong Kong with limited liability and directly wholly-owned by Well Perfection and ultimately beneficially owned as to 45% by Madam Li Wai Hang, Christina, 45% by Mr. Pang Yat Ting, Dominic and 10% by Mrs. Lee Pang Yat Sum, Rita

DEFINITIONS

“Vendor”	GT Winners Limited, a private company incorporated in BVI with limited liability on 28 October 2005 and is ultimately beneficially owned as to 45% by Madam Li Wai Hang, Christina, 45% by Mr. Pang Yat Ting, Dominic and 10% by Mrs. Lee Pang Yat Sum, Rita
“Well Perfection”	Well Perfection Limited, a private company incorporated in BVI with limited liability and is ultimately beneficially owned as to 45% by Mr. Pang Yat Ting, Dominic, 45% by Madam Li Wai Hang, Christina and 10% by Mrs. Lee Pang Yat Sum, Rita, which is a party acting in concert with the Vendor in relation to the Privateco Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM OCTAL CAPITAL



801–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

2 January 2015

*To the Independent Shareholders
and Optionholders*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFERS BY
OCTAL CAPITAL LIMITED FOR AND ON BEHALF OF
CHINA NEW WAY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHINA NEW WAY INVESTMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT), AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED**

(I) INTRODUCTION

Reference is made to the Joint Announcement and the Circular in relation to, among other things, the Sale and Purchase Agreement, the Subscription Agreement, the Distribution In Species, the Bond Extension, the GT Winners Loan, the Increase in Authorised Share Capital, the Listco Offers, the Privateco Offer and the Share Premium Reduction. The Share Premium Reduction, the Distribution In Specie, the Subscription Agreement, the Bond Extension, the GT Winners Loan and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the Conversion Shares under the Specific Mandate and the Increase in Authorised Share Capital, have been approved by the Independent Shareholders at the SGM.

The Sale and Purchase Completion and the Subscription Completion took place simultaneously on 31 December 2014. Upon the Sale and Purchase Completion and Subscription Completion, the Offeror and parties acting in concert with it has acquired an aggregate of 610,000,000 Shares, representing approximately 51.15% of the entire issued share capital of the Company.

Accordingly, the Offeror is required (i) under Rule 26.1 of the Takeover Code to make a mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) under Rule

LETTER FROM OCTAL CAPITAL

13.5 of the Takeovers Code to make the Option Offer to cancel all outstanding Share Options. As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Share Offer and the Option Offer are unconditional.

The purpose of this letter is to provide you with, inter alia, information on the Listco Offers, the Offeror and its intention regarding the Group. Further terms of the Listco Offers and the procedures of acceptances are set out in this letter and in Appendix I to this Composite Document and the Form(s) of Acceptance.

The Shareholders and the Optionholders are strongly advised to carefully consider the information contained in the sections headed “Letter from the Board”, “Letter from the Independent Board Committee”, “Letter from Halcyon Capital” and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Listco Offers.

(II) THE LISTCO OFFERS

Principal terms of the Listco Offers

Octal Capital is making, on behalf of the Offeror, the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Option on the following basis:

The Share Offer

For every Offer Share held HK\$1.099 in cash

The Share Offer is not conditional upon any minimum level of acceptances of the Share offer and is unconditional. The Share Offer will close on Friday, 23 January 2015.

Immediately after the Sale and Purchase Completion and the Subscription Completion, the Company has 1,192,576,176 Shares in issue. The Offeror and parties acting in concert with it own 610,000,000 Shares immediately after the Sale and Purchase Completion and the Subscription Completion but before the issue of the Conversion Shares. Pursuant to the Letter of Undertaking, 473,376,176 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK\$520.24 million based on the Share Offer Price. For details of the Letter of Undertaking, please refer to the sub-section headed “Letter of Undertaking” below.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be (i) approximately HK\$520.24 million (assuming no Share Option is exercised and without taking into account the Non-acceptance Shares and the number of Shares subject to the Share Offer is 473,376,176 Shares); or (ii) approximately HK\$524.78 million (assuming all outstanding vested and unvested Share Options (except for the PF Share Options) are exercised and without taking into account the Non-acceptance Shares and the number of Shares subject to the Share Offer is 477,502,776 Shares).

LETTER FROM OCTAL CAPITAL

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendor.

Based on the Share Offer Price of HK\$1.099 per Offer Share and 1,192,576,176 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$1,310.64 million.

The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made, being the date of despatch of this Composite Document, and to any further Shares which are unconditionally allotted or issued on the exercise of the Share Options, other than those Shares held by the Offeror and persons acting in concert with it.

Comparison of value

The Share Offer Price of HK\$1.099 represents:

- (i) a premium of approximately 8.81% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.32% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.024 per Share;
- (iii) a premium of approximately 9.03% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.008 per Share;
- (iv) a premium of approximately 16.30% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.945 per Share;
- (v) a premium of approximately 52.64% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.720 per Share;
- (vi) a discount of approximately 0.09% to the closing price of the Share as quoted on the Stock Exchange on the Latest Practicable Date of HK\$1.10 per Share;
- (vii) a discount of approximately 27.60% to the audited consolidated net asset attributable to the owners of the Company per Share of approximately HK\$1.518 per Share as at 31 March 2014;

LETTER FROM OCTAL CAPITAL

- (viii) a discount of approximately 27.41% to the unaudited consolidated net asset attributable to the owners of the Company per Share of approximately HK\$1.514 per Share as at 30 September 2014; and
- (ix) a premium of approximately 1.76% over the unaudited pro forma net asset value of the Remaining Group per Share of approximately HK\$1.080 per Share based on the unaudited pro forma financial information of the Remaining Group as at 30 September 2014 set out in Appendix III to this Composite Document and 1,192,576,176 issued Shares as enlarged after the Sale and Purchase Completion and Subscription Completion.

If the value of the Distribution In Specie per Share is deducted from the closing prices (by subtracting offer price of HK\$0.181 per Privateco Share from respective closing price), the Share Offer Price of HK\$1.099 represents:

- (i) a premium of approximately 32.57% over the closing price of HK\$0.829 per Share as quoted on the Stock Exchange on the Last Trading Day on an ex-Distribution In Specie basis;
- (ii) a premium of approximately 30.37% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.843 per Share on an ex-Distribution In Specie basis;
- (iii) a premium of approximately 32.89% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.827 per Share on an ex-Distribution In Specie basis;
- (iv) a premium of approximately 43.85% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.764 per Share on an ex-Distribution In Specie basis; and
- (v) a premium of approximately 103.90% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.539 per Share on an ex-Distribution In Specie basis.

LETTER FROM OCTAL CAPITAL

Highest and lowest Share price

During the six-month period preceding the date of the MOU Announcement and the period up to and including the Latest Practicable Date:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.27 on 10 December 2014; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.45 on 8 May 2014, 9 May 2014, 12 May 2014 and 28 May 2014.

The Option Offer

- (i) For cancellation of each Share Option with
an exercise price of HK\$0.66 per Share HK\$0.439 in cash**
- (ii) For cancellation of each Share Option with
an exercise price of HK\$1.01 per Share HK\$0.089 in cash**

As at the Latest Practicable Date, the Company had 1,192,576,176 Shares in issue and outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 5,620,600 Shares, of which 1,598,400 Share Options have been vested and are currently exercisable. If all the Share Options are exercised in full, the Company will have to issue 5,620,600 new Shares, representing approximately 0.47% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. As at the Latest Practicable Date, there are 1,494,000 PF Share Options conferring rights on the Pang Family to subscribe for up to an aggregate of 1,494,000 Shares. Please refer to the “Letter from the Board” set out in this Composite Document for further details regarding the Share Options.

Based on the Option Offer Prices for the cancellation of each outstanding Share Option and the corresponding number of outstanding Share Options (excluding the PF Share Options pursuant to the Letter of Undertaking), the maximum amount payable under the Option Offer (assuming no Share Options are exercised prior to the date of closing of the Listco Offers and the Option Offer is accepted in full) is approximately HK\$1.81 million. For details of the Letter of Undertaking, please refer to the sub-section headed “Letter of Undertaking” below.

A comparison of the Share Offer Price to the closing prices of the Shares is set out above under the heading “Comparison of value”. Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price will normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. Under the Option Offer, the Option Offer Price for each Share Option represents the difference between the Share Offer Price and the respective exercise prices of these Share Options.

LETTER FROM OCTAL CAPITAL

The Option Offer will extend to all outstanding Share Options in issue on the date on which the Option Offer is made (excluding the PF Share Options), being the date of despatch of the Composite Document, other than those Share Options held by the Offeror and parties acting in concert with it. As at the date of this Composite Document, the Offeror and parties acting in concert with it do not hold any Share Options.

As at the Latest Practicable Date, save for the securities as mentioned above and the Convertible Bonds, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Value of the Listco Offers

Based on the above, assuming that no Share Options are exercised prior to the close of the Listco Offers and without taking into account of the Non-acceptance Shares and the PF Share Options, 473,376,176 Shares and 4,126,600 Share Options are subject to the Share Offer and the Option Offer, respectively, and the Listco Offers are valued at approximately HK\$522.05 million in aggregate.

Save and except for the Letter of Undertaking, the Offeror has not received any indication or irrevocable commitment from any Shareholder or Optionholder that he/she/it will accept or reject the Listco Offers as at the Latest Practicable Date.

In the event all the Share Options (excluding the PF Share Options) are exercised in full by the Optionholders prior to the date on which the Share Offer closes and the Share Offer is accepted in full (including all Shares allotted and issued as a result of the exercise of the Share Options), the Company will have to issue 4,126,600 new Shares, representing approximately 0.35% of the issued share capital of the Company as enlarged by the issue of the aforementioned new Shares. Under such circumstances, the total number of Shares subject to the Share Offer would increase to 477,502,776 Shares and the maximum value of the Share Offer will be increased to approximately HK\$524.78 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

Letter of Undertaking

Undertakings on non-acceptance and disposal

On 10 September 2014, the Vendor and each of the Pang Family executed the Letter of Undertaking in favour of the Offeror, pursuant to which the Vendor and each of the Pang Family have irrevocably and unconditionally undertaken that:

- (A) they shall not (and shall procure their associates not to) sell, give, transfer or otherwise dispose of any Shares and securities convertible into Shares (including the PF Share Options and the Shares converted as a result of exercising the PF Share Options) held by any of them or their associates;

LETTER FROM OCTAL CAPITAL

- (B) they shall (and shall procure their associates to) continue to be the sole beneficial owners of their respective Shares free from encumbrance of any nature whatsoever which may otherwise prevent them or their associates from exercising absolute ownership of the Shares and the rights, interest and entitlements attached thereto;
- (C) they shall not (and shall procure their associates not to) accept the Listco Offers in connection with all the Shares and securities convertible into Shares (including the PF Share Options and the Shares converted as a result of exercising the PF Share Options) held by any of them or their associates,

provided that the above undertakings shall apply only to (i) the PF Share Options (including the Share converted as a result of exercising the PF Share Options); and (ii) the Non-acceptance Shares.

Termination

The Letter of Undertaking shall take effect from the date thereof until the close of the Offer Period of the Listco Offers.

Financial resources available to the Offeror

The Offeror intends to finance the consideration payable under the Listco Offers from its internal resources. Octal Capital, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy full acceptance of the Listco Offers.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Listco Offers.

Effect of accepting the Listco Offers

The Share Offer is unconditional. By accepting the Share Offer, the Shareholders will sell their Shares free from all encumbrances and together with all rights attaching to them including the right to receive all dividends and distributions (but excluding, for the avoidance of doubt, the Distribution In Specie) which may be declared, paid or made at any time on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

In accordance with the terms of the share option schemes of the Company adopted on 28 August 2002 and 3 September 2012, respectively, the Optionholders are entitled to exercise the vested or unvested Share Options in full (to the extent not already exercised) at any time within 30 days after the date on which the Share Offer becomes or is declared unconditional, after which the Share Options shall automatically lapse according to the terms of the relevant share option scheme.

LETTER FROM OCTAL CAPITAL

The Option Offer is unconditional. By accepting the Option Offer, the Optionholders will sell their Share Options free from all encumbrances and together with all rights attaching to them on or after the date on which the Option Offer is made, being the date of despatch of this Composite Document. Acceptances of the Option Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

Payment

Payment in cash in respect of acceptances of the Listco Offers will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Listco Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Listco Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Octal Capital, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Listco Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Listco Offers.

Dealing and interests in the Company's securities

The Offeror and New Way International and parties acting in concert with any of them have not dealt in the shares, convertible securities, warrants, options or derivatives of the Company during the six-month period preceding the date of the MOU Announcement and up to and including the Latest Practicable Date, save for the transactions contemplated by the MOU, the Sale and Purchase Agreement and the Subscription Agreement to which the Offeror is a party.

LETTER FROM OCTAL CAPITAL

Overseas Shareholders and Overseas Optionholders

The Overseas Shareholders and the Overseas Optionholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Listco Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Listco Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

(III) INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 16 April 2014 and is beneficially and wholly-owned by New Way International, which is in turn owned by each of Mr. Zhang, Mr. Wei Judong, Ms. Yang and Huinong Financial as to 25% equity interest. Huinong Financial is beneficially and wholly-owned by Huinong Financial Holdings Ltd., a company incorporated in BVI, which is in turn wholly-owned by Mr. Wei Lidong. Mr. Xu is the sole director of each of the Offeror and New Way International. The Offeror and New Way International are investment holding companies and did not carry on any business since incorporation until the entering into of the Sale and Purchase Agreement and the transactions in connection therewith.

Mr. Wei Lidong, aged 39, indirectly wholly-owns Huinong Financial. He has over 10 years of experience in equity investment, asset management and equity management. Mr. Wei Lidong owns 99.83% of attributable interest in and is the managing partner and president of 北京惠農資本管理有限公司 (Beijing Huinong Capital Management Co., Ltd.), a private equity company.

Mr. Wei Judong, aged 46, owns 25% equity interest of New Way International. He has over 15 years of investment, trade and project management experience. Mr. Wei Judong is the chairman of 北京宏宇琪裝飾工程有限公司 (transliterated as Beijing Hongyuqi Decoration Engineering Co., Ltd.).

Ms. Yang, aged 58, owns 25% equity interest of New Way International. She has years of corporate management experience. Ms. Yang is the vice general manager of 北京悅亦恒投資諮詢有限公司 (transliterated as Beijing Yueyiheng Investment Advisory Co., Ltd.) and 北京宏宇琪裝飾工程有限公司 (transliterated as Beijing Hongyuqi Decoration Engineering Co., Ltd.).

Details of Mr. Zhang and Mr. Xu's biographies are set out in subsection headed "Biographies of new Directors to be nominated by the Offeror" under section headed "Further intention of the Offeror in relation to the Company" below.

(IV) FURTHER INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

Following the close of the Listco Offers, the Offeror intends that the Group will continue the Remaining Business and gradually develop the construction work and property development business in the PRC and other countries and will maintain the listing status of the Company on the Main Board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Save for the change in the composition of the Board and the Distribution In Specie and subject to the result of the Offeror's review of the Company, the Offeror has no intention to (i) discontinue the employment of the employees; or (ii) to dispose of or re-deploy the businesses and assets of the Group other than those in its ordinary course of business. Any disposal of the existing business of the Group, if contemplated, will be made in full compliance with the Listing Rules. The Offeror has no intention to inject any assets or businesses into the Company.

Proposed change of Board composition

The Board is currently made up of eight Directors, comprising four executive Directors, being Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick, Mr. Kwok Yuk Chiu, Clement and Madam Li Wai Hang, Christina, and four independent non-executive Directors, being Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen JP and Mr. Lee Shing See GBS, OBE, JP.

Pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause Madam Li Wai Hang, Christina to resign as Director with effect from the earliest time permitted under the Takeovers Code. In addition, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors with effect from the earliest time permitted under the Takeovers Code. Such resignation will not take effect earlier than the date of the close of the Offer Period, subject to the requirements of the Takeovers Code. It is expected that Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement will remain in the Board after completion of the Listco Offers.

The Offeror at present intends to nominate Mr. Xu as new executive Director; (i) Mr. Zhang and (ii) Mr. Chow Wing Kin, Anthony as new non-executive Directors; and (i) Mr. Chow Chan Lum and (ii) Mr. Kwan, Ringo Cheukkai as new independent non-executive Directors with effect from a date as permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. The appointment of Mr. Xu is expected to take place after the despatch of this Composite Document in accordance with the Takeovers Code and the appointment of non-executive Directors and independent non-executive Directors is expected to take place after the close of the Offer Period in accordance with the Takeovers Code. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. An announcement will be published by the Company in this regard.

LETTER FROM OCTAL CAPITAL

Biographies of new Directors to be nominated by the Offeror

Executive Director

Xu Jianhua

Mr. Xu, aged 45, is proposed to be nominated as the Chairman of the Company and an executive Director. He obtained bachelor's degree in law from the China University of Political Science and Law, a master degree in business administration from Beijing University of Aeronautics & Astronautics and a master of laws degree from City University of Hong Kong. He was qualified as a lawyer in the PRC in 1994 and a senior economist in the PRC in 2003. Mr. Xu has over 10 years of human resources management experience and over 10 years of corporate management experience in the science-technology industry. Mr. Xu was a director of a company listed on the Shanghai Stock Exchange and two companies listed on the Main Board of the Stock Exchange.

Non-executive Directors

Zhang Xiaoliang

Mr. Zhang, aged 47, is proposed to be nominated as a non-executive Director. He graduated from Jilin University of Technology. Mr. Zhang owns 25% equity interest of New Way International. He has over 15 years of investment and corporate management experience. Mr. Zhang is the legal representative of 深圳市匯龍園投資有限公司 (transliterated as Shenzhen Huilongyuan Investment Co., Ltd.) and 深圳警安實業有限公司 (transliterated as Shenzhen Jinan Industrial Co., Ltd.).

Chow Wing Kin, Anthony, *SBS, JP*

Mr. Chow, aged 64, is proposed to be nominated as a non-executive Director. Mr. Chow is a solicitor admitted to practice in Hong Kong and England and Wales. He has been a practising solicitor in Hong Kong for over 34 years and is currently the Senior Partner of the law firm Messrs. Peter C. Wong, Chow & Chow in association with Guantao Law Firm (Hong Kong). Mr. Chow is a China-appointed attesting officer, and a member of the South China International Economic and Trade Arbitration Commission. He is currently the deputy chairman of the board of stewards of The Hong Kong Jockey Club. Mr. Chow is also an independent non-executive director of The Link Real Estate Investment Trust (stock code: 823) and Fountain Set (Holdings) Limited (stock code: 420), a non-executive director of Kingmaker Footwear Holdings Limited (stock code: 1170) and was an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318), all of which are listed on the Main Board of the Stock Exchange. He is the former president of The Law Society of Hong Kong and the former chairman of the process review panel for the SFC.

LETTER FROM OCTAL CAPITAL

Independent non-executive Directors

Chow Chan Lum

Mr. Chow, aged 63, is proposed to be appointed as an independent non-executive Director. He is a member of the Hong Kong Institute of Certified Public Accountants and is the precedent partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants. He was a past president of The Taxation Institute of Hong Kong. Mr. Chow serves as an honorary advisor and committee member of various social bodies, and has been a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC from 1997 to 2012. He was awarded the Medal of Honor by the Government of the Hong Kong Special Administrative Region on 1 July 2013. Mr. Chow was an independent non-executive director of two companies listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Maoye International Holdings Limited (stock code: 848) and China Electronics Corporation Holdings Company Limited (stock code: 85) since October 2007 and August 2014 respectively.

Kwan, Ringo Cheukkai

Mr. Kwan, aged 45, is proposed to be appointed as an independent non-executive Director. Mr. Kwan obtained a bachelor of arts degree in business-economics with a minor in accounting from the University of California, Los Angeles with honors in 1996 and a master degree in business administration from The Chinese University of Hong Kong in 2008. He has over 17 years of experience in corporate finance and investment banking and worked in a number of investment banks in Hong Kong. Mr. Kwan is currently the Head of Investment Banking in KGI Capital Asia Limited, being a registered licence holder to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Save as disclosed above, the Offeror does not intend to implement any material change to the existing management of the Group following the close of the Listco Offers.

Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Listco Offers.

In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror and to be appointed as Directors and the then director(s) of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

LETTER FROM OCTAL CAPITAL

The Stock Exchange has stated that if, upon closing of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

(V) ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Listco Offers, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

(VI) GENERAL

This Composite Document has been prepared for the purposes of complying the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders and Optionholder who hold Shares or Options as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares and Share Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Listco Offers.

Attention of the Overseas Shareholders and the Overseas Optionholders is drawn to paragraph headed "Overseas Shareholders and Overseas Optionholders" of Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders and Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders and Optionholders at their respective addresses as they appear in the register of the members of the Company or register of Optionholders or in the case of joint Shareholders, to such Shareholder or Optionholder whose name appears first in the register of members of the Company or register of Optionholders. The Offeror and parties acting in concert with any of them, the Company, Octal Capital, Halcyon Capital, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Listco Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM OCTAL CAPITAL

(VII) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the advice of the Independent Board Committee, the recommendation of Halcyon Capital and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Listco Offers.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Managing Director

Wong Wai Leung

Director

LETTER FROM THE BOARD



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-Executive Directors:

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

*Head Office and Principal place
of business in Hong Kong:*

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

2 January 2015

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFERS BY
OCTAL CAPITAL LIMITED FOR AND ON BEHALF OF
CHINA NEW WAY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHINA NEW WAY INVESTMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT), AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement, the Supplemental Announcements and the Circular.

