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CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

	2014/15	2013/14
	HK\$'000	HK\$'000
Total revenue	8,317,087	6,551,240
Profit attributable to shareholders of the Company	102,518	93,009
Earnings per share	HK9.20 cents	HK8.95 cents
Equity per share *	HK\$1.20	HK\$1.52

* *Equity per share refers to equity attributable to shareholders of the Company divided by the total number of issued ordinary share capital as at 31 March 2015 and 31 March 2014 respectively.*

RESULTS

The Board of Directors (the “Board” or the “Directors”) of Chun Wo Development Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively “Chun Wo” or the “Group”) for the year ended 31 March 2015, together with the relevant comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
REVENUE	2	8,317,087	6,551,240
Cost of sales		<u>(7,870,728)</u>	<u>(6,136,466)</u>
Gross profit		446,359	414,774
Other income and gains, net		54,699	50,881
Fair value gain on investment properties, net		9,344	34,750
Selling expenses		(6,168)	(15,004)
Administrative expenses		(359,395)	(313,818)
Other expenses, net		2,850	(485)
Finance costs	3	(39,728)	(41,405)
Share of profits and losses of associates		<u>37,204</u>	<u>10,128</u>
PROFIT BEFORE TAX	5	145,165	139,821
Income tax	4	<u>(41,894)</u>	<u>(46,498)</u>
PROFIT FOR THE YEAR		103,271	93,323
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
Translation of foreign operations		5,915	9,074
Reclassification adjustments for gains included in profit or loss upon deregistration of subsidiaries		(1,024)	(22,313)
Share of movements in exchange fluctuation reserves of associates		<u>83</u>	<u>(216)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		<u>4,974</u>	<u>(13,455)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>108,245</u></u>	<u><u>79,868</u></u>

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Shareholders of the Company		102,518	93,009
Non-controlling interests		753	314
		<u>103,271</u>	<u>93,323</u>
TOTAL COMPREHENSIVE INCOME FOR			
THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		107,492	79,554
Non-controlling interests		753	314
		<u>108,245</u>	<u>79,868</u>
EARNINGS PER SHARE ATTRIBUTABLE			
TO SHAREHOLDERS OF THE COMPANY			
	7		
Basic		<u>HK9.20 cents</u>	<u>HK8.95 cents</u>
Diluted		<u>HK8.94 cents</u>	<u>HK8.90 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	8	320,289	279,237
Investment properties		250,276	60,982
Investments in associates		267,055	169,694
Amount due from an investee company		158,200	154,200
Deferred tax assets		617	7,768
		<hr/>	<hr/>
Total non-current assets		996,437	671,881
CURRENT ASSETS			
Costs and deposits paid for acquisition of a land use right for property development		224,805	224,880
Land held for property development		362,705	323,573
Properties under development		250,924	449,669
Properties held for sale		22,032	233,741
Amounts due from contract customers		1,730,396	1,466,461
Trade receivables	9	1,457,137	1,175,154
Prepayments, deposits and other receivables		523,802	254,092
Income tax recoverable		6,690	8,254
Equity investments at fair value through profit or loss		165	220
Restricted cash and pledged deposits		590,426	504,584
Cash and cash equivalents		702,661	820,930
		<hr/>	<hr/>
		5,871,743	5,461,558
Non-current assets and assets of a disposal group classified as held for sale		27,530	353,800
		<hr/>	<hr/>
Total current assets		5,899,273	5,815,358
CURRENT LIABILITIES			
Amounts due to contract customers		816,172	893,991
Trade payables	10	1,216,490	996,784
Deposits received from sales of properties		4,539	14,632
Other payables and accruals		540,394	410,110
Income tax payables		38,618	49,774
Bank borrowings		2,140,392	2,030,576
Unsecured bond payable to a related company		150,000	150,000
Hire purchase contract and finance lease payables		29,672	18,642
		<hr/>	<hr/>
Total current liabilities		4,936,277	4,564,509
		<hr/>	<hr/>
NET CURRENT ASSETS		962,996	1,250,849
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,959,433	1,922,730
		<hr/>	<hr/>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,959,433	1,922,730
NON-CURRENT LIABILITIES		
Other payable	41,627	–
Bank borrowings	115,000	231,284
Convertible bonds	146,458	–
Hire purchase contract and finance lease payables	51,470	28,305
Deferred tax liabilities	19,771	18,595
Total non-current liabilities	374,326	278,184
Net assets	1,585,107	1,644,546
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	132,362	108,310
Reserves	1,451,328	1,535,572
	1,583,690	1,643,882
Non-controlling interests	1,417	664
Total equity	1,585,107	1,644,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010–2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011–2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

Other than as further explained below regarding the impact of amendments to HKAS 32, HK(IFRIC)-Int 21 and certain amendments included in *Annual Improvements 2010-2012 Cycle* and *Annual Improvements 2011-2013 Cycle*, the adoption of the above revised standards and the new interpretation has had no significant financial effect on these financial statements.