LETTER FROM THE BOARD

On 19 December 2014, the resolutions in respect of, among other things, the Subscription Agreement, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the Conversion Shares under the Specific Mandate, were approved by the Independent Shareholders and the Increase in Authorised Share Capital were approved by the Shareholders at the SGM.

The Sale and Purchase Completion and the Subscription Completion took place simultaneously on 31 December 2014. Immediately after the Sale and Purchase Completion and Subscription Completion, the Offeror and parties acting in concert with it became interested in an aggregate of 610,000,000 Shares, representing approximately 51.15% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Listco Offers as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and Optionholders in respect of the terms of the Listco Offers and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in respect of the terms of the Listco Offers and as to acceptance.

THE LISTCO OFFERS

Upon the Sale and Purchase Completion and the Subscription Completion, the Offeror and parties acting in concert with it has acquired an aggregate of 610,000,000 Shares, representing approximately 51.15% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the aforesaid, together with the Conversion Shares to be allotted and issued pursuant to the exercise of the conversion rights attached to the Convertible Bonds, the Offeror and parties acting in concert with it do not have any other interests in any securities of the Company. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash general offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options. The terms of the Listco Offers are set out in the “Letter from Octal Capital” as well as in Appendix I to this Composite Document.

The following information about the Listco Offers is extracted from the “Letter from Octal Capital” contained in this Composite Document.

LETTER FROM THE BOARD

Octal Capital, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Options on the following basis:

The Share Offer

For every Offer Share held HK\$1.099 in cash

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendor. As stated in the "Letter from Octal Capital", immediately after the Sale and Purchase Completion and the Subscription Completion, the Offeror and parties acting in concert with it own 610,000,000 Shares, and 473,376,176 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK\$520.24 million based on the Share Offer Price.

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all encumbrances and together with all rights attaching to them including the right to receive all dividends and distributions which may be declared, paid or made at any time on or after the date on which the Share Offer is made, being the date of dispatch of this Composite Document.

As at the Latest Practicable Date, the Company has 1,192,576,176 Shares in issue.

The Option Offer

**(i) For cancellation of each Share Option with
an exercise price of HK\$0.66 per Share HK\$0.439 in cash**

**(ii) For cancellation of each Share Option with
an exercise price of HK\$1.01 per Share HK\$0.089 in cash**

As at the Latest Practicable Date, the Company had outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 5,620,600 Shares, of which 1,598,400 Share Options have been vested and are currently exercisable.

Save for the outstanding Share Options as mentioned above and the Convertible Bonds, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

As stated in the "Letter from Octal Capital", based on the Option Offer Prices for the cancellation of each outstanding Share Option and the corresponding number of outstanding Share Options, the maximum amount payable under the Option Offer (assuming no Share Options are exercised prior to the date of closing of the Listco Offers and the Option Offer is accepted in full) is approximately HK\$1.81 million.

LETTER FROM THE BOARD

Further details of the Listco Offers

Further details for the Listco Offers, including, among other things, its extension to the Overseas Shareholders and the Overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Octal Capital” herein, and Appendix I to, this Composite Document and the Forms of Acceptance.

INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and 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.

Further financial information in relation to the Group is set out in Appendix II to this Composite Document. Please also refer to the Circular for further information in relation to the Group.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares, all the Share Options are cancelled and no conversion rights under the Convertible Bonds are exercised); (iii) immediately after conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming there is no Shareholder accepting the Listco Offers or lapse of the Listco Offers):

	(i) As at the Latest Practicable Date		(ii) Upon completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares, all the Share Options are cancelled and no conversion rights under the Convertible Bonds are exercised)		(iii) Upon conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming there is no Shareholder accepting the Listco Offers or lapse of the Listco Offers) (note 2)	
	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue
The Vendor and parties acting in concert with it (note 4)	123,929,759	10.39	109,200,000 (note 3)	9.16	123,929,759	9.01
The Offeror and parties acting in concert with it	610,000,000	51.15	1,083,376,176	90.84	792,000,000	57.62
Other Shareholders	<u>458,646,417</u>	<u>38.46</u>	<u>—</u>	<u>(note 1)</u>	<u>458,646,417</u>	<u>33.37</u>
Total	<u>1,192,576,176</u>	<u>100.00</u>	<u>1,192,576,176</u>	<u>100.00</u>	<u>1,374,576,176</u>	<u>100.00</u>

Notes:

- In the event that the public float of the Company falls below 25% after completion of the Listco Offers, the new Directors who are nominated by the Offeror and to be appointed as Directors and the then directors of the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible.
- Pursuant to the terms of the Convertible Bonds, no exercise of conversion rights attaching to the Convertible Bonds is allowed if immediately following the conversion, the Company will be unable to meet the public float requirement under the Listing Rules.
- The parties acting in concert with the Vendor have indicated that they will not accept the Listco Offers in respect of their remaining 109,200,000 Shares.
- Mr. Pang Yat Ting, Dominic, Madam Li Wai Hang, Christina and Mr. Pang Yat Bond, Derrick are the parties acting in concert with the Vendor.

LETTER FROM THE BOARD

INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” as set out on page 19 of this Composite Document and “Further Intention of the Offeror in relation to the Company” as set out on page 20 of this Composite Document in the section headed “Letter from Octal Capital”. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Listco Offers.

In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror to and be appointed as Directors and the then director(s) of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, who have no direct or indirect interest in the Listco Offers, has been formed in order to advise and give its recommendation to the Independent Shareholders and the Optionholders in respect of the Listco Offers. Halcyon Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, with the approval of the Independent Board Committee, has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Listco Offers.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 32 to 33 of this Composite Document, which contains its advices and recommendations to the Independent Shareholders and the Optionholders in respect of the Listco Offers; and (ii) the letter from the Independent Financial Adviser set out on pages 34 to 62 of this Composite Document, which contains its advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in relation to the Listco Offers and the principal factors considered by it before arriving at its recommendations.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Listco Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

Yours faithfully,
By Order of the Board
Chun Wo Development Holdings Limited
Pang Yat Ting, Dominic
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Listco Offers.



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

2 January 2015

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFERS BY
OCTAL CAPITAL LIMITED FOR AND ON BEHALF OF
CHINA NEW WAY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
CHINA NEW WAY INVESTMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT), AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED**

INTRODUCTION

We refer to the composite offer and response document (the “Composite Document”) dated 2 January 2015 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Listco Offers and to advise you as to whether, in our opinion, the terms of the Listco Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to acceptance thereof.

Halcyon Capital has been appointed as the independent financial adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Listco Offers and as to acceptance thereof. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Halcyon Capital” on pages 34 to 62 of the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the sections headed “Letter from the Board”, “Letter from Octal Capital” and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Having taken into account the terms of the Listco Offers and the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its recommendation, we are of the opinion that the terms of the Listco Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and recommend the Independent Shareholders and the Optionholders to accept the Listco Offers.

In any case, the Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Listco Offers are recommended to read carefully the procedures for accepting the Listco Offers as detailed in the Composite Document.

Yours faithfully,
Independent Board Committee
Chun Wo Development Holdings Limited

Mr. Au Son Yiu <i>Independent non-executive Director</i>	Mr. Chan Chiu Ying, Alec <i>Independent non-executive Director</i>	Mr. Hui Chiu Chung, Stephen JP <i>Independent non-executive Director</i>	Mr. Lee Shing See <i>GBS, OBE, JP</i> <i>Independent non-executive Director</i>
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LETTER FROM HALCYON CAPITAL

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee, the Independent Shareholders and the Optionholders which has been prepared for the purpose of the inclusion in this Composite Document.



11/F, 8 Wyndham Street
Central
Hong Kong

2 January 2015

*To: the Independent Board Committee, the Independent Shareholders
and the Optionholders*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFERS
BY OCTAL CAPITAL LIMITED FOR AND ON BEHALF OF
CHINA NEW WAY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY CHINA NEW WAY INVESTMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT),
AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in relation to the Listco Offers, details of which are set out in this Composite Document dated 2 January 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

On 20 October 2014, the Company, China New Way Investment Limited and Well Perfection jointly announced certain transactions (the “Joint Announcement”). According to the Joint Announcement, the Vendor and the Offeror entered into the Sale and Purchase Agreement regarding the disposal of the Sale Shares by the Vendor to the Offeror. Pursuant to the Sale and Purchase Agreement, the Offeror has agreed to acquire the Sale Shares. On the even date, the Offeror also entered into a Subscription Agreement with the Company, pursuant to which the Offeror will subscribe for 100,000,000 new Shares of the Company. Upon obtaining approval of the Distribution In Specie on the general meeting held on 19 December 2014, on 31 December 2014, the Sale and Purchase Completion and the Subscription Completion took place simultaneously and as a result, the Offeror and the parties acting in concert with it has acquired an aggregate of 610,000,000 Shares representing 51.15% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26 of the Takeovers Code to make an unconditional mandatory

LETTER FROM HALCYON CAPITAL

cash offer for all the issued Shares not already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it. Under Rule 13 of the Takeovers Code, the Offeror is also required to make a comparable offer for all the outstanding Share Options (the “Listco Offers”).

The Board currently consists of eight Directors, including the Chairman, the Deputy Chairman, two executive Directors and four independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board committee should comprise all non-executive Directors who have no direct or indirect interest in the Listco Offers. Consequently, the four independent non-executive Directors, namely Messrs. Au Son Yiu, Chan Chiu Ying, Alec, Hui Chiu Chung, Stephen JP and Lee Shing See GBS, OBE, JP., have been appointed to constitute the Independent Board Committee in respect of the Listco Offers. We have been appointed to advise the Independent Board Committee in connection with the Listco Offers, in particular as to whether the terms of the Listco Offers are fair and reasonable, and to give a recommendation as regards acceptance of the Listco Offers.

OUR INDEPENDENCE

We are not associated with the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Listco Offers. Apart from normal professional fees payable to us in connection with the appointment as independent financial adviser on various transactions announced in the Joint Announcement, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and the representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Composite Document, in all material aspects, are true, accurate and complete as at the time they were made and as at the date of the Composite Document, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful enquiries by the Directors and/or the management of the Group. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Company and we will notify the Independent Shareholders for any material changes to such information provided in the Composite Document and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness,

LETTER FROM HALCYON CAPITAL

truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the announcements, annual and interim reports of the Company and the Composite Document.

We have also discussed with the Directors and/or the management of the Group with respect to the Listco Offers, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group (including the Privateco), Well Perfection, and the Offeror.

The Directors had accepted full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Listco Offers and the Offeror, its associates, and parties acting in concert with it) and have confirmed that having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement herein or the Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Offeror, its associates and parties acting in concert with it and the Listco Offers and confirm, having made all reasonable enquiries that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

We have not considered the tax consequences on the Independent Shareholders and Optionholders of their acceptance or non-acceptance of the Listco Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and Optionholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Listco Offers and, if in any doubt, should consult their own professional advisers.

This letter is issued to the Independent Board Committee, Independent Shareholders and Optionholders solely in connection with the Listco Offers, and except for the inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM HALCYON CAPITAL

TERMS OF THE LISTCO OFFERS

The terms set out below are summarised from the “Letter from Octal Capital” set out in this Composite Document and Appendix I to this Composite Document, with some additional comments from ourselves. Independent Shareholders and Optionholders are encouraged to read the relevant sections in full.

1. The Share Offer

The Share Offer is being made for all the 473,376,176 issued Shares not held by the Offeror and the Vendor and parties acting in concert with anyone of them on the following basis:

For every Offer Share held: HK\$1.099 in cash

The Share Offer Price of HK\$1.099 represents:

- (i) a premium of approximately 8.81% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.32% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.024 per Share;
- (iii) a premium of approximately 9.03% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.008 per Share;
- (iv) a premium of approximately 16.30% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.945 per Share;
- (v) a premium of approximately 52.64% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.720 per Share;
- (vi) a discount of approximately 0.09% to the closing price of the Share as quoted on the Stock Exchange on the Latest Practicable Date of approximately HK\$1.10 per Share;
- (vii) a discount of approximately 27.60% to the audited consolidated net asset attributable to the owners of the Company per Share of approximately HK\$1.518 per Share as at 31 March 2014;
- (viii) a discount of approximately 27.41% to the unaudited consolidated net asset attributable to the owners of the Company per Share of approximately HK\$1.514 per Share as at 30 September 2014; and

LETTER FROM HALCYON CAPITAL

- (ix) a premium of approximately 1.76% over the unaudited pro forma net asset value of the Remaining Group per Share of approximately HK\$1.080 per Share based on the unaudited pro forma financial information of the Remaining Group as at 30 September 2014 set out in Appendix III to this Composite Document and 1,192,576,176 issued Shares as enlarged after the Sale and Purchase Completion and Subscription Completion.

If the value of the Distribution In Specie per Share is deducted from the closing price (by subtracting offer price of HK\$0.181 per Privateco Share from respective closing price), the Share Offer Price of HK\$1.099 represents:

- (i) a premium of approximately 32.57% over the closing price of HK\$0.829 per Share as quoted on the Stock Exchange on the Last Trading Day on an ex-Distribution In Specie basis;
- (ii) a premium of approximately 30.37% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.843 per Share on an ex-Distribution In Specie basis;
- (iii) a premium of approximately 32.89% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.827 per Share on an ex-Distribution In Specie basis;
- (iv) a premium of approximately 43.85% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.764 per Share on an ex-Distribution In Specie basis; and
- (v) a premium of approximately 103.90% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.539 per Share on an ex-Distribution In Specie basis.

The Shares will be acquired free from all liens, charges, options, claims, equities, adverse interest, third-party frights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid (if any).

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendor.

LETTER FROM HALCYON CAPITAL

2. The Option Offer

(i) Outstanding Share Options

As at the Latest Practicable Date, the Company has 1,192,576,176 Shares in issue and outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 5,620,600 Shares, of which 1,598,400 Share Options have been vested and are currently exercisable. If all the Share Options are exercised in full, the Company will have to issue 5,620,600 new Shares, representing approximately 0.47% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. As at the Latest Practicable Date, there are 1,494,000 PF Share Options conferring rights on the Pang Family to subscribe for up to an aggregate of 1,494,000 Shares. Pursuant to the Letter of Undertaking, the Pang Family have irrevocably and unconditionally undertaken that they shall not accept the Listco Offers as such the PF Share Options will not be subject to the Option Offer.

Based on the Option Offer Prices for the cancellation of each outstanding Share Option and the corresponding number of outstanding Share Options (excluding the PF Share Options, pursuant to the Letter of Undertaking, the Pang Family have irrevocably and unconditionally undertaken that they shall not accept the Listco Offers), the maximum amount payable under the Option Offer (assuming no Share Options are exercised prior to the date of closing of the Listco Offers and the Option Offer is accepted in full) is approximately HK\$1.81 million. For details of the Letter of Undertaking, please refer to the sub-section headed “Letter of Undertaking” of the “Letter from Octal Capital” as set out in this Composite Document.

(ii) Terms of the Option Offer

The Option Offer is being made to the Optionholders for the outstanding Share Options they surrender for cancellation on the following basis:

For cancellation of each Share Option with
an exercise price of HK\$0.66 per Share:HK\$0.439 in cash

For cancellation of each Share Option with
an exercise price of HK\$1.01 per Share:HK\$0.089 in cash

Under Rule 13 of the Takeover Code, where an offer is made for shares and there are options outstanding, the Offeror must make an appropriate offer or proposal to the holders of the options to ensure that their interest are safeguarded. Equality of treatment is required. The formula set out above, which is the “see through” price, i.e. the Share Offer Price less the exercise price in respect of the Share Options.

Acceptance of the Option Offer by any Optionholder will be deemed to constitute a warranty by such person that all Share Options sold by such person under the Option Offer are free from all encumbrances whatsoever and will be cancelled and renounced together with all rights attaching thereto on or after the date on which the Option Offer is

LETTER FROM HALCYON CAPITAL

made, being the date of despatch of this Composite Document. Acceptances of the Option Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

3. Value of the Listco Offers

Based on the above, assuming that no Share Options are exercised prior to the close of the Listco Offers and without taking into account of the Non-acceptance Shares of the 109,200,000 Shares and the PF Share Options of 1,494,000 Share Options conferring rights to subscribe for up to an aggregate of 1,494,000 Shares, 473,376,176 Shares and 4,126,600 Share Options are subject to the Share Offer and the Option Offer, respectively, and the Listco Offers are valued at approximately HK\$522.05 million in aggregate.

In the event all the Share Options (excluding the PF Share Options) are exercised in full by the Optionholders prior to the date on which the Share Offer closes and the Share Offer is accepted in full (including all Shares allotted and issued as a result of the exercise of the Share Options), the Company will have to issue 4,126,600 new Shares, representing approximately 0.35% of the issued share capital of the Company as enlarged by the issue of the aforementioned new Shares. Under such circumstances, the total number of Shares subject to the Share Offer would increase to 477,502,776 Shares and the maximum value of the Share Offer will be increased to approximately HK\$524.78 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

4. Stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

5. Proposed change of the Board composition

The Board is currently made up of eight Directors, comprising four executive Directors, being Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick, Mr. Kwok Yuk Chiu, Clement and Madam Li Wai Hang, Christina, and four independent non-executive Directors, being Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen JP and Mr. Lee Shing See *GBS, OBE, JP*.

Pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause Madam Li Wai Hang, Christina to resign as Director with effect from the earliest time permitted under the Takeovers Code. In addition, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors with effect from the earliest time

LETTER FROM HALCYON CAPITAL

permitted under the Takeovers Code. Such resignation will not take effect earlier than the date of the close of the Offer Period, subject to the requirements of the Takeovers Code. It is expected that Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement will remain in the Board after completion of the Listco Offers.

The Offeror at present intends to nominate Mr. Xu as new executive Director; (i) Mr. Zhang and (ii) Mr. Chow Wing Kin, Anthony as new non-executive Directors; and (i) Mr. Chow Chan Lum and (ii) Mr. Kwan, Ringo Cheukkai as new independent non-executive Directors with effect from a date as permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. The appointment of Mr. Xu is expected to take place after the despatch of this Composite Document in accordance with the Takeovers Code and the appointment of non-executive Directors and independent non-executive Directors is expected to take place after the close of the Offer Period in accordance with the Takeovers Code. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. An announcement will be published by the Company in this regard.

Biographies of new Directors to be nominated by the Offeror

Mr. Chow Wing Kin, Anthony, SBS, JP, aged 64, is proposed to be nominated as a non-executive Director. Mr. Chow is a solicitor admitted to practice in Hong Kong and England and Wales. He has been a practising solicitor in Hong Kong for over 34 years and is currently the Senior Partner of the law firm Messrs. Peter C. Wong, Chow & Chow in association with Guantao Law Firm (Hong Kong). Mr. Chow is a China-appointed attesting officer, and a member of the South China International Economic and Trade Arbitration Commission. He is currently the deputy chairman of the board of stewards of The Hong Kong Jockey Club. Mr. Chow is also an independent non-executive director of The Link Real Estate Investment Trust (stock code: 823) and Fountain Set (Holdings) Limited (stock code: 420), a non-executive director of Kingmaker Footwear Holdings Limited (stock code: 1170) and was an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318), all of which are listed on the Main Board of the Stock Exchange. He is the former president of The Law Society of Hong Kong and the former chairman of the process review panel for the SFC.

Mr. Chow Chan Lum, aged 63, is proposed to be appointed as an independent non-executive Director. He is a member of the Hong Kong Institute of Certified Public Accountants and is the precedent partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants. He was a past president of The Taxation Institute of Hong Kong. Mr. Chow serves as an honorary advisor and committee member of various social bodies, and has been a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC from 1997 to 2012. He was awarded the Medal of Honor by the Government of the Hong Kong Special Administrative Region on 1 July 2013. Mr. Chow was an independent non-executive director of two companies listed on the Main Board of the Stock Exchange.

LETTER FROM HALCYON CAPITAL

He is currently an independent non-executive director of Maoye International Holdings Limited (stock code: 848) and China Electronics Corporation Holdings Company Limited (stock code: 85) since October 2007 and August 2014 respectively.

Mr. Kwan, Ringo Cheukkai, aged 45, is proposed to be appointed as an independent non-executive Director. Mr. Kwan obtained a bachelor of arts degree in business-economics with a minor in accounting from the University of California, Los Angeles with honors in 1996 and a master degree in business administration from The Chinese University of Hong Kong in 2008. He has over 17 years of experience in corporate finance and investment banking and worked in a number of investment banks in Hong Kong. Mr. Kwan is currently the Head of Investment Banking in KGI Capital Asia Limited, being a registered licence holder to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

For the biographies of Mr. Xu and Mr. Zhang, please refer to the section headed below “Information of the Offeror and the future intentions of the Offeror in relation to the Company”.

6. Information of the Offeror and the future intentions of the Offeror in relation to the Company

According to the Joint Announcement, the Offeror is a company incorporated in Hong Kong with limited liability on 16 April 2014 and is beneficially and wholly-owned by New Way International, which is in turn owned by each of Mr. Zhang, Mr. Wei Judong, Ms. Yang and Huinong Financial as to 25% equity interest.

Huinong Financial, according to the Joint Announcement, is beneficially and wholly-owned by Huinong Financial Holdings Ltd., a private company incorporated in BVI, which is in turn wholly-owned by Mr. Wei Lidong. Mr. Xu is the sole director of each of the Offeror and New Way International. The Offeror and New Way International are investment holding companies and did not carry on any business since incorporation until the entering into of the Sale and Purchase Agreement and the Subscription Agreement and the transactions in connection therewith.

Mr. Wei Lidong, aged 39, indirectly wholly-owns Huinong Financial. He has over 10 years of experience in equity investment, asset management and equity management. Mr. Wei Lidong owns 99.83% of attributable interest in and is the managing partner and president of 北京惠農資本管理有限公司 (transliterated as Beijing Huinong Capital Management Co., Ltd.), a private equity company.

Mr. Zhang Xiaoliang, aged 47, is proposed to be nominated as a non-executive Director. He graduated from Jilin University of Technology. Mr. Zhang owns 25% equity interest of New Way International. He has over 15 years of investment and corporate management experience. Mr. Zhang is the legal representative of 深圳市匯龍園投資有限公司 (transliterated as Shenzhen Huilongyuan Investment Co., Ltd.) and 深圳警安實業有限公司 (transliterated as Shenzhen Jinan Industrial Co., Ltd.).

LETTER FROM HALCYON CAPITAL

Mr. Wei Judong, aged 46, has over 15 years of investment, trade and project management experience. Mr. Wei Judong is chairman of 北京宏宇琪裝飾工程有限公司 (transliterated as Beijing Hongyuqi Decoration Engineering Co., Ltd.), which is incorporated in the PRC.

Ms. Yang Weizhi, aged 58, has years of corporate management experience. Ms. Yang is the vice general manager of 北京悦亦恒投資諮詢有限公司 (transliterated as Beijing Yueyiheng Investment Advisory Co., Ltd.) and 北京宏宇琪裝飾工程有限公司 (transliterated as Beijing Hongyuqi Decoration Engineering Co., Ltd.), both are incorporated in the PRC.

Mr. Xu Jianhua, aged 45, is proposed to be nominated as the Chairman of the Company and an executive Director. He obtained bachelor's degree in law from the China University of Political Science and Law, a master degree in business administration from Beijing University of Aeronautics & Astronautics and a master of laws degree from the City University of Hong Kong. He was qualified as a lawyer in the PRC in 1994 and a senior economist in the PRC in 2003. Mr. Xu has over 10 years of human resources management experience and over 10 years of corporate management experience in the science-technology industry. Mr. Xu was a director of a company listed on the Shanghai Stock Exchange and two companies listed on the Main Board of the Stock Exchange.

Following the close of the Listco Offers, the Offeror intends that the Group will continue the Remaining Business and gradually develop the construction work and property development business in the PRC and other countries and will maintain the listing status of the Company on the Main Board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

Save for the change in the composition of the Board and the Distribution In Specie and subject to the result of the Offeror's review of the Company, the Offeror has no intention to (i) discontinue the employment of the employees or (ii) to dispose of or re-deploy the business and assets of the Group other than those in its ordinary course of business. Any disposal of the existing business of the Group, if contemplated, will be made in full compliance with the Listing Rules. The Offeror has no intention to inject any assets or businesses into the Company.

7. Maintaining of the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Listco Offers. In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror and the then director(s) of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

LETTER FROM HALCYON CAPITAL

The Stock Exchange has stated that if, upon closing of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

8. Undertaking

The Vendor has undertaken to the Offeror that: (i) the Vendor shall use its best endeavours to assist in the Group's steady development of its existing business; and the smooth transition of the Board and management of the Group; and (ii) during the period from 1 April 2014 up to 31 March 2017, there shall not be any material write off nor shall there be any material accounting provision for probable loss as required by auditors of the Company pursuant to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants made to (a) any of the litigations, claims or proceedings against the Group; (b) any construction and property development business of the Group; and (c) value of properties held for investment and for sale, as at 1 April 2014 (save for normal depreciation or amortisation of the assets of the Group in accordance with accounting policies adopted by the Company and the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants), subject to certain exceptions and qualifications.

Should the Vendor breach any of the undertakings, the Vendor shall be liable to claims of up to HK\$100 million.

9. Timetable and procedures under the Listco Offers

The Listco Offers is not conditional upon any minimum level of acceptances and is unconditional. The Share Offer will close on Friday, 23 January 2015. Procedures for acceptance of the Listco Offers are set out in Appendix I to the Composite Document and in the accompanying Forms of Acceptance.

If your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Listco Offers, we have considered the following principal factors and reasons:

1. Business and history of the Group

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and 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.

The Group started its construction business in 1968 as a sole proprietorship that undertook private sector construction. The Group has been focusing on the development of construction business for over 45 years and has become one of the renowned construction and development conglomerates in Hong Kong which has the capability to undertake large-scale and wide-ranging construction projects in both the public and private sectors. The Company was subsequently listed on the Main Board of the Stock Exchange in February 1993.

According to the annual report of the Company, for the year ended 31 March 2014 (“FY2014”), 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. While the management of the Group considered that the future prospects in the property sector will remain strong with the commencement of several new development projects in Hong Kong.

Furthermore as disclosed in the annual report of the Company, on the construction side, throughout FY2014, 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 the Group to take its place among the international corporations with the ability to undertake complex and mega-scale construction and infrastructure projects in Hong Kong. During FY2014, the Group’s involvement in these kinds of projects enabled it to achieve significant revenue growth, such that at financial year-end, the Group had a number of sizeable contracts in hand worth approximately HK\$28.8 billion, as compared with the figure approximately HK\$25.3 billion recorded last year. The management of the Group considered that 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 neighborhood, including Macau.

Despite achieving a growth in the Group’s business operation in FY2014, the Group’s development in construction industry has been tempered to a certain degree by difficulties within the industry environment. Sub-contracting price pressure has arisen due to a flood of construction projects and insufficient labour and skilled workers to manage the construction projects. Within the Group, the management had been developing

LETTER FROM HALCYON CAPITAL

strategies to counter such external pressures including 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 into the possibility 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 FY2014, on top of speeding up the sale of remaining inventory in the PRC, the Group 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 parcel of land in Tuen Mun in May 2014 for a composite residential and commercial development project. The Group has been cautious about engaging in any major transactions along the traditional lines. At the same time, the Group is 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. The management of the Group remained open, however, to engaging in small-scale property development projects that can be completed and sold quickly, whether in Hong Kong or Southern China.

As announced in the Joint Announcement on 20 October 2014, the Group underwent a reorganization which include among other things, the Distribution In Specie of the Privateco Group. Upon completion of the Distribution In Specie on 31 December 2014, the Privateco and its subsidiaries were no longer members of the Group and the Group no longer engages in the Distributed Business.

Looking ahead, the management of the Group are of the view that the prospects for the Group's construction sector are favourable as 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 management of the Group is also of the view that, the Group's property development segment will also adopt a prudent approach to sustain growth and to seek out for medium to long term investment opportunities on a scale that matches the Group's resources and capabilities. The Group's focus on the property development sector will include considering projects in the upcoming industrial redevelopment projects in the West Kowloon area.

LETTER FROM HALCYON CAPITAL

2. Past results of the Group

The table below summarises the Group's financial information extracted from the annual reports and the interim report of the Group:

	Year ended 31 March 2012 <i>HK\$'000</i> (audited) (restated)	Year ended 31 March 2013 <i>HK\$'000</i> (audited) (restated)	Year ended 31 March 2014 <i>HK\$'000</i> (audited)	For the six months period ended 30 September 2013 <i>HK\$'000</i> (unaudited)	For six months period ended 30 September 2014 <i>HK\$'000</i> (unaudited)
Turnover	3,193,402	4,891,770	6,551,240	3,106,654	3,967,564
Gross profit	229,396	439,946	414,774	219,464	213,576
Gross profit margin	7.18%	9.0%	6.33%	7.06%	5.4%
Profit for the year attributable to owners of the Company	52,353	77,775	93,009	53,370	20,485

For the year ended 31 March 2013

Revenue of the Group increased by 53.18% for the year ended 31 March 2013 ("FY2013"). The increase in revenue was mainly contributed by the increase in contribution from the property development segment and the adoption of HKFRS 11 where the revenue for FY2013 has been restated to reflect the change in accounting treatment of the Group's joint arrangements. The increase in revenue from the Group's property development segment was contributed by the properties sales at Towers 8 and 9 of the Group's "Arc De Royal" project in Shijiazhuang, Hebei Province, and by the end of the financial year 18% of units in Tower 8 and 95% of units in Tower 9 had been sold. Meanwhile, solid sales were registered at "Le Palais Royal" in Shanwei, Guangdong Province. 89% of the residential units and 90% of the retail units had been sold in FY2013. Elsewhere, the commercial land previously acquired by the Group in Shenyang, Liaoning Province, was sold at a profit. As a result of the increase in revenue, the Group during FY2013 also recorded an increase in net profit attributable to owners of the Company by 48.56% year-on-year to approximately HK\$77.78 million.

For the year ended 31 March 2014

The Group's revenue increased by approximately 33.92% in FY2014 as compared to FY2013. Such increase in revenue was mainly contributed by the increase in contribution from the construction segment. In FY2014, the Group continued to participate and recorded revenue in the significant projects which were awarded to the Group in FY2013. As a result of the increase in revenue and the

LETTER FROM HALCYON CAPITAL

increase in fair value changes on investment properties by HK\$24.5 million to approximately HK\$34.8 million, the Group during FY2014 also recorded an increase in net profit attributable to the owners of the Company also rose by 19.59% year-on-year to approximately HK\$93.0 million.

As a result of the lack of major disposal comparable to the sale of the Group's property development project in Shenyang during FY2013, despite recording an increase in revenue in FY2014, the Group resulted in a decrease in gross profit margin from 9.0% in FY2013 to 6.33% in FY2014.

For the six months period ended 30 September 2014

For the six months ended 30 September 2014, the Group recorded an increase in revenue by approximately 27.71% as compared to the corresponding period in 2013. The increase in revenue was mainly contributed by the increase in revenue contributed by the construction segment as a result of the increase in construction work carried out during the period. Gross profit margin of the Group decreased from 7.06% for the six months ended 30 September 2013 to 5.4% for the six months ended 30 September 2014. Such decrease was contributed by the increase in construction cost during the period. Profit for the period attributable to owners of the Company also recorded a decrease of 61.62% as compared to corresponding period in 2013, such decrease was mainly resulted from the combined effect of (i) the decrease in other gains; and (ii) the increase in general administrative expense.

3. Financial positions of the Group

The following is a summary of the Group's consolidated financial position as at 31 March 2012 2013 and 2014 and as at 30 September 2014:

	As at 31 March 2012 HK\$'000 (audited) (restated)	As at 31 March 2013 HK\$'000 (audited) (restated)	As at 31 March 2014 HK\$'000 (audited)	As at 30 September 2014 HK\$'000 (unaudited)
Non-current assets	821,126	789,839	671,881	715,989
Current assets	3,785,218	4,627,962	5,948,063	6,289,405
Current liabilities	2,897,298	3,515,910	4,697,214	5,180,888
Non-current liabilities	229,820	370,926	278,184	164,972
Net assets	1,479,226	1,530,965	1,644,546	1,659,534

LETTER FROM HALCYON CAPITAL

As at 31 March 2012

As at 31 March 2012, the Group had total assets of approximately HK\$4,606.3 million, including debtors, deposits and prepayment of approximately HK\$793.1 million (accounting for approximately 17.22% of the total assets of the Group), amounts due from customers for contract work of approximately HK\$722.4 million (accounting for approximately 15.68% of the total assets of the Group), properties under development for sale of approximately HK\$642.6 million (accounting for approximately 13.95% of the total assets of the Group), bank balances and cash of approximately HK\$599.7 million (accounting for approximately 13.02% of the total assets of the Group), property held for sale of approximately HK\$457.1 million (accounting for approximately 9.92% of the total assets of the Group) and investment properties of approximately HK\$422.6 million (accounting for approximately 9.17% of the total assets of the Group).

Total liabilities of the Group as at 31 March 2012 amounted to approximately HK\$3,127.1 million including bank borrowings of approximately HK\$1,477.4 million (accounting for approximately 47.25% of the total liabilities of the Group), creditors, deposits and accrued charges of approximately HK\$954.0 million (accounting for approximately 30.50% of the total liabilities of the Group) and amounts due to customers for contract work of approximately HK\$294.3 million (accounting for approximately 9.41% of the total liabilities of the Group).

As at 31 March 2013

As at 31 March 2013, the Group had total assets of approximately HK\$5,417.8 million, including amounts due from customers for contract work of approximately HK\$1,276.6 million (accounting for approximately 23.56% of the total assets of the Group), debtors, deposits and prepayment of approximately HK\$914.0 million (accounting for approximately 16.87% of the total assets of the Group), properties under development for sale of approximately HK\$847.3 million (accounting for approximately 15.64% of the total assets of the Group), bank balance and cash of approximately HK\$607.6 million (accounting for approximately 11.21% of the total assets of the Group), property held for sale of approximately HK\$319.8 million (accounting for approximately 5.90% of the total assets of the Group) and investment properties of approximately HK\$386.6 million (accounting for approximately 7.14% of the total assets of the Group).

Total liabilities of the Group as at 31 March 2013 amounted to approximately HK\$3,886.8 million including bank borrowings of approximately HK\$1,922.3 million (accounting for approximately 49.46% of the total liabilities of the Group), creditors, deposits and accrued charges of approximately HK\$1,029.0 million (accounting for approximately 26.47% of the total liabilities of the Group) and amounts due to customers for contract work of approximately HK\$466.6 million (accounting for approximately 12.0% of the total liabilities of the Group).

LETTER FROM HALCYON CAPITAL

As at 31 March 2014

As at 31 March 2014, the Group had total assets of approximately HK\$6,619.9 million, including amounts due from customers for contract work of approximately HK\$1,466.5 million (accounting for approximately 22.15% of the total assets of the Group), debtors, deposits and prepayment of approximately HK\$1,289.2 million (accounting for approximately 19.47% of the total assets of the Group), bank balances and cash of approximately HK\$820.9 million (accounting for approximately 12.40% of the total asset of the Group) and properties under development for sale of approximately HK\$773.2 million (accounting for approximately 11.68% of the total assets of the Group).

Total liabilities of the Group as at 31 March 2014 amounted to approximately HK\$4,975.4 million including bank borrowings of approximately HK\$2,261.9 million (accounting for approximately 45.46% of the total liabilities of the Group), creditors, deposits and accrued charges of approximately HK\$1,346.4 million (accounting for approximately 27.06% of the total liabilities of the Group) and amounts due to customers for contract work of approximately HK\$894.0 million (accounting for approximately 17.97% of the total liabilities of the Group).

LETTER FROM HALCYON CAPITAL

As at 30 September 2014

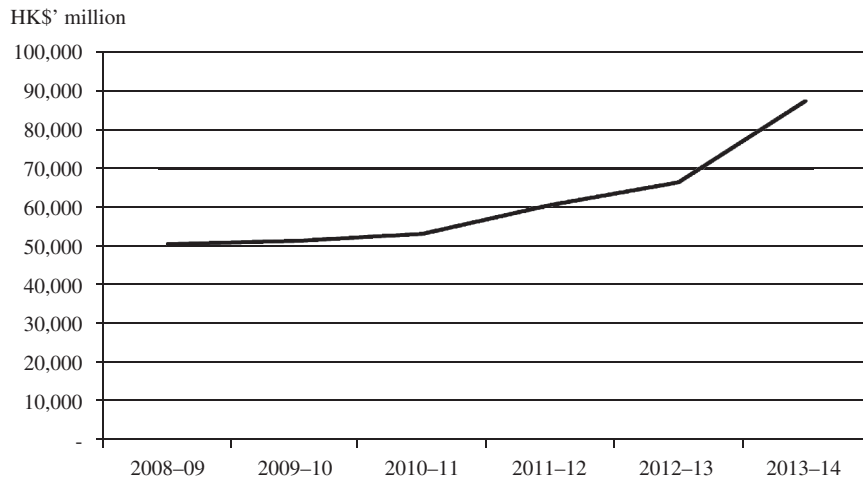
As at 30 September 2014, the Group had total assets of approximately HK\$7,005.4 million, including amounts due from customers for contract work of approximately HK\$1,658.4 million (accounting for approximately 23.67% of the total assets of the Group), debtors, deposits and prepayment of approximately HK\$1,590.5 million (accounting for approximately 22.70% of the total assets of the Group), bank balances and cash of approximately HK\$735.2 million (accounting for approximately 10.49% of the total asset of the Group) and properties under development for sale of approximately HK\$1,024.3 million (accounting for approximately 14.62% of the total assets of the Group).

Total liabilities of the Group as at 30 September 2014 amounted to approximately HK\$5,345.86 million including bank borrowings of approximately HK\$2,296.1 million (accounting for approximately 43.0% of the total liabilities of the Group), creditors, deposits and accrued charges of approximately HK\$1,534.2 million (accounting for approximately 28.70% of the total liabilities of the Group) and amounts due to customers for contract work of approximately HK\$886.3 million (accounting for approximately 16.58% of the total liabilities of the Group).

During the three years ended 31 March 2014, the Group recorded a steady increase in net asset value from approximately HK\$1,479.2 million as at 31 March 2012, to approximately HK\$1,531.0 million as at 31 March 2013 and approximately HK\$1,644.5 million as at 31 March 2014. Such increase was mainly attributable to the continuous profits recorded by the Group during each financial year and the issue of new shares upon exercise of the relevant warrants and share options. All warrants of the Company expired in September 2013, as at the Latest Practicable Date the Company does not have any outstanding warrants. The net asset value of the Group as at 30 September 2014 remained comparable to the balance as at 31 March 2014.

4. Future prospects and outlook of the Group

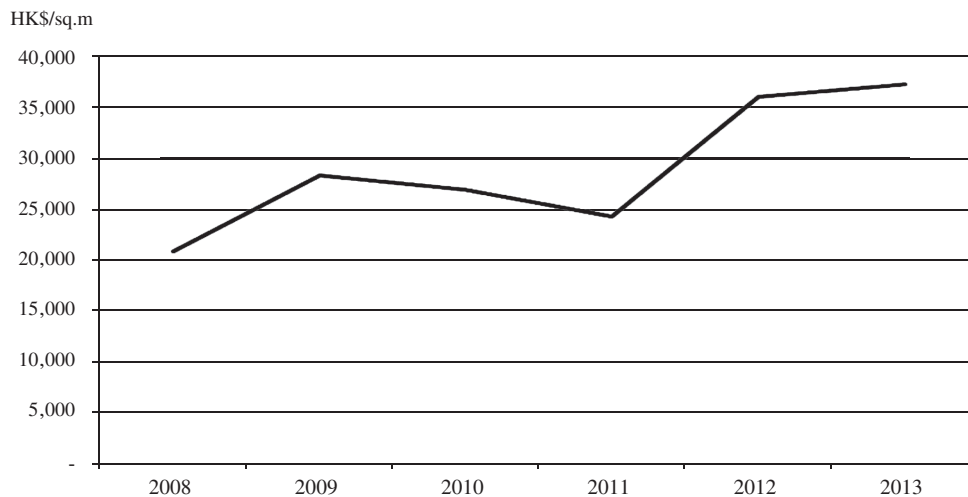
According to the Directors, the Hong Kong SAR Government is expected to remain a significant source of construction projects in the coming years, given that its Capital Works Reserve Fund has shown increasing trend in the past few years, set out below is the government expenditure on capital works reserve funds for the period up to the financial year ended 2013–14:



Source: Hong Kong Annual Digest of Statistics 2014 — issued on 28 November 2014

According to the chart above, the capital works reserve funds of the Hong Kong Government has increased substantially from HK\$50,719 million for the financial year 2008–2009 to HK\$87,397 million for the financial year 2013–2014.