- (a) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (b) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.
- (c) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

- (d) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (e) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

In addition, the Group has early adopted the amendments to The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

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:

- Construction work – provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction
- Property development and investment – sale and leasing of properties
- Professional services – provision of security, cleaning and other property management related services

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 2015

	Construction work <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>7,863,286</u>	<u>93,335</u>	<u>360,466</u>	<u>8,317,087</u>
Segment results	125,309	49,413	19,155	193,877
Interest income				12,147
Corporate and other unallocated expenses				(21,131)
Finance costs				(39,728)
Income tax				<u>(41,894)</u>
Profit for the year				<u><u>103,271</u></u>
Other segment information:				
Share of profit and losses of associates	(1,271)	38,475	–	37,204
Depreciation and amortisation	5,401	195	1,005	6,601
Fair value gain on investment properties, net	–	9,344	–	9,344
Gain/(loss) on disposal of items of property, plant and equipment, net	3,704	86	(343)	3,447
Reversal of impairment of other receivables	<u>–</u>	<u>7,003</u>	<u>–</u>	<u>7,003</u>

For the year ended 31 March 2014

	Construction work <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	5,891,362	368,727	291,151	6,551,240
Segment results	57,223	115,120	16,955	189,298
Interest income				12,489
Corporate and other unallocated expenses				(20,561)
Finance costs				(41,405)
Income tax				(46,498)
Profit for the year				<u>93,323</u>
Other segment information:				
Share of profit and losses of associates	(1,892)	12,020	–	10,128
Depreciation and amortisation	5,537	370	952	6,859
Fair value gain on investment properties, net	–	34,750	–	34,750
Gain on disposal of items of property, plant and equipment	783	120	53	956
Write down of properties under development	–	6,490	–	6,490
Write down of properties held for sale	–	8,290	–	8,290
Write down of deposits paid for properties held for sale	–	1,225	–	1,225

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

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

Segment assets and liabilities

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

Geographical information

(a) Revenue from external customers

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	7,685,935	5,529,132
Macau	543,026	645,297
Mainland China	81,418	376,064
The UAE	6,708	747
	<u>8,317,087</u>	<u>6,551,240</u>

The revenue information disclosed above is based on the locations of the customers.

(b) Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	584,590	403,165
Macau	598	27,798
Mainland China	4,137	4,948
Other jurisdictions	248,295	74,002
	<u>837,620</u>	<u>509,913</u>

The non-current asset information disclosed above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year, two customers located in Hong Kong and from the construction work segment contributed more than 10% of the Group revenue for the year and the revenue earned from these two customers amounted to HK\$3,786,752,000 (2014: HK\$2,540,562,000) and HK\$1,175,242,000 (2014: HK\$1,071,827,000), respectively.

3. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interests on:		
Trust receipt loans and other bank loans	57,921	61,831
Unsecured bond payable to a related company	10,875	10,875
Hire purchase contract and finance lease payables	1,853	1,245
Amounts due to joint operations/other partner of a joint operation	95	463
	<u>70,744</u>	74,414
Imputed interest on convertible bonds	1,206	–
	<u>71,950</u>	74,414
Total finance costs	71,950	74,414
Less: Amounts included in cost of construction work	(29,077)	(27,654)
Amounts capitalised in properties under development	(3,145)	(5,355)
	<u>39,728</u>	<u>41,405</u>

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	15,677	9,795
Under-provision in prior years	6,359	92
	<u>22,036</u>	<u>9,887</u>
Current — Mainland China		
Charge for the year	5,899	18,968
Under-provision in prior years	518	1,818
	<u>6,417</u>	<u>20,786</u>
Current — Elsewhere		
Charge for the year	2,693	4,355
Land appreciation tax (“LAT”)		
Charge for the year	4,505	8,574
Deferred	6,243	2,896
Total tax charge for the year	<u>41,894</u>	<u>46,498</u>

5. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of construction work	7,497,487	5,612,175
Cost of properties sold	51,451	270,505
Cost of services provided	321,790	253,786
Depreciation	54,222	45,183
Less: Amount included in cost of construction work	(47,621)	(38,324)
	<u>6,601</u>	<u>6,859</u>
Fair value loss on equity investments at fair value through profit or loss	<u>55</u>	<u>121</u>

6. DISTRIBUTION IN SPECIE AND DIVIDEND

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Distribution in specie	<i>(a)</i>	423,991	–
Proposed final — Nil (2014: 1.7 cent) per ordinary share	<i>(b)</i>	–	18,565
		423,991	18,565

Notes:

- (a) On 31 December 2014, as part of the conditions precedent to fulfill in connection with the sale of the Company's ordinary shares by a then major shareholder of the Company to a then third party, the Group distributed all of its equity interest in Excel Value International Limited ("Excel Value", a then wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability) to the Company's shareholders by way of a distribution in specie. The distribution in specie was approved by the shareholders of the Company at a special general meeting held on 19 December 2014.

Excel Value and its subsidiary (collectively, the "Excel Value Group") are involved in property acquisition and redevelopment of an industrial building located at 55-57 Wing Hong Street and 84-86 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong. Upon the completion of the distribution in specie, Excel Value ceased to be a subsidiary of the Group and the retained profits of the Group was reduced by HK\$423,991,000, which is equivalent to the then consolidated net book value of the Excel Value Group.

Further details of the distribution in specie are set out in the Company's circular dated 26 November 2014 and announcement dated 31 December 2014.

- (b) The Board did not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: HK1.7 cents per share).

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all the Group's dilutive convertible bonds at the respective dates of issue. The weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options and warrants, as appropriate, of the Company, and the deemed conversion of all dilutive convertible bonds into ordinary shares, at the beginning of the year or the date of issue, whichever is the later.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	102,518	93,009
Imputed interest on convertible bonds	1,206	–
	<hr/>	<hr/>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	103,724	93,009
	<hr/>	<hr/>
<u>Number of shares</u>		
	2015	2014
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,114,182,615	1,038,788,979
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	45,042,466	–
Share options	809,488	1,980,936
Warrants	–	4,440,341
	<hr/>	<hr/>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	1,160,034,569	1,045,210,256
	<hr/>	<hr/>

8. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$98,943,000 (2014: HK\$96,307,000) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$3,671,000 (2014: HK\$3,110,000).

9. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables other than retention receivables	929,005	733,827
Impairment	(534)	(534)
	<hr/>	<hr/>
Retention receivables	928,471	733,293
	528,666	441,861
	<hr/>	<hr/>
	1,457,137	1,175,154
	<hr/>	<hr/>

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 aged analysis of the trade receivables (other than retention receivables) as at the end of the reporting period, based on invoice date and net of impairment, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	830,547	694,054
1 to 2 months	92,919	25,925
2 to 3 months	1,589	7,213
Over 3 months	3,416	6,101
	<u>928,471</u>	<u>733,293</u>

10. TRADE PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables other than retention payables	827,214	730,758
Retention payables	389,276	266,026
	<u>1,216,490</u>	<u>996,784</u>

An aged analysis of the Group's trade payables (other than retention payables) as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	398,888	495,845
1 to 2 months	327,290	165,297
2 to 3 months	68,392	38,919
Over 3 months	32,644	30,697
	<u>827,214</u>	<u>730,758</u>

11. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities, which have not been provided for in the financial statements:

(a) Corporate guarantees and performance bonds given

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	461,710	574,059
— joint operations	410,521	94,092
	<u>872,231</u>	<u>668,151</u>
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— associates	306,100	20,800
— joint operations	599,500	509,000
	<u>905,600</u>	<u>529,800</u>
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	203,762	259,941
	<u>1,981,593</u>	<u>1,457,892</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.

As at 31 March 2015, the banking facilities guaranteed by the Group to associates and joint operations were utilised to the extent of HK\$122,200,000 (2014: HK\$20,800,000) and HK\$459,426,000 (2014: HK\$463,990,000).