Despite the government spending continued to increase as shown in the above chart, construction cost has also increased significantly during the past few years. Set out below is the cost of usable floor area for newly completed buildings certified for occupation:



Source: Hong Kong Annual Digest of Statistics 2014 — issued on 28 November 2014

LETTER FROM HALCYON CAPITAL

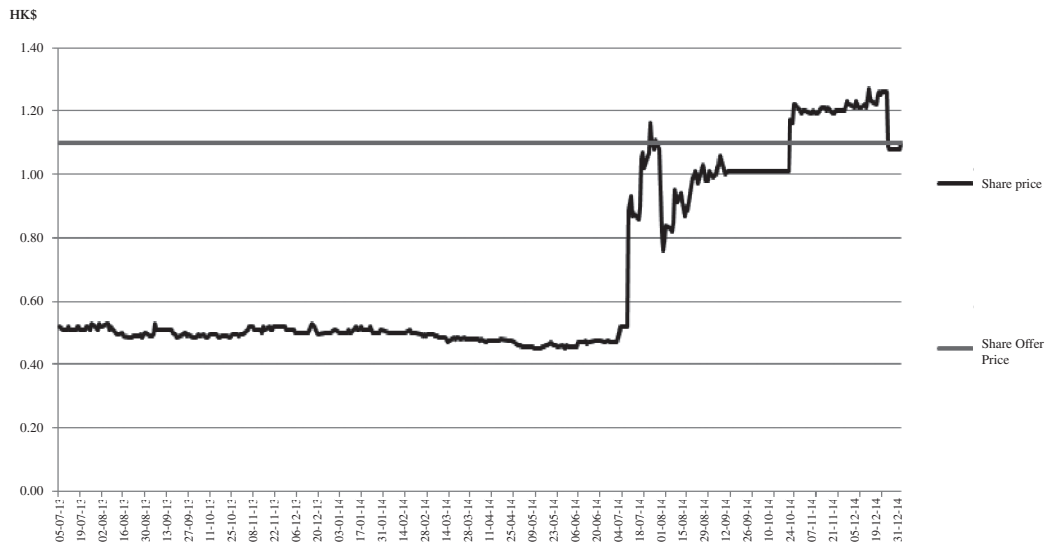
According to the chart above, the cost of usable floor area for newly completed buildings certified for occupation has increased substantially from HK\$21,046 per sq.m for 2008 to HK\$37,177 per sq.m for 2013.

The Directors are of the view that and we concur, while the construction industry is set to sustain growth, there remain certain ongoing challenges which include the continuously rising construction cost (as illustrated in the chart above) and other challenges including the shortage of skilled labour and the delay in the issuance of new contracts by the Hong Kong Government. If such delays persist, the Directors considered that the Group may be confronted with a market slowdown in the construction industry from 2016 onwards.

5. Historical Share Price performance and trading liquidity

i. Historical Share price performance

Set out below is the daily closing price of the Shares as quoted on the Stock Exchange for the period from 5 July 2013 (being the first trading day of one year ending on the MOU Announcement date) and up to and including the Latest Practicable Date (the “Review Period”).



Source: Bloomberg

LETTER FROM HALCYON CAPITAL

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.45 per Share recorded on 8 May 2014 and HK\$1.27 per Share recorded on 10 December 2014 respectively. As illustrated in the above diagram, the Share Offer Price of HK\$1.099 per Share is within the range of the lowest and the highest closing prices of the Shares as quoted on Bloomberg during the Review Period. After the release of the MOU Announcement issued by the Company dated 7 July 2014, the closing prices of the Shares increased significantly and reached a peak of HK\$1.16 per Share on 22 July 2014. After reaching its peak on 22 July 2014, the closing price of the Shares fell and hovered between HK\$0.76 per Share and HK\$1.11 per Share between the period from 23 July 2014 and up to 11 September 2014, of which the Shares on the Stock Exchange was suspended pending the publication of the Joint Announcement (the “Suspension”). Between the period from the issuance of the MOU Announcement up to the date of the Suspension (i.e. in approximately two months’ time), the highest closing price presents a premium of approximately 52.6% over the lowest closing price of the Shares and during the Review Period, the highest closing price presents a premium of approximately 182.2% over the lowest closing price, we considered that the Share price was volatile during the above mentioned periods as a result of the release of the MOU Announcement.

Trading of the Shares on the Stock Exchange resumed on 21 October 2014. During the period from 21 October 2014 up to the Latest Practicable Date, the highest and lowest closing price as quoted on the Stock Exchange were HK\$1.27 on 10 December 2014 and HK\$1.08 on 24 December 2014 respectively. The Share Offer Price of HK\$1.099 was within the range of closing prices during this period. Given the Share Offer and the change in control, speculation on the prospects of the Group may have attracted and provided continued support on the level of Share prices during this period.

Following the interim result announcement released by the Company for the six months ended 30 September 2014 on 28 November 2014 after trading hours, which reported a drop in net profit by approximately 51.5% to HK\$25.9 million as compared to the corresponding period in the previous year, the closing price thereafter remained relatively steady at HK\$1.21 on the following trading day.

LETTER FROM HALCYON CAPITAL

ii. Trading liquidity

The number of trading days, the average daily number of the Shares traded in each month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month <i>(Note 1)</i>	Total monthly trading volume (Shares) <i>(Note 1)</i>	Approximate average daily trading volume	Percentage of average daily trading volume to total number of issued Shares <i>(Note 3)</i>	Percentage of average daily trading volume to no. of Shares held by the public float <i>(Note 4)</i>
2013					
July	19	6,386,400	336,126	0.034%	0.09%
August	21	14,946,600	711,743	0.072%	0.20%
September	20	33,330,000	1,666,500	0.155%	0.38%
October	21	12,686,900	604,138	0.056%	0.14%
November	21	15,462,475	736,308	0.068%	0.17%
December	20	15,420,920	771,046	0.071%	0.17%
2014					
January	20	16,298,186	814,909	0.075%	0.18%
February	17	6,748,881	396,993	0.037%	0.09%
March	21	7,816,000	372,190	0.034%	0.08%
April	19	7,201,373	379,020	0.035%	0.08%
May	18	4,026,702	223,706	0.021%	0.05%
June	20	10,064,050	503,203	0.046%	0.11%
July	21	858,554,649	40,883,555	3.769%	9.07%
				<i>(Note 5)</i>	
August	21	217,466,381	10,355,542	0.948%	2.26%
September	7	42,175,650	6,025,093	0.552%	1.32%
	<i>(Note 2)</i>				
October	9	192,000,132	21,333,348	1.954%	4.66%
	<i>(Note 2)</i>				
November	20	85,845,660	4,292,283	0.393%	0.94%
December	21	91,975,661	4,379,793	0.367%	0.95%
	<i>(Note 6)</i>			<i>(Note 7)</i>	

Notes:

1. Quoted from Bloomberg.

LETTER FROM HALCYON CAPITAL

2. The trading in the Shares on the Stock Exchange was suspended on 11 September 2014 up to the release of the Joint Announcement on 20 October 2014 and trading of the Shares on the Stock Exchange resumed on 21 October 2014.
3. Total number of issued Shares of the respective months was quoted from the monthly return published by the Company on the Stock Exchange and the Company's website of the respective months.
4. Calculated by deducting the total number of Shares held by the Offeror, the Vendor and the Pang Family and parties acting in concert with them from the total number of issued Shares of each respective months as quoted from the monthly return published by the Company after each month end. During the period from 5 July 2013 up to the Latest Practicable Date, no open-market trading were recorded from the Vendors or the Pang Family.
5. The MOU Announcement was released on 7 July 2014.
6. Trading of Shares between 1 December 2014 up to 31 December 2014 (ie. up to the Latest Practicable Date).
7. Total number of issued Shares in December was 1,192,576,176 Shares.

As illustrated in the table above, during the Review Period prior to July 2014, the month of which the MOU Announcement was issued, the average trading volume of the Shares as percentage of the total number of issued Shares ranged from 0.021% to 0.155% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public float ranged from approximately 0.05% to 0.38%. The trading volume increased substantially following the release of the MOU Announcement and remained at a relatively high trading volume as compared to the trading volume prior to the release of the MOU Announcement.

In view of the generally low liquidity of the Shares prior to the release of the MOU Announcement during the Review Period and the liquidity increased only after release of the MOU Announcement, we considered that the Independent Shareholders or the Optionholders (after exercising their Share Options) who might wish to realize their investment in the Company on market may not be able to do so without exerting a downward pressure on the market price of the Shares and the Independent Shareholders and the Optionholders may not necessarily receive proceeds reflected by the market price from disposal of Shares in the open market and thus, the Listco Offers furnish an alternative means for Independent Shareholders and the Optionholders to realize their investment in the Shares.

6. Comparable Analysis

Price-to-earnings ("P/E") ratio and price-to-book ("P/B") ratio are commonly used benchmarks in valuing a company. The P/E and P/B ratio are calculated based on audited profits attributable to owners from the most recent financial year and the net asset values attributable to shareholders from the latest published annual/interim reports or results announcements respectively. Based on the Share Offer Price of HK\$1.099 per Offer Share and 1,083,098,976 Shares in issue as at 31 March 2014, the P/E ratio of the Company implied by the Share Offer Price (the "Implied P/E Ratio") is approximately 12.80 times according to the audited profit attributable to owners of the Company of approximately

LETTER FROM HALCYON CAPITAL

HK\$93.0 million for the year ended 31 March 2014 (being the latest published annual profit attributable to owners of the Company released by the Group). Based on the Share Offer Price of HK\$1.099 per Offer Share and 1,092,029,576 Shares in issue as at 30 September 2014, the P/B ratio of the Company implied by the Share Offer Price (the “Implied P/B Ratio”) is approximately 0.73 times based on the unaudited net asset value attributable to Shareholders of the Group of approximately HK\$1,653.5 million as at 30 September 2014 (being the latest published net asset value of the Group). While based on the unaudited net asset value per Share of the Group taking into account the theoretical ex-entitlement basis after the completion of the Distribution in Specie of HK\$1.080 per Share, the P/B ratio of the Company implied by the Share Offer Price (the “Pro Forma P/B Ratio”) is approximately 1.02 times.

In assessing the fairness and reasonableness of the Share Offer Price, we have attempted to compare the Implied P/E Ratio and Implied P/B Ratio with the P/E ratio and P/B ratio of comparable companies (the “Comparables”) listed on the Stock Exchange which are engaged in business similar to the Group. As stated in the section headed “Business and history of the Group” above, the Group is principally engaged in (i) civil engineering, electrical and mechanical engineering, foundation and building construction work; (ii) property development; (iii) property investment; (iv) professional services (including provision of security and property management services); and (v) other activities, with revenue generated from the construction work segment accounting for approximately 88.0%, 82.9% and 89.9% of the Group’s revenue for the three years ended 31 March 2014 respectively and 94.2% of the Group’s revenue for the six months ended 30 September 2014.

As substantial revenue of the Group was derived from the construction work segment, we are of the view that, companies which principally engage in the construction industry will be relevant for our analysis. We have identified 8 Comparables with (i) over 90% of its revenue derived from the construction industry, a similar percentage to that of the Group; (ii) over 90% of its revenue derived in Hong Kong; and (iii) a size similar to that of the Company (i.e. with market capitalization of less than HK\$1,200 million). We consider the Comparables we identified to be exhaustive and appropriate to our analysis since their respective businesses are similar to that of the Group with size similar to the Company and we are of the view that each of them represents a fair and representative sample. The Independent Shareholders and the Optionholders should note that the

LETTER FROM HALCYON CAPITAL

businesses, operations and prospects of the Group are not exactly the same as the Comparables and thus the P/E ratios and P/B ratios of the Comparables are only used to provide a general reference for the recent common market discount on earnings and book values on Hong Kong listed companies engaged in the construction industry. Summarised below is our relevant findings:

Comparables (Stock code)	Principal Business	Market Capitalisation as at the Latest Practicable Date (HK\$'million)	Profit attributable to owners of the Comparable (HK\$'million)	Net asset value attributable to shareholders of the Comparable (HK\$'million)	P/E ratio (approximate times)	P/B ratio (approximate times)
Ngai Shun Holdings Ltd (1246.HK)	Foundation business as a foundation subcontractor	290.50	73.38	271.17	3.96	1.07
Nga Chun Holdings Co. Ltd (1462.HK)	Provision of building services in Hong Kong	492.00	45.28	114.35	8.15	3.23
New Concepts Holdings Ltd (2221.HK)	Foundation, civil engineering and general building works in Hong Kong	380.00	50.60	131.60	5.63	2.89
Build King Holdings Ltd (240.HK)	Engaged in civil engineering work	416.03	21.33	316.85	19.50	1.31
Excel Development (Holdings) Ltd (1372.HK)	Provision of civil engineering works and building construction and maintenance	432.00	28.40	222.35	15.21	1.94
Chun Sing Engineering Holdings Ltd (2277.HK)	Foundation and substructure construction business in Hong Kong mainly include ELS works, pile caps construction and substructure construction for residential, commercial and infrastructure projects	638.60	56.82	114.81	9.83	4.87

LETTER FROM HALCYON CAPITAL

Comparables (Stock code)	Principal Business	Market Capitalisation as at the Latest Practicable Date (HK\$'million)	Profit attributable to owners of the Comparable (HK\$'million)	Net asset value attributable to shareholders of the Comparable (HK\$'million)	P/E ratio (approximate times)	P/B ratio (approximate times)
CNQC International Holdings Ltd (1240.HK)	Foundation business and machinery rental business in Hong Kong and Macau	690.00	155.80	321.63	4.43	2.15
Vantage International (Holdings) Ltd (15.HK)	Provision of construction, civil engineering, maintenance and other contract works in public and private sectors in Hong Kong, property investment and development	873.33	115.37	1,970.49	7.57	0.44
The Company		1,201.23	93.01	1,653.5	12.80 <i>(Note 1)</i>	0.73 <i>(Note 2)</i>
				Min	3.96	0.44
				Max	19.50	4.87
				Avg	9.29	2.24

Source: Bloomberg

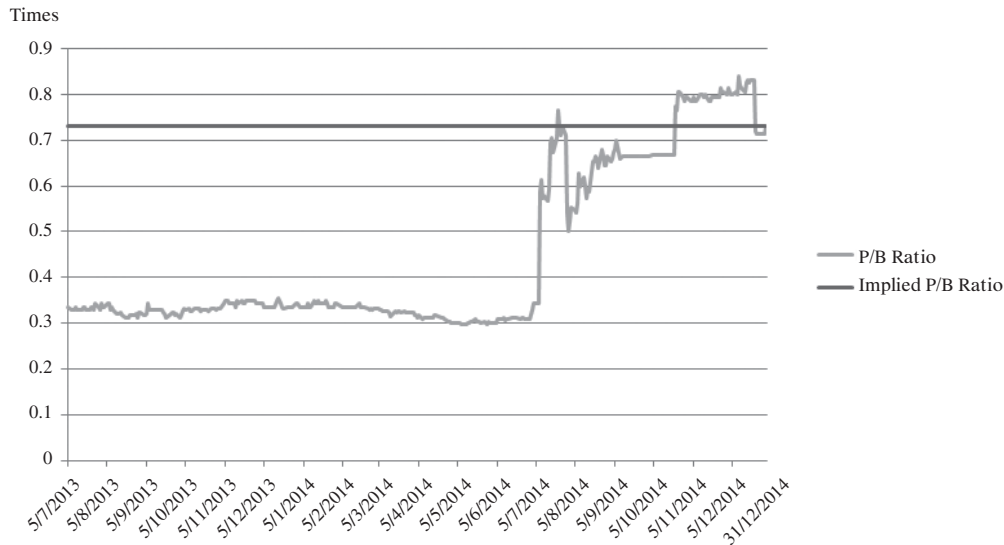
Notes:

1. Based on the Implied P/E Ratio of approximately 12.80 times.
2. Based on the Implied P/B Ratio of approximately 0.73 times and the Pro Forma P/B Ratio is approximately 1.02 times.

Based on the above table, we noted that the P/E ratio of the Comparables ranged from approximately 3.96 times to approximately 19.50 times, with an average of approximately 9.29 times. The Implied P/E Ratio of approximately 12.80 is within the range and above the average of P/E ratios of the Comparables, indicating the valuation of the Company as implied by the Share Offer Price, is above average of the Comparables. In addition, the P/B ratios of the Comparables ranged from approximately 0.44 times to approximately 4.87 times, with an average of approximately 2.24 times, which the Implied P/B ratio and the Pro Forma P/B Ratio of approximately 0.73 and 1.02 respectively are within the range of the P/B ratios of the Comparables yet lower than the average of the Comparables. We also noted that, as at the Latest Practicable Date, the P/B ratio of the Company was approximately 0.73 times, which was also lower than the average of the Comparables, while the Pro Forma P/B Ratio of approximately 1.02 times was higher than the P/B ratio of the Company as at the Latest Practicable Date.

LETTER FROM HALCYON CAPITAL

Set out below is the historical P/B of the Company for the period from 5 July 2013 (being the first trading day of one year ending on the MOU Announcement date) and up to and including the Latest Practicable Date (the “P/B Review Period”):



During the P/B Review Period, the P/B ratio of the Company ranged between 0.3 and 0.8 with an average of 0.45 times. It was also noted that substantial period of time during the P/B Review Period, the P/B ratio of the Company was lower than the Implied P/B ratio and it was only after the release of the Joint Announcement, the Company’s P/B ratio surged above the Implied P/B ratio. The P/B ratio of the Company subsequently dropped below the Implied P/B ratio and hovered between 0.72 and 0.73 times from 23 December 2014 up to the Latest Practicable Date.

In view of (i) the Implied P/E Ratio of approximately 12.80 is within the range and above the average of P/E ratios of the Comparables; (ii) the P/B ratio of the Company was also lower than the average P/B ratios of the Comparables; (iii) the Pro Forma P/B Ratio was higher than the P/B ratio of the Company as at the Latest Practicable Date; and (iv) both the Implied P/B Ratio and the Pro Forma P/B Ratio of approximately 0.73 and 1.02 respectively are within the range of the P/B ratios of the Comparables, we consider the Share Offer Price is fair and reasonable in terms of both P/E ratios and P/B ratios.

RECOMMENDATION

In respect of the Share Offer

Taking into consideration the above-mentioned principal factors and reasons, in particular the following:

- (i) the profit for the period attributable to owners of the Company had recorded a decrease for the six months ended 30 September 2014 as compared to the corresponding period in 2013;

LETTER FROM HALCYON CAPITAL

- (ii) the prospects and outlook of the Group contains certain challenges as a result of the industry environment including pressures on rising construction cost and the slowing down of awarding infrastructure projects;
- (iii) the sustainability in the level of price and trading volume of the Shares in the post MOU Announcement period may be uncertain in the long run; and
- (iv) the Implied P/E ratio is higher than the average P/E ratios of the Comparables and the Implied P/B Ratio is within the range of the P/B ratios of the Comparables;

we are of the opinion that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. However, Independent Shareholders who wish to realise whole or part of their Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares they should carefully consider the future intention of the Offeror regarding the Group, details of which are set out in the “Letter from Octal Capital” of this Composite Document. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during the Review Period may render them difficult to dispose of their Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Shares. There is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable in the long term.

The Independent Shareholders are strongly advised that their decisions to dispose of or hold their investment in the Shares are subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance, if they wish to accept the Share Offer.

In respect of the Option Offer

Upon assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (representing the difference between the offer price for ordinary shares and any given exercise price of the option) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Share Options with exercise price of HK\$0.66 per Share would command a “see-through” price of HK\$0.439 per Share (being HK\$1.099–HK\$0.66) and the Share Options with exercise price of HK\$1.01 per Share would recommend a “see-through” price of HK\$0.089 per Share (being HK\$1.099–HK\$1.01). Based on the foregoing, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Optionholders to accept the Option Offer.

LETTER FROM HALCYON CAPITAL

However, Optionholders who wish to realise whole or part of their Share Options are reminded that they should carefully and closely monitor the market price of the Shares during the Offer period and consider exercising their outstanding Share Options to Shares and selling their Shares in the open market during the Offer period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Option Offer.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek C.O. Chan
Chairman

Terry Chu
Managing Director

1. PROCEDURES FOR ACCEPTANCE

To accept any of the Listco Offers, you should complete and sign the relevant accompanying Forms of Acceptance in accordance with the instructions printed thereon, which instructions forms part of the terms of the relevant Listco Offers.

1.1 The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "Chun Wo Development Holdings Limited — Share Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Listco Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **white** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Octal Capital and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **white** Form of Share Offer Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **white** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your

Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed and signed **white** Form of Share Offer Acceptance is received by the Registrar on or before the latest time for the acceptance of the Share Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub- paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) Seller's ad valorem stamp duty payable by the Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any **white** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

1.2 The Option Offer

- (a) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send the duly completed and signed **yellow** Form of Option Offer Acceptance together with

the relevant certificate(s) or other documents (if any) evidencing the grant of the Share Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Share Options which you hold that you wish to tender to the Option Offer to the company secretary of the Company at C2, 5th Floor, Hong Kong Spinners Industrial Building, 601–603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong, marked “Chun Wo Development Holdings Limited — Option Offer” on the envelope as soon as possible but in any event so as to reach the company secretary of the Company by not later than 4:00 p.m. on the Listco Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (b) No stamp duty will be deducted from the amount paid or payable to the Optionholder(s) who accept(s) the Option Offer.
- (c) No acknowledgement of receipt of any **yellow** Form of Option Offer Acceptance and/or the certificate(s) or other documents (if any) evidencing the grant of the Share Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share Options will be given.

1.3 General

Subject to the terms of the Takeovers Code, acceptance(s) of the Listco Offers may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar.

2. SETTLEMENT UNDER THE LISTCO OFFERS

2.1 The Share Offer

Provided that a valid **white** Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Shareholders who accept the Share Offer less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by him/her under the Share Offer will be despatched to such Shareholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) business days (as

defined in the Takeovers Code) of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

2.2 The Option Offer

Provided that a valid **yellow** Form of Option Offer Acceptance and the relevant option certificate(s) or other documents (if any) evidencing the grant of the Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order and in all respects and have been received by the company secretary of the Company before the close of the Option Offer, a cheque for the amount due to each of the Optionholders who accept the Option Offer in respect of the Options tendered by him/her under the Option Offer will be despatched to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of the Company to render each such acceptance complete and valid.

Settlement of the consideration to which any Shareholder or Optionholder is entitled under the Share Offer or the Option Offer, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or Optionholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Listco Offers have previously been revised or extended with the consent of the Executive, to be valid, the **white** Form of Share Offer Acceptance must be received by the Registrar and the **yellow** Form of Option Offer Acceptance must be received by the company secretary of the Company, in each case, in accordance with the instructions printed thereon by 4:00 p.m. on the Listco Offers Closing Date.
- (b) If the Listco Offers are extended, the Offeror will issue an announcement in relation to any extension of the Listco Offers, which announcement will state either the next Listco Offers Closing Date or, a statement that the Listco Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Listco Offers are closed to those Shareholders and Optionholders who have not accepted the relevant Listco Offers before the Listco Offers are closed. If, in the course of the Listco Offers, the Offeror revises the terms of the Listco Offers, all Shareholders and Optionholders, whether or not they have already accepted the Listco Offers, will benefit under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

- (c) If the Listco Offers Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Listco Offers Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Listco Offers.

5. ANNOUNCEMENTS

- (a) By 4:00 p.m. on the Listco Offers Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision and extension of the Listco Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. the Listco Offers Closing Date stating the results of the Listco Offers and whether the Listco Offers have been revised, extended or expired. The announcement will state the following:
- (i) the total number of Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of Share Options for which acceptances of the Option Offer have been received;
 - (iii) the total number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
 - (iv) the total number of Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar (in the case of the Share Offer) or the company

secretary of the Company (in the case of the Option Offer), no later than 4:00 p.m. on the Listco Offers Closing Date, being the latest time and date for acceptance of the Listco Offers, shall be included.

- (c) As required under the Takeovers Code, all announcements in relation to the Listco Offers will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Listco Offers tendered by the Shareholders and the Optionholders (as the case may be) shall be irrevocable and cannot be withdrawn, except in the circumstances set out in paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Independent Shareholders and the Optionholders who have tendered acceptances of the Listco Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

7. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Listco Offers to the Overseas Shareholders and the Overseas Optionholders may be affected by the laws of the relevant jurisdictions. The Overseas Shareholders and the Overseas Optionholders should observe any applicable legal or regulatory requirements. The Overseas Shareholders and the Overseas Optionholders should obtain appropriate legal advice regarding the implications of the Listco Offers in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Listco Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The Overseas Shareholders and the Overseas Optionholders will also be fully responsible for the payment of any transfer or other taxes and duties by the accepting Overseas Shareholders or Overseas Optionholders payable in respect of all relevant jurisdictions. Acceptance of the Listco Offers by the Overseas Shareholders and the Overseas Optionholders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Listco Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

8. GENERAL

- (i) All communications, notices, Form(s) of Acceptance, share certificates, certificate(s) of Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Listco Offers to be delivered by or sent to or from the Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Octal Capital, Halcyon Capital and any of their respective agents nor the Registrar or the company secretary of the Company or other parties involved in the Listco Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Listco Offers.
- (iii) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Listco Offers are made will not invalidate the Listco Offers in any way.
- (iv) The Listco Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Octal Capital, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Listco Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares and/or the Share Options in respect of which such person or persons has accepted the Listco Offers.
- (vi) Acceptance of the Listco Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and/or the Share Options (as the case may be) sold to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to the receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (vii) Reference to the Listco Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.

**I. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED
31 MARCH 2014 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The following financial information has been extracted from the audited accounts of the Group for each of the three years ended 31 March 2014 and unaudited accounts for the six months ended 30 September 2014:

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2013 HK\$'000 (restated)	Year ended 31 March 2012 HK\$'000 (restated)	Six months ended 30 September 2014 HK\$'000	Six months ended 30 September 2013 HK\$'000
Revenue	6,551,240	4,891,770	3,193,402	3,967,564	3,106,654
Cost of sales	(6,136,466)	(4,451,824)	(2,964,006)	(3,753,988)	(2,887,190)
Gross profit	414,774	439,946	229,396	213,576	219,464
Other income	27,624	18,982	85,762	13,303	9,741
Other gains and losses	22,772	20,326	1,348	3,326	22,345
Fair value changes on investment properties	34,750	10,271	1,301	—	—
Selling expenses	(15,004)	(6,978)	(9,633)	(6,930)	(4,540)
General and administrative expenses	(313,818)	(305,237)	(238,025)	(156,236)	(145,136)
Share of results of associates	10,128	11,893	17,547	1,900	9,035
Share of results of jointly controlled entities	—	—	50,969	—	—
Finance costs	(41,405)	(43,638)	(29,586)	(18,696)	(21,123)
Profit before tax	139,821	145,565	109,079	50,243	89,786
Income tax expense	(46,498)	(67,790)	(56,726)	(24,342)	(36,416)
Profit for the year/period	<u>93,323</u>	<u>77,775</u>	<u>52,353</u>	<u>25,901</u>	<u>53,370</u>
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)	33,337	(289)	12,166
Release of translation reserve upon deregistration/disposal of a subsidiary	(22,313)	(17,484)	—	—	(22,313)
Share of translation reserve of associates	(216)	(694)	446	—	—
Gain on revaluation of properties upon transfer to investment properties	—	—	9,765	—	—
Other comprehensive (expense) income for the year/period	<u>(13,455)</u>	<u>(23,406)</u>	<u>43,548</u>	<u>(289)</u>	<u>(10,147)</u>
Total comprehensive income for the year/period	<u><u>79,868</u></u>	<u><u>54,369</u></u>	<u><u>95,901</u></u>	<u><u>25,612</u></u>	<u><u>43,223</u></u>

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2013 HK\$'000 (restated)	Year ended 31 March 2012 HK\$'000 (restated)	Six months ended 30 September 2014 HK\$'000	Six months ended 30 September 2013 HK\$'000
Profit for the year/period attributable to:					
Owners of the Company	93,009	77,775	52,353	20,485	53,370
Non-controlling interests	<u>314</u>	<u>—</u>	<u>—</u>	<u>5,416</u>	<u>—</u>
	<u>93,323</u>	<u>77,775</u>	<u>52,353</u>	<u>25,901</u>	<u>53,370</u>
Total comprehensive income attributable to:					
Owners of the Company	79,554	54,369	95,901	20,196	43,223
Non-controlling interests	<u>314</u>	<u>—</u>	<u>—</u>	<u>5,416</u>	<u>—</u>
	<u>79,868</u>	<u>54,369</u>	<u>95,901</u>	<u>25,612</u>	<u>43,223</u>
Dividends attributable to the year/period	18,565	13,878	7,829	—	—
Earnings per share					
— Basic	<u>HK8.95 cents</u>	<u>HK7.93 cents</u>	<u>HK5.69 cents</u>	<u>HK1.89 cents</u>	<u>HK5.35 cents</u>
— Diluted	<u>HK8.90 cents</u>	<u>HK7.90 cents</u>	<u>HK5.69 cents</u>	<u>HK1.89 cents</u>	<u>HK5.29 cents</u>
Dividend per Share	1.7 cents	1.4 cents	0.8 cent	—	—

Notes:

1. The auditors of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, issued unqualified opinion in respect of the consolidated financial statements of the Group for each of the three years ended 31 March 2014.
2. There were no extraordinary items or items which were exceptional because of its size, nature or incidence recorded in the financial statements of the Group during each of the three years ended 31 March 2014 and for the six-months ended 30 September 2013 and 2014.

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2014 as extracted from the annual report of the Company for the year ended 31 March 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Revenue	7	6,551,240	4,891,770
Cost of sales		<u>(6,136,466)</u>	<u>(4,451,824)</u>
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	<u>(41,405)</u>	<u>(43,638)</u>
Profit before tax		139,821	145,565
Income tax expense	9	<u>(46,498)</u>	<u>(67,790)</u>
Profit for the year	10	<u>93,323</u>	<u>77,775</u>
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		<u>(216)</u>	<u>(694)</u>
Other comprehensive expense for the year		<u>(13,455)</u>	<u>(23,406)</u>
Total comprehensive income for the year		<u><u>79,868</u></u>	<u><u>54,369</u></u>

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Profit for the year attributable to:			
Owners of the Company		93,009	77,775
Non-controlling interests		<u>314</u>	<u>—</u>
		<u><u>93,323</u></u>	<u><u>77,775</u></u>
Total comprehensive income attributable to:			
Owners of the Company		79,554	54,369
Non-controlling interests		<u>314</u>	<u>—</u>
		<u><u>79,868</u></u>	<u><u>54,369</u></u>
Earnings per share	<i>13</i>		
— Basic		<u><u>8.95 cents</u></u>	<u><u>7.93 cents</u></u>
— Diluted		<u><u>8.90 cents</u></u>	<u><u>7.90 cents</u></u>

Consolidated Statement of Financial Position*At 31 March 2014*

	<i>Notes</i>	31.3.2014 <i>HK\$'000</i>	31.3.2013 <i>HK\$'000</i> (restated)	1.4.2012 <i>HK\$'000</i> (restated)
Non-current assets				
Property, plant and equipment	<i>14</i>	279,237	231,225	218,682
Investment properties	<i>15</i>	60,982	386,595	422,622
Interests in associates	<i>16</i>	66,083	62,088	66,387
Deferred tax assets	<i>31</i>	7,768	6,586	10,015
Amounts due from associates	<i>17</i>	103,611	103,345	103,420
Amount due from an investee company	<i>18</i>	154,200	—	—
		<u>671,881</u>	<u>789,839</u>	<u>821,126</u>
Current assets				
Amounts due from customers for contract work	<i>19</i>	1,466,461	1,276,578	722,357
Debtors, deposits and prepayments	<i>20</i>	1,289,232	914,016	793,158
Properties under development for sale	<i>21</i>	773,242	847,287	642,587
Deposits paid for properties under development for sale	<i>21</i>	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	<i>22</i>	220	341	468
Amounts due from associates	<i>23</i>	16,055	705	705
Amounts due from joint operations/ other partners of joint operations	<i>23</i>	232,260	125,047	58,502
Tax recoverable		8,254	1,842	17,111
Pledged bank deposits	<i>24</i>	504,584	295,015	277,724
Bank balances and cash	<i>24</i>	820,930	607,615	599,731
		<u>5,594,263</u>	<u>4,621,641</u>	<u>3,785,218</u>
Assets classified as held for sale	<i>25</i>	353,800	6,321	—
		<u>5,948,063</u>	<u>4,627,962</u>	<u>3,785,218</u>

	<i>Notes</i>	31.3.2014 <i>HK\$'000</i>	31.3.2013 <i>HK\$'000</i> (restated)	1.4.2012 <i>HK\$'000</i> (restated)
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	—	—
		<u>4,697,214</u>	<u>3,515,910</u>	<u>2,897,298</u>
Net current assets		<u>1,250,849</u>	<u>1,112,052</u>	<u>887,920</u>
Total assets less current liabilities		<u>1,922,730</u>	<u>1,901,891</u>	<u>1,709,046</u>
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
		<u>278,184</u>	<u>370,926</u>	<u>229,820</u>
Net assets		<u>1,644,546</u>	<u>1,530,965</u>	<u>1,479,226</u>
Capital and reserves				
Share capital	32	108,310	98,777	97,864
Reserves		<u>1,535,572</u>	<u>1,431,838</u>	<u>1,381,012</u>
Equity attributable to owners of the Company		1,643,882	1,530,615	1,478,876
Non-controlling interests		<u>664</u>	<u>350</u>	<u>350</u>
Total equity		<u>1,644,546</u>	<u>1,530,965</u>	<u>1,479,226</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company								Non-controlling interests		Total
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Revaluation reserve	Retained profits	Total	interests	
	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

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	2013
	<i>HK\$'000</i>	<i>HK\$'000</i> (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	<u>1,225</u>	<u>6,485</u>
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	<u>(2,875)</u>	<u>4,026</u>
Cash from (used in) operations	339,396	(289,463)
Income taxes paid	<u>(82,365)</u>	<u>(65,725)</u>
Net cash from (used in) operating activities	<u>257,031</u>	<u>(355,188)</u>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (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	<u>167,105</u>	<u>111,508</u>
Net cash (used in) from investing activities	<u>(395,725)</u>	<u>13,385</u>
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	<u>(13,878)</u>	<u>(7,829)</u>
Net cash from financing activities	<u>349,973</u>	<u>356,464</u>
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	<u>2,036</u>	<u>(6,777)</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>820,930</u></u>	<u><u>607,615</u></u>

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.

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 (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.

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 <i>HK\$'000</i>
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	<u>(1,364)</u>
Change in profit for the year attributable to the owners of the Company	<u><u>—</u></u>

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	<u>1,593,856</u>	<u>—</u>	<u>1,593,856</u>
Total net assets and equity	<u><u>1,479,226</u></u>	<u><u>—</u></u>	<u><u>1,479,226</u></u>

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	<u>1,530,965</u>	<u>—</u>	<u>1,530,965</u>

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	<u>174,341</u>
Net increase in cash and cash equivalents	<u>17,275</u>

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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	2013
	<i>HK\$’000</i>	<i>HK\$’000</i>
		(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	<u>3,850,688</u>	<u>3,188,000</u>

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 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 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).

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 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 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.

(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.

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.

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	—
		<u>4,171,216</u>	<u>546,300</u>	<u>4,717,516</u>	<u>3,897,635</u>
	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					
— interest-free	—	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	—
		<u>3,424,602</u>	<u>603,012</u>	<u>4,027,614</u>	<u>3,221,333</u>

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.

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

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.

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	2013
	Level 1	Level 1
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments held for trading	<u>220</u>	<u>341</u>

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.

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 <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	<u>5,891,362</u>	<u>356,297</u>	<u>12,430</u>	<u>291,151</u>	<u>—</u>	<u>6,551,240</u>
RESULT						
Operating results	59,115	57,920	45,180	16,955	(486)	178,684
Share of results of associates	<u>(1,892)</u>	<u>8,552</u>	<u>3,468</u>	<u>—</u>	<u>—</u>	<u>10,128</u>
Segment profit (loss)	<u>57,223</u>	<u>66,472</u>	<u>48,648</u>	<u>16,955</u>	<u>(486)</u>	188,812
Unallocated corporate expenses						(20,075)
Interest income						12,489
Finance costs						<u>(41,405)</u>
Profit before tax						139,821
Income tax expense						<u>(46,498)</u>
Profit for the year						<u>93,323</u>

For the year ended 31 March 2013

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

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.

Other segment information

2014

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

	Construction work <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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 <i>HK\$'000</i> (restated)	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (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 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	<u>747</u>	<u>859</u>	<u>74,002</u>	<u>77,385</u>
	<u>6,551,240</u>	<u>4,891,770</u>	<u>406,302</u>	<u>679,908</u>

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.

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	<u>463</u>	<u>—</u>
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	<u>(5,355)</u>	<u>(2,217)</u>
	<u>41,405</u>	<u>43,638</u>

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	<u>92</u>	<u>(657)</u>
	<u>9,887</u>	<u>10,942</u>
— PRC EIT		
— current year	18,968	39,444
— underprovision in prior years	<u>1,818</u>	<u>2,904</u>
	<u>20,786</u>	<u>42,348</u>
— PRC LAT		
— current year	8,574	19,940
— underprovision in prior years	<u>—</u>	<u>4,267</u>
	<u>8,574</u>	<u>24,207</u>
— Other jurisdictions		
— current year	4,355	199
— overprovision in prior years	<u>—</u>	<u>(3,119)</u>
	<u>4,355</u>	<u>(2,920)</u>
Deferred tax charge (credit) (note 31)	<u>2,896</u>	<u>(6,787)</u>
	<u>46,498</u>	<u>67,790</u>

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.

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Profit before tax	<u>139,821</u>	<u>145,565</u>
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	<u>2,200</u>	<u>(3,009)</u>
Tax charge for the year	<u>46,498</u>	<u>67,790</u>

10. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (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	<u>1,169</u>	<u>79</u>
	<u>4,886</u>	<u>4,250</u>
Depreciation and amortisation	45,183	45,207
Less: Amount attributable to contract work	<u>(38,324)</u>	<u>(30,974)</u>
	<u>6,859</u>	<u>14,233</u>
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	<u>93,542</u>	<u>71,796</u>
	116,206	90,276
Less: Amount attributable to contract work	<u>(108,750)</u>	<u>(82,241)</u>
	<u>7,456</u>	<u>8,035</u>
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	<u>(7,719)</u>	<u>(7,867)</u>
	<u>461,772</u>	<u>399,241</u>
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)	<u>(22,313)</u>	<u>(17,484)</u>

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

	<u>Other emoluments</u>				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
	<u>888</u>	<u>11,139</u>	<u>60</u>	<u>—</u>	<u>12,087</u>

2013

	<u>Other emoluments</u>				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
	<u>880</u>	<u>11,261</u>	<u>60</u>	<u>244</u>	<u>12,445</u>

(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
	<u>10,484</u>	<u>9,988</u>

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	<u>2</u>	<u>1</u>

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	<u>13,878</u>	<u>7,829</u>

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.

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	<u>93,009</u>	<u>77,775</u>
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	<u>4,440,341</u>	<u>1,378,910</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,045,210,256</u>	<u>984,985,841</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>(2,595)</u>	<u>(12,844)</u>	<u>(3,652)</u>	<u>(4,318)</u>	<u>(23,409)</u>
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	<u>—</u>	<u>(5,165)</u>	<u>(6,207)</u>	<u>(1,565)</u>	<u>(12,937)</u>
At 31 March 2014	<u>62,005</u>	<u>603,994</u>	<u>80,585</u>	<u>59,890</u>	<u>806,474</u>
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	<u>(464)</u>	<u>(11,884)</u>	<u>(2,967)</u>	<u>(1,519)</u>	<u>(16,834)</u>
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	<u>—</u>	<u>(4,048)</u>	<u>(4,594)</u>	<u>(1,185)</u>	<u>(9,827)</u>
At 31 March 2014	<u>26,975</u>	<u>417,997</u>	<u>43,607</u>	<u>38,658</u>	<u>527,237</u>
CARRYING VALUES					
At 31 March 2014	<u>35,030</u>	<u>185,997</u>	<u>36,978</u>	<u>21,232</u>	<u>279,237</u>
At 31 March 2013 (restated)	<u>36,563</u>	<u>149,470</u>	<u>28,218</u>	<u>16,974</u>	<u>231,225</u>

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	<u>774</u>	<u>831</u>
	<u>35,030</u>	<u>36,563</u>

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.

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	<u>34,750</u>	<u>10,271</u>
At end of the year	<u>60,982</u>	<u>386,595</u>

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.

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

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.

16. INTERESTS IN ASSOCIATES

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

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total assets	710,595	698,141
Total liabilities	<u>(415,895)</u>	<u>(410,667)</u>
Net assets	<u><u>294,700</u></u>	<u><u>287,474</u></u>
Group's share of net assets of associates	<u><u>66,083</u></u>	<u><u>62,088</u></u>
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	<u><u>17,397</u></u>	<u><u>14,979</u></u>
Profit for the year	<u><u>47,583</u></u>	<u><u>51,660</u></u>
Other comprehensive expense	<u><u>(916)</u></u>	<u><u>(6,832)</u></u>
Group's share of profits of associates for the year	<u><u>10,128</u></u>	<u><u>11,893</u></u>
Group's share of other comprehensive expense of associates for the year	<u><u>(216)</u></u>	<u><u>(694)</u></u>

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (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	<u>(22,560,082)</u>	<u>(17,290,897)</u>
	<u>572,470</u>	<u>809,929</u>
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	<u>(893,991)</u>	<u>(466,649)</u>
	<u>572,470</u>	<u>809,929</u>

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Trade debtors	733,827	426,298
Less: Allowance for doubtful debts	<u>(534)</u>	<u>(534)</u>
	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	<u>(12,076)</u>	<u>(12,076)</u>
	<u>114,078</u>	<u>135,214</u>
	<u>1,289,232</u>	<u>914,016</u>

Retention receivable is analysed as follows:

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

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Not yet due	<u>695,790</u>	<u>377,015</u>
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	<u>501</u>	<u>781</u>
	<u>37,503</u>	<u>48,749</u>
	<u><u>733,293</u></u>	<u><u>425,764</u></u>

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Balance at beginning and end of the year	<u><u>534</u></u>	<u><u>534</u></u>

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Investment held for trading:		
Equity securities listed outside Hong Kong stated at fair value	<u>220</u>	<u>341</u>

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

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

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.

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (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	<u>17,173</u>	<u>9,543</u>
	<u><u>730,758</u></u>	<u><u>581,284</u></u>

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

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

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 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	<u>12,688</u>	<u>7,941</u>	<u>12,488</u>	<u>7,783</u>
	48,678	34,546	46,947	33,333
Less: Future finance charges	<u>(1,731)</u>	<u>(1,213)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>46,947</u>	<u>33,333</u>	46,947	33,333
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(18,642)</u>	<u>(16,531)</u>
Amount due for settlement after 12 months			<u>28,305</u>	<u>16,802</u>

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.