(b) Litigations

- (i) During 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 the contract customer of a construction contract (the "Tsz Shan Monastery Project") undertaken by the Group in prior years, and a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against the contract customer for additional works performed and costs incurred by the subsidiary of 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 received a defence and counterclaim from the contract customer on 22 November 2013, in which the contract customer accepted that it was liable to pay only a certain amount of the subsidiary of the Group's claims and, in addition, is alleging contra charges against the subsidiary of 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 2015, 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 the contract customer has no merit and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

- (ii) During the year ended 31 March 2014, a plaintiff commenced legal proceedings against a subsidiary of the Group that the termination of proposed transaction in relation to the sale of commercial development and 49% interest in the car park development at No. 8 Clear Water Bay Road (collectively the "Properties") was wrongful and claimed for the loss of capital appreciation of the Properties for the breach of the Memorandum.

The plaintiff and the subsidiary of the Group have completed the pleadings stage and have exchanged their witness statements on 9 January 2015. Subsequently, they are in the course of preparing their respective provisional quantum expert reports on a without prejudice basis and are due for exchange on 17 July 2015.

The ultimate outcome of the case will depend on the evidence adduced before the case management conference for the proceedings which is not expected at least until late 2015.

Besides, during the year ended 31 March 2014, another plaintiff commenced legal proceedings against the same subsidiary of the Group that the termination of proposed transaction in relation to the sale of commercial development at No. 8 Clear Water Bay Road was wrongful and seeks damages to the subsidiary of the Group.

The parties have completed the pleadings stage and are now at the discovery stage. Given the early stages of the legal proceedings, it is difficult to assess the ultimate outcome of the case.

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 Group are of the opinion that this subsidiary of the Group has a good defence on the merits and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

12. PLEDGE OF ASSETS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Property, plant and equipment	39,821	45,840
Investment properties	–	50,000
Properties under development	250,924	449,669
Bank deposits	590,426	504,584
Non-current assets classified as held for sale	–	353,800
	<u>881,171</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.

13. EVENTS AFTER THE REPORTING PERIOD

- (a) A convertible bond was issued to China New Way Investment Limited (“China New Way”) on 31 December 2014 pursuant to a subscription agreement dated 16 September 2014 entered into between the Company and China New Way. Further details of the convertible bond are set out in the Company’s circular dated 26 November 2014.

To the best knowledge of the Company’s directors, on 5 February 2015, China New Way disposed of 50% of the convertible bond with an aggregate principal amount of HK\$42,133,000 to China City Construction (International) Co., Limited (“CCCI”, a third party independent to the Group but a shareholder of the Company holding as at 31 March 2015) and hence each of China New Way and CCCI has interest in the convertible bond with an aggregate principal amount of HK\$42,133,000 as at 31 March 2015.

On 17 April 2015, China New Way exercised the conversion rights of all its interest in the convertible bond with an aggregate principal amount of HK\$42,133,000 and 91,000,000 new ordinary shares of the Company were allotted and issued to China New Way accordingly.

- (b) On 15 January 2015, the Group publicly announced that it had entered into a disposal agreement on 13 January 2015 with two individuals independent to the Group, to conditionally (i) dispose of all its equity interest in Profit City International Limited (“Profit City”), a wholly-owned subsidiary of the Group; and (ii) assign the Group’s interest in loans of HK\$27,635,000 in total owed by Profit City, to the two individuals for a total consideration of HK\$230,000,000. The major assets of Profit City are 20% equity interests in two associates which individually holds a piece of land in Macau.

Deposits of HK\$20,000,000 in total have been paid by the two purchasers in accordance with the terms of the disposal agreement and the long stop date for the transaction is 31 July 2015, as extended pursuant to an extension letter signed between the Group and the two purchasers on 22 May 2015. Further details of the disposal transaction are set out in the Company’s announcements dated 15 January 2015 and 22 May 2015.

- (c) On 3 June 2015, Leading Top Investments Limited (“Leading Top”), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with China City Development Investment Limited in relation to the proposed acquisition of all or part of (i) direct or indirect equity interest in; and/or (ii) assets of; and/or (iii) business of 中國城市建設控股集團有限公司 and its subsidiaries (the “Target Group”). The Target Group is primarily engaged in, among other things, municipal

construction, building construction, and construction of build-transfer/build-operate-transfer/public-private partnership projects in Mainland China, and is one of the leading urban development and construction enterprises in Mainland China. Further details of the matter are set out in the Company's announcement dated 3 June 2015.

LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 March 2015, the total net debts of the Group amounted to approximately HK\$1,339.9 million, representing total debts of approximately HK\$2,633.0 million less total of pledged bank deposits and bank balances and cash of approximately HK\$1,293.1 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2015 is analysed as follows:

	As at 31 March 2015 HK\$ million	As at 31 March 2014 HK\$ million
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	1,932.1	2,004.2
After one year, but within two years		
– On demand shown under current liabilities	37.6	18.4
– Remaining balances	24.7	15.8
After two years, but within five years		
– On demand shown under current liabilities	200.4	26.6
– Remaining balances	141.7	243.8
	2,336.5	2,308.8
Unsecured bond payable to a related company		
– Repayable within one year	150.0	150.0
Amounts due to other partners of joint operations		
– Repayable on demand	–	55.0
– Repayable within one year	–	10.0
Convertible bonds		
– Repayable after two years but within five years	146.5	–
Total debts	2,633.0	2,523.8

At 31 March 2015, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company was 0.85 (31 March 2014: 0.73).

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

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

PLEDGE OF ASSETS

As at 31 March 2015, the Group pledged bank deposits, property, plant and equipment of approximately HK\$881.2 million to financial institutions in order to secure the general banking facilities granted to the Group.

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

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 11 to the preliminary announcement.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 4,620 employees as at 31 March 2015. Total remuneration of employees for the year ended 31 March 2015 (the "Year") amounted to approximately HK\$1,318.6 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned. Moreover, the Group also provides in-house and external training programmes which are complementary to certain job functions.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (2014: HK1.7 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 August 2015 to Friday, 28 August 2015 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“AGM”). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 August 2015.

BUSINESS REVIEW

The Group recorded a total revenue of approximately HK\$8.32 billion for the Year, up by 27% year on year. Net profit rose by 10% to approximately HK\$102.5 million, enabling the Group to meet its annual target of 10% growth in net profit. The Group’s net profit margin was maintained at around 1.2%. Earnings per share amounted to approximately HK9.2 cents, up 2.8%.

Construction

The Group’s construction segment performed steadily over the Year, with a number of major projects being completed or nearly completion. Revenue from this segment amounted to approximately HK\$7.86 billion for the Year, comparable with the revenue of approximately HK\$5.89 billion recorded the previous year increased by 33.4%. Profit for the segment amounted to approximately HK\$125.3 million, a significant increase by 119.1% as compared with the profit of approximately HK\$57.2 million last year.

As at 31 March 2015, the estimated total value of the Group’s contracts in hand was approximately HK\$26.87 billion, of which approximately HK\$13.35 billion remains outstanding. Compared with the comparable figures at 31 March 2014, these amounts represent decreases of 6.7% and 8.7% respectively.

The nine major new contracts won by the Group during the Year were worth a total of approximately HK\$4.0 billion. Among these, one of the most significant was the joint-venture contract for building the Boundary Crossing Facilities, Passenger Clearance Building and Public Transport Facilities for the Hong Kong-Zhuhai-Macao Bridge in Hong Kong. This contract is valued at approximately HK\$8.40 billion, with Chun Wo holding a 20% stake in the joint venture. Another major contract successes included that for the development of Gleneagles Hong Kong Hospital in Aberdeen, Hong Kong. The project value is approximately HK\$2.48 billion, and Chun Wo holds a 40% stake in the joint venture. The Group was also successful in bidding for contracts to construct new public rental housing blocks in Chai Wan, and to carry out foundation works for the Home Ownership Scheme Development at Choi Hing Road in Ngau Tau Kok; both are a part of the government’s drive to increase the supply of housing in Hong Kong over the next decade. In Macau, Chun Wo secured a further contract for work in Studio City Macau in Cotai for the leading gaming and entertainment resort facilities owner and developer in Macau, Melco Crown Entertainment Limited, adding to a significant list of varied contracts being carried out for that client.

A number of construction projects remained ongoing during the Year; these included work on the Central-Wan Chai Bypass at North Point, Wan Chai East and the Hong Kong Convention and Exhibition Centre. Several projects for MTR Corporation Limited (“MTRC”) continued as well, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), the Shatin-Central Link including Kai Tak Station and associated tunnels and the Diamond Hill-Kai Tak Tunnels, together with the Kwun Tong Line Extension including Whampoa Station and overrun tunnel. Most of these ongoing projects are due for completion in the next year or two.

The Group’s construction sector successfully completed a number of projects during the Year, including the major Tuen Mun Western Trunk Sewerage project. The Group also completed three residential development projects located at Kwun Tong, Tsuen Wan and Mid-Level West, and the development of Hong Kong Sports Institute, along with various projects for MTRC, including building services for the new Kennedy Town Station.

Among the many drainage and waterworks-related projects that the Group worked on during the Year, one highlight relates to the Group’s contract to handle the Happy Valley Underground Stormwater Storage Scheme. Involving the construction of a large-capacity underground stormwater storage tank, a pump house and associated drains, this project is designed to alleviate flooding problems in the Happy Valley and Wan Chai areas. During the Year, the project was awarded the “Highly Commended New Engineering Contract (NEC) Large Project of the Year 2015 Award”, an award established by the NEC Users’ Group in the United Kingdom to recognize outstanding NEC projects around the world. Over 40 international projects took part in the competition, with the Group being one of the selected companies to come away with an award.

A small number of ongoing projects experienced delays outside the Group’s control. Progress on the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) was delayed due to delays by the civil contractors, and delays in work on the Passenger Clearance Building for the Hong Kong-Zhuhai-Macao Bridge occurred due to a delay in the handover of the work areas.

Meanwhile, in the process of working on one section of the Central-Wan Chai Bypass, the Group unearthed an old sunken vessel. As is the norm with finds that may have some historical or archaeological importance, the Group is co-operating closely with the relevant branches of the Hong Kong Government to try to identify the unearthed vessel and ascertain its significance. Once this is established, appropriate measures for preservation or removal will need to be put in place as required. The Group is doing its utmost to expedite matters, but ultimately authority for the handling of this find lies outside its control.

A longstanding disagreement in relation to additional work performed and costs incurred by the Group for construction work for the Tsz Shan Monastery has been moved forward in the Year. A hearing for the claim by Chun Wo Building Construction Limited, an indirect wholly-owned subsidiary of the Company, against Metta Resources Limited has already been fixed and shall be commenced in March 2016. The Group is currently in the process of preparing for this hearing.

Property Development and Investment

Revenue from the Group's property development and investment segment amounted to approximately HK\$93.3 million for the Year, against a combined total of approximately HK\$368.7 million for the previous year. Actual sales from property development were low during the Year, as most of the Group's property development projects remain under construction. The Group expects the pipeline of units for sale to begin from 2016/17. This has involved Chun Wo gradually withdrawing from property development and investment activities outside its core focus areas. It has also moved towards a much more partnership-based property development profile, mitigating the risks associated with the high level of investment required.

One example of this strategy during the Year was the Group's acquisition of a 90% equity interest in 中國城市建設控股集團(珠海)置業有限公司 (China City Construction Holding Group (Zhuhai) Property Co., Ltd.*) giving it ownership of the company's principal asset, a block of land located in Zhuhai City, Guangdong Province, China with a total site area of approximately 10,000 sq.m. This will be developed into a commercial building with an expected total gross floor area of approximately 101,136 sq.m. Well-situated in a prime business location in the Pearl River Delta region, the site is close to both Jiuzhou Port and the new Hong Kong-Zhuhai-Macao Bridge. As transport links improve across the Pearl River Delta region and business and trade activities increase, demand for Grade A commercial buildings in the region is expected to rise. Currently, superstructure construction is in progress. Pre-sale is expected to commence in the third quarter of 2015. The project completion is scheduled for the first half of 2016, after which the new building is expected to contribute cash flow and revenue to the Group. The acquisition is expected to be completed on or before 13 July 2015.

In December 2014, the Group also acquired a parcel of government land at Yiu Sha Road, Whitehead, Ma On Shan, Sha Tin, New Territories, Hong Kong. The acquisition was made by way of a joint venture with China City Construction Property Company Limited, with Chun Wo having a 10% interest in the project. The project has a site area of approximately 253,000 sq.ft., and a buildable GFA of approximately 387,500 sq.ft. It enjoys a prime geographic location and spectacular views across Tolo Harbour and Starfish Bay. The Group plans to develop quality low-rise to mid-rise residential projects with sea views, planning initially to build about 500 residential units. As for the progress of the project, the planning application is underway and site formation will commence in the first quarter of 2016. Pre-sales are expected to commence in mid 2017 at the earliest, and the project will be completed by the end of 2018. The development will target buyers who want a high-quality residence and who place a high priority on a naturally scenic living environment.