29. BANK BORROWINGS

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

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

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.

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 <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Other deductible temporary differences <i>HK\$'000</i>	Undistributed earnings of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>(39,420)</u>	<u>24,134</u>	<u>9,161</u>	<u>(4,702)</u>	<u>(10,827)</u>

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

32. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2014	2013	2014	2013
			HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and at end of the year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
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	<u>6,578,000</u>	<u>6,978,000</u>	<u>658</u>	<u>698</u>
At end of the year	<u>1,083,098,976</u>	<u>987,765,285</u>	<u>108,310</u>	<u>98,777</u>

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.

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 accepted by way of consideration of HK\$1 payable by the Eligible Personnel within 30 days from the date of offer.

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

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

such further grant of options must be approved by the shareholders.

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

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

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

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)	—
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)	—
				<u>36,856,000</u>	<u>(6,578,000)</u>	<u>(17,668,000)</u>	<u>12,610,000</u>
Number of option exercisable at the end of the reporting period							<u>12,610,000</u>
Weighted average exercise price				<u>0.657</u>	<u>0.410</u>	<u>0.564</u>	<u>0.917</u>

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
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
				<u>46,069,757</u>	<u>(6,978,000)</u>	<u>(2,235,757)</u>	<u>36,856,000</u>
Number of option exercisable at the end of the reporting period							<u>36,856,000</u>
Weighted average exercise price				<u>0.608</u>	<u>0.410</u>	<u>0.420</u>	<u>0.657</u>

Notes:

1. These outstanding share options were held by a former independent non-executive director and a deceased director. The Board has approved that these outstanding share options can be exercised on or before 14 January 2014, 12 August 2014 and 1 April 2017 respectively.
2. All options referred to in the above tables are not subject to any vesting period save as the options granted on 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.
3. 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).
4. No share options were granted or cancelled during the year ended 31 March 2014 or 2013.

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.

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.

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
				<u>7,112,000</u>	<u>(820,000)</u>	<u>6,292,000</u>
Number of option exercisable at the end of the reporting period						<u>1,887,600</u>
Weighted average exercise price				<u>0.66</u>	<u>0.66</u>	<u>0.66</u>

Note:

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

For the year ended 31 March 2013

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options	
				Granted during the year	Outstanding at 31/3/2013
Employees	20/2/2013	0.660	20/2/2014 to 19/2/2017	2,133,600	2,133,600
	20/2/2013	0.660	20/2/2015 to 19/2/2017	2,133,600	2,133,600
	20/2/2013	0.660	20/2/2016 to 19/2/2017	2,844,800	2,844,800
				<u>7,112,000</u>	<u>7,112,000</u>
Number of option exercisable at the end of the reporting period					<u>—</u>
Weighted average exercise price					<u>0.66</u>

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:

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

The Group recognised the total expense of HK\$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.

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).

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

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

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

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	<u>94,092</u>	<u>45,178</u>
	<u>668,151</u>	<u>447,517</u>
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— an associate	20,800	32,000
— joint operations	<u>509,000</u>	<u>439,000</u>
	<u>529,800</u>	<u>471,000</u>
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	<u>259,941</u>	<u>294,065</u>

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.

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 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (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
	<u>1,403,893</u>	<u>1,132,994</u>

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.

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 <i>(note 30)</i>	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Transactions during the year:						
Purchase of construction materials	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,537</u>	<u>—</u>	<u>—</u>
Management fee income	<u>3,920</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Contract revenue recognised	<u>1,381</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,875</u>	<u>10,875</u>
Extent of guarantee issued to financial institutions to secure credit facilities granted	<u>20,800</u>	<u>32,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

- (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.

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	<u>(732,515)</u>	<u>(853,108)</u>
	<u>873,780</u>	<u>770,888</u>
CAPITAL RESERVES		
Share capital	108,310	98,777
Reserves	<u>765,470</u>	<u>672,111</u>
	<u>873,780</u>	<u>770,888</u>

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 held by the Company/ subsidiaries				Principal activities
			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)			
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

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 %	
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	100	100	Security guard services
Green Solution Interior Design and Decoration Company Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Interior design and decoration
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:

- (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.

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
			2014 % (Note 1)	2013 % (Note 1)	
Chun Wo — CRGL Joint Venture	Unincorporated	Hong Kong	70	70	Construction (Note 2)
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

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.

III. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 as extracted from the 2014 Interim Report of the Company for the six months ended 30 September 2014.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014 (Unaudited)

	Notes	Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000
Revenue	3	3,967,564	3,106,654
Cost of sales		<u>(3,753,988)</u>	<u>(2,887,190)</u>
Gross profit		213,576	219,464
Other income		13,303	9,741
Other gains and losses		3,326	22,345
Selling expenses		(6,930)	(4,540)
General and administrative expenses		(156,236)	(145,136)
Share of results of associates		1,900	9,035
Finance costs	4	<u>(18,696)</u>	<u>(21,123)</u>
Profit before tax		50,243	89,786
Income tax expense	5	<u>(24,342)</u>	<u>(36,416)</u>
Profit for the period	6	25,901	53,370
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(289)	12,166
Release of translation reserve upon deregistration of a subsidiary		<u>—</u>	<u>(22,313)</u>
Other comprehensive expense for the period		<u>(289)</u>	<u>(10,147)</u>
Total comprehensive income for the period		<u><u>25,612</u></u>	<u><u>43,223</u></u>

	<i>Notes</i>	Six months ended	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
Owners of the Company		20,485	53,370
Non-controlling interests		<u>5,416</u>	<u>—</u>
		<u>25,901</u>	<u>53,370</u>
Total comprehensive income attributable to:			
Owners of the Company		20,196	43,223
Non-controlling interests		<u>5,416</u>	<u>—</u>
		<u>25,612</u>	<u>43,223</u>
Earnings per share	8		
— Basic		<u>HK1.89 cents</u>	<u>HK5.35 cents</u>
— Diluted		<u>HK1.89 cents</u>	<u>HK5.29 cents</u>

Condensed Consolidated Statement of Financial Position*At 30 September 2014 (Unaudited)*

		30 September 2014	31 March 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	319,934	279,237
Investment properties	10	60,993	60,982
Interests in associates		67,983	66,083
Deferred tax assets		7,768	7,768
Amounts due from associates		103,611	103,611
Amount due from an investee company	11	<u>155,700</u>	<u>154,200</u>
		<u>715,989</u>	<u>671,881</u>
Current assets			
Amounts due from customers for contract work		1,658,408	1,466,461
Debtors, deposits and prepayments	12	1,590,534	1,289,232
Properties under development for sale		1,024,295	773,242
Deposits paid for properties under development for sale		236,001	224,880
Properties held for sale		197,486	233,741
Deposits paid for properties held for sale		24,427	24,404
Investments held for trading		192	220
Amounts due from associates		21,119	16,055
Amounts due from joint operations/other partners of joint operations	13	240,542	232,260
Tax recoverable		9,421	8,254
Pledged bank deposits		551,797	504,584
Bank balances and cash		<u>735,183</u>	<u>820,930</u>
		6,289,405	5,594,263
Assets classified as held for sale		<u>—</u>	<u>353,800</u>
		<u>6,289,405</u>	<u>5,948,063</u>

		30 September 2014	31 March 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Amounts due to customers for contract work		886,251	893,991
Creditors, deposits and accrued charges	<i>14</i>	1,534,219	1,346,417
Deposits received from sales of properties		5,548	14,632
Amounts due to associates		20,159	20,151
Amounts due to joint operations/other partners of joint operations	<i>13</i>	161,896	163,025
Amounts due to non-controlling shareholders		48,433	10,006
Tax payable		57,304	49,774
Obligations under finance leases		20,934	18,642
Bank borrowings	<i>15</i>	2,296,144	2,030,576
Unsecured bonds		<u>150,000</u>	<u>150,000</u>
		<u>5,180,888</u>	<u>4,697,214</u>
Net current assets		<u>1,108,517</u>	<u>1,250,849</u>
Total assets less current liabilities		<u>1,824,506</u>	<u>1,922,730</u>
Non-current liabilities			
Obligations under finance leases		39,696	28,305
Bank borrowings	<i>15</i>	105,000	231,284
Deferred tax liabilities		<u>20,276</u>	<u>18,595</u>
		<u>164,972</u>	<u>278,184</u>
Net assets		<u><u>1,659,534</u></u>	<u><u>1,644,546</u></u>
Capital and reserves			
Share capital	<i>16</i>	109,203	108,310
Reserves		<u>1,544,251</u>	<u>1,535,572</u>
Equity attributable to owners of the Company		1,653,454	1,643,882
Non-controlling interests		<u>6,080</u>	<u>664</u>
Total equity		<u><u>1,659,534</u></u>	<u><u>1,644,546</u></u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2014 (Unaudited)

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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 period	—	—	—	—	—	—	53,370	53,370	—	53,370
Exchange differences arising on translation	—	—	—	—	—	12,166	—	12,166	—	12,166
Release of translation reserve upon deregistration of a subsidiary	—	—	—	—	—	(22,313)	—	(22,313)	—	(22,313)
Total comprehensive (expense) income for the period	—	—	—	—	—	(10,147)	53,370	43,223	—	43,223
Dividend	—	—	—	—	—	—	(13,878)	(13,878)	—	(13,878)
Recognition of equity-settled share-based payments	—	—	—	318	—	—	—	318	—	318
Issue of shares upon exercise of warrants and share options	8,983	35,837	—	—	—	—	—	44,820	—	44,820
Lapse of share options	—	—	—	(333)	—	—	333	—	—	—
At 30 September 2013	<u>107,760</u>	<u>425,496</u>	<u>2,900</u>	<u>7,644</u>	<u>8,531</u>	<u>85,887</u>	<u>966,880</u>	<u>1,605,098</u>	<u>350</u>	<u>1,605,448</u>
At 1 April 2014	108,310	427,201	2,900	1,090	8,531	82,579	1,013,271	1,643,882	664	1,644,546
Profit for the period	—	—	—	—	—	—	20,485	20,485	5,416	25,901
Exchange differences arising on translation	—	—	—	—	—	(289)	—	(289)	—	(289)
Total comprehensive (expense) income for the period	—	—	—	—	—	(289)	20,485	20,196	5,416	25,612
Dividend	—	—	—	—	—	—	(18,565)	(18,565)	—	(18,565)
Recognition of equity-settled share-based payments	—	—	—	146	—	—	—	146	—	146
Issue of shares upon exercise of share options	893	6,902	—	—	—	—	—	7,795	—	7,795
Lapse of share options	—	—	—	(147)	—	—	147	—	—	—
At 30 September 2014	<u>109,203</u>	<u>434,103</u>	<u>2,900</u>	<u>1,089</u>	<u>8,531</u>	<u>82,290</u>	<u>1,015,338</u>	<u>1,653,454</u>	<u>6,080</u>	<u>1,659,534</u>

Condensed Consolidated Statement of Cash Flows*For the six months ended 30 September 2014 (Unaudited)*

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	<u>(425,662)</u>	<u>52,670</u>
Investing activities		
Dividend received from an associate	—	9,296
Proceeds from disposal of property, plant and equipment	6,562	348
Proceeds from disposal of investment properties	—	6,554
Proceeds from disposal of assets classified as held for sale	353,800	6,321
Interest received	8,205	4,904
Increase in amounts due from associates	—	(42)
Repayment from (advance to) a joint operation/ other partner of a joint operation	34,986	(39,200)
Increase in amount due from an investee company	(1,500)	(271,000)
Purchase of property, plant and equipment	(43,157)	(31,620)
Placement in pledged bank deposits	(99,932)	(289,176)
Withdrawal from pledged bank deposits	<u>53,653</u>	<u>105,662</u>
Net cash from (used in) investing activities	<u>312,617</u>	<u>(497,953)</u>
Financing activities		
(Repayment to) advance from a joint operation/ other partner of a joint operation	(44,986)	39,200
Repayment to a non—controlling shareholder	(10,000)	—
New trust receipt loans raised	780,051	801,334
Repayment of trust receipt loans	(699,856)	(684,137)
New bank loans raised	938,185	960,764
Repayment of bank loans	(882,712)	(661,091)
Repayment of mortgage loans	—	(15,474)
Repayment of principal portion of obligations under finance leases	(11,120)	(10,192)
Interest paid	(32,817)	(33,721)
Proceeds from issue of shares	7,795	44,820
Dividend paid	<u>(18,565)</u>	<u>—</u>
Net cash from financing activities	<u>25,975</u>	<u>441,503</u>

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net decrease in cash and cash equivalents	(87,070)	(3,780)
Cash and cash equivalents at beginning of the period	820,930	607,615
Effect of foreign exchange rate changes	<u>(2,293)</u>	<u>2,989</u>
Cash and cash equivalents at end of the period	<u><u>731,567</u></u>	<u><u>606,824</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	735,183	606,824
Bank overdraft	<u>(3,616)</u>	<u>—</u>
	<u><u>731,567</u></u>	<u><u>606,824</u></u>

Notes to the Condensed Consolidated Financial Statements

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2 PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these financial statements.

3 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 period.

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 |

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

For the six months ended 30 September 2014

	Construction work <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	<u>3,736,197</u>	<u>53,244</u>	<u>4,186</u>	<u>173,937</u>	<u>—</u>	<u>3,967,564</u>
RESULT						
Operating results	60,888	411	699	6,503	(616)	67,885
Share of results of associates	<u>(1,028)</u>	<u>993</u>	<u>1,935</u>	<u>—</u>	<u>—</u>	<u>1,900</u>
Segment profit (loss)	<u>59,860</u>	<u>1,404</u>	<u>2,634</u>	<u>6,503</u>	<u>(616)</u>	69,785
Unallocated corporate expenses						(9,051)
Interest income						8,205
Finance costs						<u>(18,696)</u>
Profit before tax						50,243
Income tax expense						<u>(24,342)</u>
Profit for the period						<u>25,901</u>

For the six months ended 30 September 2013

	Construction work <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	<u>2,702,941</u>	<u>262,317</u>	<u>6,052</u>	<u>135,344</u>	<u>—</u>	<u>3,106,654</u>
RESULT						
Operating results	33,387	59,920	5,725	6,467	(199)	105,300
Share of results of associates	<u>—</u>	<u>7,223</u>	<u>1,812</u>	<u>—</u>	<u>—</u>	<u>9,035</u>
Segment profit (loss)	<u>33,387</u>	<u>67,143</u>	<u>7,537</u>	<u>6,467</u>	<u>(199)</u>	114,335
Unallocated corporate expenses						(8,330)
Interest income						4,904
Finance costs						<u>(21,123)</u>
Profit before tax						89,786
Income tax expense						<u>(36,416)</u>
Profit for the period						<u>53,370</u>

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

4 FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
Bank loans wholly repayable within five years	33,204	27,704
Unsecured bonds	5,438	5,438
Finance leases	672	579
Amounts due to joint operations/other partner of a joint operation	<u>683</u>	<u>—</u>
Total borrowing costs	39,997	33,721
Less: Amount attributable to contract work	(14,624)	(9,963)
Amount capitalised as part of costs of properties under development for sale	<u>(6,677)</u>	<u>(2,635)</u>
	<u><u>18,696</u></u>	<u><u>21,123</u></u>

5 INCOME TAX EXPENSE

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

Under the Law of the People's Republic of China ("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 periods.

The provision of PRC Land Appreciation Tax ("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.

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	12,179	8,583
— PRC Enterprise Income Tax	6,856	13,715
— PRC LAT	2,409	11,643
— Other jurisdictions	<u>1,217</u>	<u>2,700</u>
	22,661	36,641
Deferred tax charge (credit)	<u>1,681</u>	<u>(225)</u>
	<u><u>24,342</u></u>	<u><u>36,416</u></u>

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	24,394	19,594
Less: Amount attributable to contract work	<u>(21,237)</u>	<u>(16,562)</u>
	<u>3,157</u>	<u>3,032</u>
Gain on disposal of property, plant and equipment	<u>(3,689)</u>	<u>(120)</u>

7 DIVIDENDS

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend recognised as distribution during the period in respect of 2014 of HK1.7 cents (2013: HK1.4 cents) per share	<u>18,565</u>	<u>13,878</u>

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2014.

8 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>20,485</u>	<u>53,370</u>
	Six months ended 30 September	2013
Number of shares	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,085,674,275	997,530,970
Effect of dilutive potential ordinary shares in respect of:		
— Share options	4,848	2,812,519
— Warrants	<u>—</u>	<u>8,092,199</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,085,679,123</u>	<u>1,008,435,688</u>

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$43.2 million (six months ended 30 September 2013: HK\$31.6 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$2.9 million (six months ended 30 September 2013: HK\$0.2 million).

10 INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2014	60,982
Exchange realignment	<u>11</u>
At 30 September 2014	<u><u>60,993</u></u>

11 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.

12 DEBTORS, DEPOSITS AND PREPAYMENTS

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\$906,092,000 (at 31 March 2014: HK\$733,293,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	879,993	695,790
Amounts past due but not impaired:		
1–30 days	20,280	29,793
31–90 days	5,041	3,989
91–180 days	93	3,220
Over 180 days	<u>685</u>	<u>501</u>
	<u><u>906,092</u></u>	<u><u>733,293</u></u>

13 AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS

Amount represents balances due from and to joint operations, which are deemed to be borne by other partners of such joint operations, amounting to HK\$168,605,000 (at 31 March 2014: HK\$194,914,000) and HK\$70,020,000 (at 31 March 2014: HK\$85,818,000) respectively, and balances due from and to other partners of joint operations amounting to HK\$71,937,000 (at 31 March 2014: HK\$37,346,000) and HK\$91,876,000 (at 31 March 2014: HK\$77,207,000) respectively.

14 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$776,181,000 (at 31 March 2014: HK\$730,758,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	552,399	589,986
1–30 days	142,638	78,100
31–90 days	56,604	35,856
91–180 days	13,431	9,643
Over 180 days	11,109	17,173
	<u>776,181</u>	<u>730,758</u>

15 BANK BORROWINGS

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings comprise:		
Bank overdraft	3,616	—
Trust receipt loans	433,707	353,511
Bank loans	1,963,821	1,908,349
	<u>2,401,144</u>	<u>2,261,860</u>
Analysed as:		
Secured	1,513,071	1,524,053
Unsecured	888,073	737,807
	<u>2,401,144</u>	<u>2,261,860</u>
Carrying amount repayable (<i>Note</i>)		
Within one year	250,784	—
More than one year, but not more than five years	105,000	231,284
	<u>355,784</u>	<u>231,284</u>
Carrying amount of bank loans that contain a repayment on demand clause		
— repayable within one year	1,773,526	1,985,563
— repayable after one year (shown under current liabilities)	271,834	45,013
	<u>2,045,360</u>	<u>2,030,576</u>
Amounts shown under current liabilities	2,401,144	2,261,860
	<u>(2,296,144)</u>	<u>(2,030,576)</u>
Amounts due after one year	<u>105,000</u>	<u>231,284</u>

Note: The amounts due are based on scheduled repayment dates set out in the respective loan agreements, which do not contain a repayment on demand clause.

All of the Group's borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rates plus certain basis points or benchmark interest rate from the People's Bank of China with certain percentage mark-up and subject to cash flow interest rate risk.

16 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2014 and 30 September 2014	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1 April 2014	1,083,098,976	108,310
Issue upon exercise of share options	<u>8,930,600</u>	<u>893</u>
At 30 September 2014	<u>1,092,029,576</u>	<u>109,203</u>

17 CAPITAL COMMITMENTS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>843</u>	<u>14,710</u>

18 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	565,542	574,059
— joint operations	<u>241,360</u>	<u>94,092</u>
	<u>806,902</u>	<u>668,151</u>
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— an associate	18,400	20,800
— joint operations	<u>624,000</u>	<u>509,000</u>
	<u>642,400</u>	<u>529,800</u>
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	<u>237,760</u>	<u>259,941</u>

- (B) Since the year ended 31 March 2014, a subsidiary of the Group 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, such subsidiary 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 alleged 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 30 September 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 management 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.

19 PLEDGE OF ASSETS

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

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	—	50,000
Assets classified as held for sale	—	353,800
Property, plant and equipment	44,328	45,840
Properties under development for sale	699,091	449,669
Bank deposits	551,797	504,584
	<u>1,295,216</u>	<u>1,403,893</u>

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.

20 RELATED PARTY TRANSACTIONS

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

	Associates		A related party (Note)	
	Six months ended 30 September		Six months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the period:				
Interest expense	—	—	5,438	5,438
Management fee income	1,500	—	—	—
Contract revenue recognised	230	—	—	—

	Associates		A related party	
	30 September	31 March	30 September	31 March
	2014	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Extent of guarantee issued to financial institutions to secure credit facilities granted	18,400	20,800	—	—

- (ii) The emoluments of directors, the Group's key management personnel during the period were HK\$4,920,000 (six months ended 30 September 2013: HK\$4,895,000).

Note: 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.

21 EVENTS AFTER THE REPORTING PERIOD

On 10 September 2014, the controlling shareholder of the Company (the "Vendor") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") to dispose of an aggregate of 510,000,000 shares in the Company to China New Way Investment Limited (the "Purchaser"), an independent third party immediately before entering into the Sale and Purchase Agreement, for a consideration of HK\$560,490,000 in total. On 16 September 2014, the Company and the Purchaser entered into a subscription agreement (the "Subscription Agreement") in relation to the subscription of (i) 100,000,000 new shares in the Company (the "Subscription Shares") and (ii) the convertible bonds in the principal amount of HK\$84,266,000 due on the third anniversary date of issue to be issued by the Company (the "Convertible Bonds").

As part of the above transactions, (a) the Company will undergo a group restructuring which involves, among other things, (i) the subsidiaries (the "Privateco Group") which are involved in property acquisition and redevelopment of an industrial building located in Hong Kong be distributed in specie to the shareholders of the Company (the "Distribution In Specie"); and (ii) the Company and the remaining subsidiaries (the

“Remaining Group”) which are 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 be retained in the Group; (b) it is proposed that the share premium account be reduced by an amount of HK\$200 million to cover the difference between the carrying value in the books of account of the Privateco Group and the aggregate amount standing to the credit of the Company’s reserves available for distribution and the credit arising from such reduction be transferred to the Company’s reserve available for distribution for the purpose of the Distribution In Specie (the “Share Premium Reduction”); (c) the maturity date of the existing 7.25% bonds be extended from 22 November 2014 to 23 November 2015 which will be provided at the same interest rate (the “Bond Extension”); (d) it is proposed to increase the authorised share capital of the Company from HK\$150,000,000 (divided into 1,500,000,000 shares) to HK\$250,000,000 (divided into 2,500,000,000 shares) by the creation of an additional 1,000,000,000 shares (the “Increase In Authorised Share Capital”); and (e) it is proposed that the Company will extend a shareholder’s loan of about HK\$127.26 million to Excel Value International Limited (“Privateco”), and GT Winners Limited will extend an unsecured loan of approximately HK\$50.5 million to Smart Wealth Asia Pacific Limited (“Privateco Subsidiary”) (the “GT Winners Loan”) before the Distribution In Specie, in order for Privateco Subsidiary to fully repay the bank loan of approximately HK\$176 million and pay a flat prepayment fee of 1% on the outstanding amount of the bank loan amounting to approximately HK\$1.8 million on or before the Distribution In Specie. The GT Winners Loan will bear an interest rate of 7.25% per annum and will be repayable on demand.

A special general meeting (the “SGM”) will be held on 19 December 2014 for the purpose of considering and, if thought fit, approving the resolutions in respect of the Subscription Agreement, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan, the Increase In Authorised Share Capital and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the conversion shares, by way of poll at the SGM. The Purchaser, the Vendor, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolutions(s) at the SGM (except the resolution on the Increase In Authorised Share Capital).

Completion of the Sale and Purchase Agreement is to take place on the fifth business day after the conditions precedent of the Sale and Purchase Agreement are fulfilled (or otherwise waived by the Purchaser in accordance with the Sale and Purchase Agreement) or such other date as the parties to the Sale and Purchase Agreement may agree.

Subject to and upon completion of the Sale and Purchase Agreement and the Subscription Agreement, Octal Capital Limited will, on behalf of the Purchaser, make offers to (i) acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Purchaser and parties acting in concert with it); and (ii) cancel all the outstanding share options, on the terms to be set out in the relevant offer document to be issued. Upon completion of the Distribution In Specie, Investec Capital Asia Limited will, on behalf of Well Perfection Limited, make an offer to the shareholders of Privateco to acquire all the issued shares of Privateco (other than those already owned or agreed to be acquired by Well Perfection Limited and parties acting in concert with it), on the terms to be set out in the relevant offer document to be issued.

Further details regarding the above are set out in the circular of the Company dated 26 November 2014.

IV. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had outstanding bank borrowings of approximately HK\$2,397,528,000, HK\$884,457,000 of which were unsecured and HK\$1,513,071,000 of which were secured by the Group's leasehold land and buildings with carrying amount of approximately HK\$6,425,000, other property, plant and equipment with carrying amount of approximately HK\$37,903,000, property under development with carrying amount of approximately HK\$699,091,000 and bank deposits of approximately HK\$551,797,000; bank overdraft of approximately HK\$3,616,000 which were unsecured; performance bonds of approximately HK\$806,902,000; finance lease obligation of approximately HK\$60,630,000 secured by property, plant and equipment with carrying amount of approximately HK\$73,422,000; unsecured bonds of HK\$150,000,000 and financial guarantees issued to financial institutions to secure credit facilities-granted to an associate of approximately HK\$18,400,000 and financial guarantees provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale of approximately HK\$237,760,000. The bank borrowings and overdrafts and finance lease obligation were guaranteed by Group companies. The unsecured bonds were unguaranteed.

Since the year ended 31 March 2014, a subsidiary of the Group 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 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.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 September 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

V. MATERIAL CHANGE

The Directors confirmed, save and except for the following, there has been no material change in the financial or trading position or outlook for the Group since 31 March 2014, being the date to which the audited consolidated financial statements of the Group (as set out in Appendix II to this Composite Document) were made up, up to and including the Latest Practicable Date:

- (i) the Group Restructuring, the Subscription, the Share Premium Reduction, the Distribution In Specie, the Bond Extension and the GT Winners Loan as set out in the circular dated 26 November 2014, and the Group has ceased to carry on the Distributed Business and will only engage in the Remaining Business pursuant after the completion of the Distribution In Specie;
- (ii) the changes in the financial and trading positions as disclosed in the interim report of the Group for the six months ended 30 September 2014 dated 17 December 2014, in particular (a) the increase in revenue by approximately 27.71% as compared to the corresponding period in 2013, the increase in revenue was mainly contributed by the increase in revenue contributed by the construction segment as a result of the increase in construction work carried out during the period; (b) the decrease in profit for the period attributable to owners of the Company of 61.62% as compared to corresponding period in 2013, such decrease was mainly resulted from the combined effect of the decrease in other gains and the increase in general administrative expense; (c) the increase in total asset of the Group as compared to that of 31 March 2014 by 5.7%, and (d) the decrease in total liability by 7.4% as compared to that of 31 March 2014; (e) a record of substantial increase in revenue contributed by the construction segment by 38% as compared to the corresponding period in 2013 and recording a record high total value of construction contracts of HK\$30.02 billion; and (f) the substantial decrease in revenue contributed by the property development segment 79.7% as compared to the corresponding period in 2013; and
- (iii) the expected decrease in the Group's net asset position as at the Latest Practicable Date, mainly due to the derecognition of amounts due from the Privateco Group at carrying amount upon the capitalization of the entire outstanding amounts due from the Privateco Group to the Remaining Group via issue of shares by the Privateco.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Deloitte.

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**TO THE BOARD OF DIRECTORS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma consolidated statement of financial position as at 30 September 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2014 and related notes as set out on pages 6 to 13 in Appendix III of the composite document issued by the Company dated 2 January 2015 (the “Composite Document”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 4 to 5 in Appendix III of the Composite Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed distribution in specie of Excel Value International Limited’s shares after completion of the group restructuring, proposed subscription of new shares and convertible bonds and proposed share premium reduction on the Group’s financial position as at 30 September 2014 and the Group’s financial performance and cash flows for the year ended 31 March 2014 as if the transactions had taken place at 30 September 2014 and 1 April 2013, respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the 6 months ended 30 September 2014, on which an interim report has been published, while information about the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2014, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 or 1 April 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 January 2015

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) excluding Excel Value International Limited and its subsidiary (the “Privateco Group”) (hereinafter referred to as the “Remaining Group”), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the proposed (i) group restructuring to streamline the structure of the Group’s business of property investment carried on by the Privateco Group (the “Distributed Business”); (ii) distribution in specie of the shares of Excel Value International Limited which holds the Distributed Business; (iii) subscription of the new shares and convertible bonds by China New Way Investment Limited (the “Purchaser”) in the sum of HK\$46,300,000 and HK\$84,266,000 respectively; and (iv) share premium reduction, as if the transactions were completed on 30 September 2014 for the unaudited pro forma consolidated statement of financial position and as if the transactions were completed on 1 April 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 September 2014 or at any future date or the results and cash flows of the Group for the year ended 31 March 2014 or for any future period.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 as disclosed in the interim financial report of the Company for the 6 months ended 30 September 2014, the audited consolidated financial statements of the Group for the year ended 31 March 2014 as disclosed in the annual report of the Company for the year ended 31 March 2014, and other financial information included elsewhere in the Composite Document.

Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014, which has been extracted from the interim financial report of the Company for the 6 months ended 30 September 2014, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Business in the Group; (ii)

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

distribution in specie of the shares of Excel Value International Limited which holds the Distributed Business; (iii) subscription of the new shares and convertible bonds by the Purchaser in the sum of HK\$46,300,000 and HK\$84,266,000 respectively; and (iv) share premium reduction, as explained in notes below and other adjustments directly attributable to the transaction and factually supportable.

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2014, which have been extracted from the annual report of the Company for the year ended 31 March 2014, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Business in the Group; (ii) distribution in specie of the shares of Excel Value International Limited which holds the Distributed Business; (iii) subscription of the new shares and convertible bonds by the Purchaser in the sum of HK\$46,300,000 and HK\$84,266,000 respectively; and (iv) share premium reduction, as explained in notes below and other adjustments directly attributable to the transaction and factually supportable.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	The Group as at 30 September 2014	Pro forma adjustments							Pro forma Remaining Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited) (Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(unaudited)
Non-current assets									
Property, plant and equipment	319,934	—	—	—	—	—	—	—	319,934
Investment properties	60,993	—	—	—	—	—	—	—	60,993
Interests in associates	67,983	—	—	—	—	—	—	—	67,983
Deferred tax assets	7,768	—	—	—	—	—	—	—	7,768
Amounts due from associates	103,611	—	—	—	—	—	—	—	103,611
Amount due from an investee company	155,700	—	—	—	—	—	—	—	155,700
	715,989	—	—	—	—	—	—	—	715,989
Current assets									
Amounts due from customers for contract work	1,658,408	—	—	—	—	—	—	—	1,658,408
Debtors, deposits and prepayments	1,590,534	(632)	—	—	—	—	—	—	1,589,902
Properties under development for sale	1,024,295	(470,737)	—	—	—	—	—	—	553,558
Deposits paid for properties under development for sale	236,001	(10,983)	—	—	—	—	—	—	225,018
Properties held for sale	197,486	—	—	—	—	—	—	—	197,486
Deposits paid for properties held for sale	24,427	—	—	—	—	—	—	—	24,427
Investments held for trading	192	—	—	—	—	—	—	—	192
Amounts due from group companies	—	—	304,476	125,784	(430,260)	—	—	—	—
Amounts due from associates	21,119	—	—	—	—	—	—	—	21,119
Amounts due from joint operations/other partners of joint operations	240,542	—	—	—	—	—	—	—	240,542
Tax recoverable	9,421	—	—	—	—	—	—	—	9,421
Pledged bank deposits	551,797	—	—	—	—	—	—	—	551,797
Bank balances and cash	735,183	(697)	—	(127,547)	—	—	84,266	45,350	736,555
	6,289,405	(483,049)	304,476	(1,763)	(430,260)	—	84,266	45,350	5,808,425

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group as at 30 September 2014		Pro forma adjustments						Pro forma Remaining Group
	HK\$'000 (unaudited) (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (unaudited)
Current liabilities									
Amounts due to customers for contract work	886,251	—	—	—	—	—	—	—	886,251
Creditors, deposits and accrued charges	1,534,219	(3,743)	—	—	—	—	—	—	1,530,476
Deposits received from sales of properties	5,548	—	—	—	—	—	—	—	5,548
Amounts due to group companies	—	(304,476)	304,476	—	—	—	—	—	—
Amounts due to associates	20,159	—	—	—	—	—	—	—	20,159
Amounts due to joint operations/other partners of joint operations	161,896	—	—	—	—	—	—	—	161,896
Amounts due to non-controlling shareholders	48,433	—	—	—	—	—	—	—	48,433
Tax payable	57,304	—	—	—	—	—	—	—	57,304
Obligations under finance leases	20,934	—	—	—	—	—	—	—	20,934
Bank borrowings	2,296,144	(176,284)	—	—	—	—	—	—	2,119,860
Unsecured bonds	150,000	—	—	—	—	(150,000)	—	—	—
	<u>5,180,888</u>	<u>(480,503)</u>	<u>304,476</u>	<u>—</u>	<u>—</u>	<u>(150,000)</u>	<u>—</u>	<u>—</u>	<u>4,850,861</u>
Net current assets	<u>1,108,517</u>	<u>1,454</u>	<u>—</u>	<u>(1,763)</u>	<u>(430,260)</u>	<u>150,000</u>	<u>84,266</u>	<u>45,350</u>	<u>957,564</u>
Total assets less current liabilities	<u>1,824,506</u>	<u>1,454</u>	<u>—</u>	<u>(1,763)</u>	<u>(430,260)</u>	<u>150,000</u>	<u>84,266</u>	<u>45,350</u>	<u>1,673,553</u>
Non-current liabilities									
Obligations under finance leases	39,696	—	—	—	—	—	—	—	39,696
Bank borrowings	105,000	—	—	—	—	—	—	—	105,000
Unsecured bonds	—	—	—	—	—	150,000	—	—	150,000
Convertible bonds	—	—	—	—	—	—	68,306	—	68,306
Deferred tax liabilities	20,276	—	—	—	—	—	2,634	—	22,910
	<u>164,972</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>150,000</u>	<u>70,940</u>	<u>—</u>	<u>385,912</u>
Net assets	<u>1,659,534</u>	<u>1,454</u>	<u>—</u>	<u>(1,763)</u>	<u>(430,260)</u>	<u>—</u>	<u>13,326</u>	<u>45,350</u>	<u>1,287,641</u>
Capital and reserves									
Share capital	109,203	—	—	—	—	—	—	10,000	119,203
Reserves	1,544,251	1,454	—	(1,763)	(430,260)	—	13,326	35,350	1,162,358
Equity attributable to owners of the Company	1,653,454	1,454	—	(1,763)	(430,260)	—	13,326	45,350	1,281,561
Non-controlling interests	6,080	—	—	—	—	—	—	—	6,080
	<u>1,659,534</u>	<u>1,454</u>	<u>—</u>	<u>(1,763)</u>	<u>(430,260)</u>	<u>—</u>	<u>13,326</u>	<u>45,350</u>	<u>1,287,641</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 MARCH 2014

	The Group for the year ended 31 March 2014	Pro forma adjustments			Pro forma Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(Note 9)	(Note 10)	(Note 4)	(unaudited)
	(Note 1)				
Revenue	6,551,240	—	—	—	6,551,240
Cost of sales	<u>(6,136,466)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,136,466)</u>
Gross profit	414,774	—	—	—	414,774
Other income	27,624	(2,474)	—	—	25,150
Other gains and losses	22,772	—	—	—	22,772
Fair value changes on investment properties	34,750	—	—	—	34,750
Selling expenses	(15,004)	—	—	—	(15,004)
General and administrative expenses	(313,818)	2,893	—	—	(310,925)
Share of results of associates	10,128	—	—	—	10,128
Finance costs	<u>(41,405)</u>	<u>—</u>	<u>(4,952)</u>	<u>(1,763)</u>	<u>(48,120)</u>
Profit before tax	139,821	419	(4,952)	(1,763)	133,525
Income tax expense	<u>(46,448)</u>	<u>—</u>	<u>817</u>	<u>—</u>	<u>(45,681)</u>
Profit for the year	<u>93,323</u>	<u>419</u>	<u>(4,135)</u>	<u>(1,763)</u>	<u>87,844</u>
Other comprehensive income (expense)					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Exchange difference arising on translation	9,074	—	—	—	9,074
Release of translation reserve upon deregistration of a subsidiary	(22,313)	—	—	—	(22,313)
Share of translation reserve of associates	<u>(216)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(216)</u>
Other comprehensive expense for the year	<u>(13,455)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13,455)</u>
Total comprehensive income for the year	<u><u>79,868</u></u>	<u><u>419</u></u>	<u><u>(4,135)</u></u>	<u><u>(1,763)</u></u>	<u><u>74,389</u></u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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The Group for the year ended 31 March 2014	Pro forma adjustments				Pro forma Remaining Group
<i>HK\$'000</i> (audited) <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 9)</i>	<i>HK\$'000</i> <i>(Note 10)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	<i>HK\$'000</i> (unaudited)	
Profit for the year attributable to:					
Owners of the Company	93,009	419	(4,135)	(1,763)	87,530
Non-controlling interests	314	—	—	—	314
	93,323	419	(4,135)	(1,763)	87,844
Total comprehensive income attributable to:					
Owners of the Company	79,554	419	(4,135)	(1,763)	74,075
Non-controlling interests	314	—	—	—	314
	79,868	419	(4,135)	(1,763)	74,389

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP
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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	The Group for the year ended 31 March 2014					Pro forma Remaining Group	
	HK\$'000 (audited) (Note 1)	HK\$'000 (Note 9)	Pro forma adjustments			HK\$'000 (Note 8)	HK\$'000 (unaudited)
	HK\$'000 (audited) (Note 1)	HK\$'000 (Note 9)	HK\$'000 (Note 10)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 8)	HK\$'000 (unaudited)
Operating activities							
Profit before tax	139,821	419	(4,952)	—	(1,763)	—	133,525
Adjustments for:							
Finance costs	41,405	—	4,952	—	1,763	—	48,120
Interest income	(12,489)	—	—	—	—	—	(12,489)
Share of results of associates	(10,128)	—	—	—	—	—	(10,128)
Depreciation and amortisation	6,859	—	—	—	—	—	6,859
Cumulative exchange gains relating to subsidiary deregistered	(22,313)	—	—	—	—	—	(22,313)
Fair value changes on investment properties	(34,750)	—	—	—	—	—	(34,700)
Share-based payment expenses	516	—	—	—	—	—	516
Fair value changes on investments held for trading	121	—	—	—	—	—	121
Gain on disposal of property, plant and equipment	(456)	—	—	—	—	—	(956)
Write down of properties under development for sale	14,780	—	—	—	—	—	14,780
Write down of deposits paid for properties held for sales	1,225	—	—	—	—	—	1,125
Operating cash flows before movements in working capital	124,091	419	—	—	—	—	124,510
Decrease in amounts due from (to) customers for contract work	304,425	—	—	—	—	—	304,425
Increase in debtors, deposits and prepayments	(433,197)	763	—	—	—	—	(432,434)
Decrease in properties under development for sale	68,860	27,990	—	—	—	—	96,850
Increase in deposits paid for properties under development for sale	(12,981)	(10,308)	—	—	—	—	(23,289)
Decrease in properties held for sale	89,122	—	—	—	—	—	89,122
Increase in deposits paid for properties held for sale	(4,305)	—	—	—	—	—	(4,305)
Increase in amounts due from joint operations/ other partners of joint operations	(52,235)	—	—	—	—	—	(52,235)
Increase in creditors, deposits and accrued charges	320,508	13,317	—	—	—	—	333,825
Decrease in deposits received from sales of properties	(81,954)	—	—	—	—	—	(81,954)
Increase in amounts due to joint operations/ other partners of joint operations	23,857	—	—	—	—	—	23,857
Increase in amount due from an associate	(3,920)	—	—	—	—	—	(3,920)
Decrease in amounts due to non-controlling shareholders	(2,875)	—	—	—	—	—	(2,875)
Cash from operations	339,396	32,181	—	—	—	—	371,577
Income taxes paid	(82,365)	—	—	—	—	—	(82,365)
Net cash from operating activities	257,031	32,181	—	—	—	—	289,212

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group for the year ended 31 March 2014						Pro forma Remaining Group HK\$'000 (unaudited)
	HK\$'000 (audited) (Note 1)	HK\$'000 (Note 9)	Pro forma adjustments			HK\$'000 (Note 8)	
		HK\$'000 (Note 10)	HK\$'000 (Note 3)	HK\$'000 (Note 4)			
Investing activities							
Dividend received from an associate	9,080	—	—	—	—	9,080	
Proceeds from disposal of property, plant and equipment	3,804	—	—	—	—	3,804	
Proceeds from disposal of investment properties	51,157	—	—	—	—	51,157	
Proceeds from disposal of assets classified as held for sale	6,321	—	—	—	—	6,321	
Interest received	12,489	—	—	—	—	12,489	
Increase in amounts due from associates	(1,825)	—	—	—	—	(1,825)	
Advances to Privateco Group	—	1	—	(21,756)	—	(21,755)	
Advances to a joint operation/other partners of a joint operation	(54,978)	—	—	—	—	(54,978)	
Increase in amount due from an investee company	(154,200)	—	—	—	—	(154,200)	
Purchase of property, plant and equipment	(60,430)	—	—	—	—	(60,430)	
Placement in pledged bank deposits	(374,248)	—	—	—	—	(374,248)	
Withdrawal from pledged bank deposits	167,105	—	—	—	—	167,105	
Net cash used in investing activities	(395,725)	1	—	(21,756)	—	(417,480)	
Financing activities							
Advances from group companies	—	(21,756)	—	21,756	—	—	
Advance from ultimate holding company	—	—	—	—	50,500	50,500	
Advances from joint operations/other partners of a joint operation	64,978	—	—	—	—	64,978	
Advances from a non-controlling shareholder	10,000	—	—	—	—	10,000	
New trust receipt loans raised	1,552,170	—	—	—	—	1,552,170	
Repayment of trust receipt loans	(1,517,612)	—	—	—	—	(1,579,612)	
New bank loans raised	2,175,793	(9,500)	—	—	—	2,166,293	
Repayment of bank loans	(1,856,402)	—	—	(203,097)	—	(2,059,444)	
Repayment of mortgage loans	(15,474)	—	—	—	—	(15,474)	
Repayment of principal portion of obligations under finance leases	(22,263)	—	—	—	—	(22,263)	
Interest paid	(74,414)	—	—	—	—	(74,414)	
Proceeds from issue of convertible bonds	—	—	84,266	—	—	84,266	
Proceeds from issue of shares	47,075	—	—	—	45,350	92,425	
Dividends paid	(13,878)	—	—	—	—	(13,878)	
Net cash from financing activities	349,973	(31,256)	84,266	21,756	(152,547)	45,350	
Net increase in cash and cash equivalents	211,279	926	84,266	—	(152,547)	45,350	
Cash and cash equivalents at beginning of the year	607,615	(1,064)	—	—	—	606,551	
Effect of foreign exchange rate changes	2,036	—	—	—	—	2,036	
Cash and cash equivalents at end of the year, represented by bank balances and cash	820,930	(138)	84,266	—	(152,547)	45,350	
	797,861					797,861	

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (1) For unaudited pro forma consolidated statement of financial position, figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as set out in the interim financial report of the Company for the 6 months ended 30 September 2014, while for unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, figures are extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 March 2014.
- (2) The adjustment reflects the exclusion of the assets and liabilities of the Privateco Group, assuming the Distribution In Specie had taken place on 30 September 2014. Figures are based on the financial information of the Privateco Group as at 30 September 2014 as extracted from the management accounts of the Privateco Group.
- (3) The adjustment reflects the reinstatement of inter-company balances between the Remaining Group and the Privateco Group to facilitate the Distribution In Specie assuming the transactions had taken place on 30 September 2014 for the unaudited pro forma consolidated statement of financial position and on 1 April 2013 for the unaudited pro forma consolidated statement of cash flows.
- (4) For the unaudited pro forma consolidated statement of financial position, the adjustment reflects cash advance by the Remaining Group of HK\$126,284,000 and loan from ultimate holding company of HK\$50,000,000 to the Privateco Group for the Privateco Group's early repayment of bank borrowings amounting to HK\$176,284,000 such that the outstanding amount will be reduced to nil before the Distribution in Specie and a flat prepayment fee of 1% on the bank borrowings prepaid, amounting to approximately HK\$1,763,000, will be charged. The prepayment fee will be financed from cash advanced by the Remaining Group of HK\$1,263,000 and loan from ultimate holding company of HK\$500,000. The adjustments are made assuming the transaction had taken place on 30 September 2014 for the unaudited proforma consolidated statement of financial position.

For the unaudited pro forma consolidated statement of cash flows and unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the adjustment reflects cash advance by the Remaining Group of HK\$151,284,000 and loan from a ultimate holding company of HK\$50,000,000 to the Privateco Group for the Privateco Group's early repayment of bank borrowings amounting to HK\$201,284,000 such that the outstanding amount will be reduced to nil before the Distribution in Specie and a mutual agreement is reached with the bank that no prepayment fee on the Privateco Group's early repayment of bank borrowing amounting to HK\$25,000,000 will be required and that a flat prepayment fee of 1% on the remaining amount of bank borrowings prepaid will be approximately HK\$1,763,000, will be charged. The prepayment fee will be financed from cash advanced by the Remaining Group of HK\$1,263,000 and loan from ultimate holding company of HK\$500,000. The adjustment are made assuming the transaction had taken place on 1 April 2013 for the unaudited proforma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

- (5) The adjustment reflects derecognition of the amounts due from the Privateco Group at carrying amount upon the capitalisation of the entire outstanding amounts due from the Privateco Group to the Remaining Group via the issue by Privateco of 1,092,029,476 ordinary shares of US\$0.01 each, representing the same number of issued share capital of the Company as at 30 September 2014 minus issued share capital of Privateco already held by the Company, as a condition precedent to the Distribution in Specie pursuant to the Sale and Purchase Agreement, and the resulting distribution in specie to the Group's shareholders.
- (6) The adjustment reflects the reclassification of the unsecured bonds from current to non-current as at 30 September 2014 assuming the transaction had taken place on 30 September 2014, as pursuant to the Sale and Purchase Agreement, the maturity date of the unsecured bonds is to be extended from 22 November 2014 to 23 November 2015 as a condition precedent to the sales and purchase completion.
- (7) The adjustment reflects the estimated proceeds of HK\$84,266,000 from issue of convertible bonds in the principal amount of HK\$84,266,000, assuming the subscription had taken place on 30 September 2014. The convertible bonds bear no interest. The convertible bonds are convertible into shares of the Company at

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

conversion price of HK\$0.463 (subject to anti-dilutive adjustments) per share. The maturity date of the convertible bonds is on the third anniversary of the date of issue. At the date of initial recognition, the liability component is measured at its pro forma fair value of HK\$68,306,000 and the difference of HK\$15,960,000 between the cash consideration and liability component represent the equity component. Deferred tax liabilities of HK\$2,634,000 has been recognised upon the initial recognition of the convertible bonds and is charged against equity in the convertible bonds reserve. The pro forma fair value of the liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 7.25% per annum. The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under non-current liabilities at 30 September 2014.

The fair value of the liability component and the residual equity component represent provisional amounts which are subject to change at completion date. For the purposes of these unaudited pro forma financial instruments, it is assumed that the fair value of the convertible bonds at its assumed date of issuance approximate the proceeds received on the date of initial recognition.

- (8) The adjustment reflects the estimated net proceeds (after deducting estimated transaction costs of HK\$950,000) of HK\$45,350,000 from issue of 100,000,000 new shares at the subscription price of HK\$0.463 per share pursuant to the Subscription Agreement, assuming the subscription had taken place on 30 September 2014 for the unaudited pro forma consolidated statement of financial position and on 1 April 2013 for the unaudited pro forma consolidated statement of cash flows.
- (9) The adjustment reflects the exclusion of the income and expenses and cash flows of the Privateco Group, assuming the Distribution In Specie had taken place on 1 April 2013. Figures are based on the financial information of the Privateco Group for the year ended 31 March 2014 as extracted from Appendix III to the circular dated 26 November 2014.
- (10) The adjustment reflects the estimated proceeds of HK\$84,266,000 from issue of Convertible Bonds in the principal amount of HK\$84,266,000, assuming the subscription of convertible bonds (the "CB Subscription") had taken place on 1 April 2013. The adjustment also reflects the recognition of interest expenses on Convertible Bonds amounting to HK\$4,952,000 calculated at an effective interest rate of 7.25% per annum and the recognition of deferred tax credit amounting to HK\$817,000, assuming the CB Subscription had taken place on 1 April 2013 and none of the proceeds received from CB Subscription will be used to fund expenditure on qualifying assets, and assuming the pro forma fair value of the liability component of the Convertible Bonds were HK\$68,306,000, which is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 7.25% per annum.
- (11) Pursuant to the sales and purchase agreement dated 10 September 2014 entered between GT Winners Limited (the "Vendor"), being the ultimate holding company of the Privateco Group, and the Purchaser, the legal and professional fees for the distribution in specie of the Privateco Group will be borne by the Vendor and the Purchaser.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders and the Optionholders with regard to the Offeror, the Group and the Listco Offers.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor, their respective associates and parties acting in concert with them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendor, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, New Way International, Huinong Financial, Huinong Financial Holdings Ltd., their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Offeror, New Way International, Huinong Financial, Huinong Financial Holdings Ltd., their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, New Way International, Huinong Financial, Huinong Financial Holdings Ltd., Privateco, Well Perfection, their respective associates and parties acting in concert with them) is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in this Composite Document (other than the information relating to the Offeror, New Way International, Huinong Financial, Huinong Financial Holdings Ltd., Privateco, Well Perfection, their respective associates and parties acting in concert with them) is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Composite Document misleading; and (iii) all opinions expressed in this Composite Document (other than the opinion expressed by the Offeror, New Way International, Huinong Financial, Huinong Financial Holdings Ltd., Privateco, Well Perfection, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,500,000,000</u>	Shares	<u>250,000,000.00</u>
<i>Issued:</i>		
<u>1,192,576,176</u>	Shares	<u>119,257,617.6</u>

109,477,200 Shares have been issued since 31 March 2014, the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date. All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital.

As at the Latest Practicable Date, the Company had outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 5,620,600 Shares of which 1,598,400 Share Options have been vested and are currently exercisable. Immediately after the Subscription Completion, the Company had outstanding Convertible Bonds in the aggregate principal amount of HK\$84,266,000 which are convertible into 182,000,000 Shares at the initial Conversion Price of HK\$0.463 per Share (subject to adjustments).

Save for the Shares, the Share Options and the Convertible Bonds, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares immediately after the Subscription Completion.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) adopted by the Company were as follows:

(a) Long position in the Shares

Directors	Number of Shares held				% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Madam Li Wai Hang, Christina	10,880,875	—	100,042,884 <i>(Notes 1 & 2)</i>	110,923,759	9.30%
Mr. Pang Yat Ting, Dominic	5,680,000	—	100,042,884 <i>(Notes 1 & 2)</i>	105,722,884	8.86%
Mr. Pang Yat Bond, Derrick	7,326,000	—	—	7,326,000	0.61%
Mr. Kwok Yuk Chiu, Clement	3,000,000	312,000 <i>(Note 3)</i>	—	3,312,000	0.27%
Mr. Au Son Yiu	<u>301,816</u>	<u>—</u>	<u>—</u>	<u>301,816</u>	<u>0.02%</u>

Notes:

1. The Vendor is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the Shares held by the Vendor.
2. These represent the remaining balance of Shares held by the Vendor after disposal of 510,000,000 Shares under the Sale and Purchase Agreement.
3. These Shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

(b) Long position in the underlying shares of the Company

Directors	Number of Shares held			% of the Company's issued share capital
	Personal interests	Family interests	Total interests	
Madam Li Wai Hang, Christina	747,000 <i>(Note 1)</i>	747,000 <i>(Note 2)</i>	1,494,000	0.12%

Notes:

- These represent the interests in share options granted by the Company.*
- Madam Li Wai Hang, Christina is deemed to have interest in the Share Options held by her spouse, the late Dr. Pang Kam Chun.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or held any option in respect of such capital:

(i) Interests in the Shares

Shareholders	Capacity	Number of Shares held	% of the Company's issued share capital
The Offeror (<i>Note 1</i>)	Beneficial owner and interest of controlled corporation	792,000,000	66.41%
New Way Strategic Investment Ltd. (<i>Note 1</i>)	Beneficial owner	100,000,000	8.38%
New Way International (<i>Note 1</i>)	Interest of controlled corporation	792,000,000	66.41%
The Vendor (<i>Note 2</i>)	Beneficial owner	<u>100,042,884</u>	<u>8.38%</u>

Notes:

- These represent (i) an interest in 610,000,000 Shares (100,000,000 Shares of which is held through New Way Strategic Investment Ltd., a wholly-owned subsidiary of the Offeror), representing approximately 51.15% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) an interest in 182,000,000 underlying shares, representing approximately 15.26% of the issued share capital of the Company as at the Latest Practicable Date, issuable to the Offeror upon the conversion of the Convertible Bonds. The Offeror is wholly-owned by New Way International.
- The Vendor is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the Shares held by the Vendor.

(ii) Substantial shareholders of the other members of the Group

Name of entities holding 10% or more interest in a member of the Group	Interest in relevant company	Name of subsidiary of the Company
上海浦江橋隧運營管理有限公司	30%	Chun Loong Management Company Limited
Sino Converge Limited	50%	HKPFH Limited
Excel Billion Capital Limited	49%	Easy On Enterprise Limited
Excel Billion Corporation Limited	40%	Champ Success Development Limited
Xu Junfang	50%	Sure Wealth Shipping Limited

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person (other than Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or held any options in respect of such capital.

5. INTEREST IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE LISTCO OFFERS

As at the Latest Practicable Date:

- (a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Listco Offers;
- (b) neither the Company, any member of the Group nor any of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (c) save as disclosed in paragraph “4. Disclosure of Interests of Substantial Shareholders” of this appendix, neither the Offeror, its directors nor any party acting in concert with the Offeror was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (d) there were no Shares, convertible securities, warrants, options or derivatives of the Company which the Offeror or any party acting in concert with it has borrowed or lent;

- (e) there were no Shares, convertible securities, warrants, options or derivatives of the Company which the Company or any Directors had borrowed or lent;
- (f) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (g) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code or with the Offeror or any person acting in concert with it;
- (h) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (i) save and except for the letter of Undertaking, none of the Offeror or parties acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer;
- (j) save for the arrangement of resignation as set out in the paragraph headed “Proposed change of Board composition” under the section headed “(IV) Further intention of the Offeror in relation to the Company” in the “Letter from Octal Capital” set out in the Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Listco Offers or otherwise connected with the Listco Offers;
- (k) save for the arrangement of resignation as set out under the paragraph headed “Proposed change of Board composition” in the section headed “(IV) Further intention of the Offeror in relation to the Company” in the “Letter from Octal Capital” set out in the Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Listco Offers;
- (l) given that the Listco Offers are unconditional, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Listco Offers;
- (m) save for the Sale and Purchase Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and

- (n) the Offeror, the sole director of the Offeror and any persons acting in concert with the Offeror had no other intention to transfer, charge or pledge any of the Shares to be acquired by the Offeror pursuant to the Listco Offers to any other persons, nor had the Offeror, the sole director of the Offeror and any persons acting in concert with the Offeror entered into any such agreement, arrangement, undertaking or understanding.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

- (a) During the Relevant Period, save for the transactions under the Sale and Purchase Agreement (details of which are set out in the “Letter from Octal Capital” in this Composite Document):
- save for that Madam Li Wai Hang, Christina and Mr. Pang Yat Bond, Derrick exercised the Share Option resulting in the allotment of 732,000 Shares and 6,326,000 Shares on 12 August 2014 respectively, Mr. Kwok Yuk Chiu, Clement sold 200,000 Shares on 25 August 2014 and 100,000 Shares on 2 September 2014 and the 2,700,000 Share Options and 3,336,000 Share Options held by him expired on 14 January 2014 and 12 August 2014 respectively, and Mr. Au Son Yiu sold 300,000 Shares on 1 December 2014, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;
 - none of the Offeror, its sole director or any parties acting in concert with it had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;
 - none of the Vendor and the Pang Family who have indicated that they will not accept the Listco Offers in respect of their remaining 109,200,000 Shares after the Sale and Purchase Completion had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;
 - there was no person with whom the Offeror or any parties acting in concert with it has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and accordingly no such person had dealt for value in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of the Company; and
 - none of the Offeror or any parties acting in concert with it has borrowed or lent in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

(b) During the Relevant Period:

- none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;
- save as disclosed in paragraph (a) above and save for that (i) Kwan Chuen Kin sold 884,000 Shares on 8 July 2014, (ii) Lo Wing Tung, Betty sold 40,000 Shares on 9 July 2014, (iii) Chan Sing Cho sold 378,000 Shares on 10 July 2014, (iv) McGregor Malcolm Iain sold 944,000 Shares on 15 July 2014, (v) Kuan Chung sold 530,000 Shares on 22 August 2014, 200,000 Shares on 25 August 2014, 68,000 Shares on 27 August 2014, 100,000 Shares on 2 September 2014, and (vi) Ko Wing Nin sold 216,000 Shares on 2 December 2014, no person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and
- none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

7. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
30 January 2014	0.510
28 February 2014	0.495
31 March 2014	0.480
30 April 2014	0.455
30 May 2014	0.455
30 June 2014	0.470
31 July 2014	0.790
29 August 2014	1.010
10 September 2014 (the Last Trading Day)	1.010
30 September 2014	Suspended
31 October 2014	1.200
28 November 2014	1.220
Latest Practicable Date	1.100

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.27 on 10 December 2014 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.450 on 8 May 2014, 9 May 2014, 12 May 2014 and 28 May 2014.

8. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or arbitration or claims which is material to the Group and no litigation, arbitration or claim which is material to the Group is pending or threatened by or against any member of the Group:

<u>Court Case No.</u>	<u>Parties</u>	<u>Matter</u>
(1) HCA 613/2014	Cheung Shun Yee v. Rich Resource Development Limited	Disputes on a sale and purchase of commercial units of No. 8 Clear Water Bay Road for a claim against a member of the Group
(2) HCA 2449/2013	Goldbay Fortis Limited v. Rich Resource Development Limited	Disputes on a sale and purchase of commercial units of No. 8 Clear Water Bay Road for a claim against a member of the Group
(3) HCA 371/2014	Goldbay Fortis Limited V. the Company	Disputes on a sale and purchase of commercial units of No. 8 Clear Water Bay Road for a claim against the Company
(4) HCCT 29/2013	Chun Wo Building Construction Limited v. Metta Resourced Limited	Disputes on a development project of the Tsz Shan Monastery located at Tung Tsz, Tai Po District, Hong Kong for a member of the Group claims against the defendant and counterclaim by the defendant against that member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date and which are or may be material:

- (a) the Subscription Agreement;
- (b) the Subscription Supplemental Agreement;
- (c) the Interim Bond Extension Agreement; and
- (d) the agreement dated 19 December 2014 entered into between the Company and Talent Effort in respect of the Bond Extension (the “**Bond Extension Agreement**”).

Please refer to their respective definitions set out in the Definition section and the relevant disclosure in the Circular for the principal terms and conditions of items (a), (b) and (c) of the above material contracts.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

11. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained or referred to in this Composite Document:

<u>Name</u>	<u>Qualification</u>
Octal Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Halcyon Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, and/or references to its name in the form and context in which it appears.

12. GENERAL

- (i) The registered office address of the Offeror is Unit B, 7/F Lockhart Centre, 301–307 Lockhart Road, Wan Chai, Hong Kong.
- (ii) The principal members of the Offeror’s concert group are:
 - (a) The Offeror;
 - (b) New Way International whose correspondence address is Unit B, 7/F Lockhart Centre, 301–307 Lockhart Road, Wan Chai, Hong Kong.
 - (c) Mr. Zhang Xiaoliang whose correspondence address is Flat A, 9/F, North Block, Ming Yue Hua Yuan, Futian District, Shenzhen City, Guangdong Province, PRC.
 - (d) Mr. Wei Judong whose correspondence address is Room 803, Block 7 Jin Yu Lan Wan, 68 Furong Road, Futian District, Shenzhen City, Guangdong Province, PRC.
 - (e) Ms. Yang Weizhi whose correspondence address is Room 502, Door 6, 4th Floor, Huawei South Road, Chaoyang District, Beijing, PRC.
 - (f) Huinong Financial whose correspondence address is Flat 2, 19/F Henan Building, 90–92 Jaffe Road, Wanchai, Hong Kong.
 - (g) Huinong Financial Holdings Ltd. whose correspondence address is Flat 2, 19/F Henan Building, 90–92 Jaffe Road, Wanchai, Hong Kong.
 - (h) Mr. Wei Lidong whose correspondence address is Room 2605, Building 1, Courtyard 9, Nongzhan South Road, Chaoyang District, Beijing, PRC.
 - (i) Mr. Xu Jianhua whose correspondence address is Flat 7D, Seabee Lane, Beach Village, Discovery Bay, New Territories, Hong Kong.
- (iii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is situated at C2, 5th Floor, Hong Kong Spinners Industrial Building, 601–603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (iv) The company secretary of the Company is Ms. Chan Sau Mui, Juanna. She is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (v) The Hong Kong Branch Share Registrar and transfer office of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

- (vi) The registered office of Octal Capital is located at 801–805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (vii) The registered office of Halcyon Capital is located at 11/F, 8 Wyndham Street Central, Hong Kong.
- (viii) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on Business Days at the principal place of business of the Company at C2, 5th Floor, Hong Kong Spinners Industrial Building, 601–603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong; (ii) on the SFC's website at <http://www.sfc.hk>; and (iii) the website of the Company at <http://www.chunwo.com/> from the date of this Composite Document up to as long as the Listco Offers remain open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum of association and articles of association of the Offeror;
- (c) the annual reports of the Company for the last two financial years ended 31 March 2014;
- (d) the interim report of the Company for the six months ended 30 September 2014;
- (e) the letter from Octal Capital as set out on pages 11 to 24 of this Composite Document;
- (f) the letter from the Board as set out on pages 25 to 31 of this Composite Document;
- (g) the letter from the Independent Board Committee as set out on pages 32 to 33 of this Composite Document;
- (h) the letter from Halcyon Capital as set out on pages 34 to 62 of this Composite Document;
- (i) the letters of consents referred to under the paragraph headed “Experts and Consents” in this appendix;
- (j) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix;
- (k) the Letter of Undertaking; and
- (l) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this Composite Document.