* *The English translation of the company name is for reference only.*

During the Year, work continued on the Group's joint venture luxury development project at Kau To Shan, Shatin, in which it holds a 10% interest. Site formation is in progress; the site is being developed into a luxury residential development made up of a mix of houses and apartments, with a buildable gross floor area of 323,305 sq.ft., and is expected to be completed by 2018. Meanwhile, the residential development project in Tseng Choi Street in Tuen Mun is progressing well; it is hoped to commence pre-sales by mid 2016 and complete the project by the end of 2017. In addition, the Group's industrial redevelopment project in Cheung Sha Wan was distributed to the shareholders of the Company during the Year through distribution in specie of the shares of the holding company of the project company.

In Abu Dhabi, UAE, the Group began leasing out units in its completed "Reem Diamond" low-rise residential development project in April 2014. The development is currently 100% fully leased, and rental income of HK\$5.70 million was recorded during the Year. In due course, the Group expects to exit from its involvement in the Middle East property market.

Chun Wo holds a 40% shareholding interest in the "Grand View Garden" shopping mall at Hammer Hill Road in Kowloon. This property achieved rental growth year-on-year of 7%. The Group completed its disposal of the "Infinity 8" shopping mall in Choi Hung in June 2014, but the gain arising from this disposal was recorded in the last financial year.

Professional Services

The Group's security and property management services subsidiaries each performed strongly over the Year, contributing almost 10% to overall revenue and generating approximately HK\$15 million in profit. These subsidiaries, originally set up to support Chun Wo's property development activities, have acquired significant business profiles in recent years and have successfully served numerous high-profile clients around Hong Kong.

New contracts won by this segment during the Year included a security contract with Caritas Medical Centre and a cleaning contract with the Tung Wah Group of Hospital's Wong Tai Sin Hospital, both managed by the Hospital Authority, together with a security and car park management contract with Harriman Property Management Limited for One Midtown, residential security contracts awarded by MTRC for The Arch, clubhouse management contracts for Lake Silver and The Waterfront, and term worker service contract for other MTRC's investment properties.

In addition, security services were provided for the 49th Hong Kong Brands and Product Expo for the five consecutive year.

OUTLOOK AND PROSPECTS

Construction

Although the Hong Kong Government's Capital Works Reserve Fund sat at approximately HK\$72.0 billion as at 1 April 2015, the widely publicized issues related to the blocking of approval for public financing within the Hong Kong Government in recent months have effectively locked away much of this money. There has been a massive slowdown in government tenders due to the unavailability of expected funding approvals. As a result, a number of projects that were expected to come up for tender this Year and next have not materialized and remain unlikely to do so in the short term.

The Group has implemented a number of focused strategies to manage this external development and ensure it continues to progress at the pace desired. For instance, Chun Wo is a competitive bidder for new projects issued by the Hong Kong Housing Authority, for which funding sources have not been affected by recent political events. Strong political pressure for Hong Kong to increase its housing supply means that a good supply of work from this sector is likely to arise in the next few years, and Chun Wo expects to be a highly competitive bidder for upcoming tenders in many fields of construction. In addition, private sector construction work is relatively abundant despite certain cost pressures associated with this. The Group is actively exploring options for diversifying its project stream to compensate for the downturn in Hong Kong Government projects. At the same time, much attention is being given to exploring ways of controlling costs and increasing efficiency across operations.

Property Development and Investment

Another way in which the Group is managing the challenges associated with the reduction in the Hong Kong Government's construction tender pipeline is by increasing and refining the role of its property development and investment segment. The Group's new controlling shareholder, China New Way Investment Limited, is providing it with important opportunities for development in the fields of property development and investment. The partnership with 中國城建開發有限公司 (China City Construction Development Limited*) on the new Zhuhai project is another key development milestone. The Group expects this pattern of support to be repeated in the future as the Group's strategic partners continue to open doors and generate new business for Chun Wo, providing further momentum for the property development side of its operations.

The Group's refocusing of its property development and investment activities is currently working itself through. As mentioned above, a steady pipeline of property development sales is expected to be established from 2016/17 onwards. In the meantime, the Group is continuing to adjust its existing portfolio and divest itself of less important assets. It is also increasingly looking to approach property development opportunities in joint venture arrangements, in order to lower risks and reduce the levels of working capital it is required to sink into each project.

The professional services segment (security and property management) has gone from strength to strength in recent years, raising the proportion of its contribution to the Group's bottom line significantly. By leveraging the capital market and potentially expanding into the Mainland China environment, the Group sees great potential for this segment to grow in the coming years.

Overview

As a longstanding construction and development company in Hong Kong with multiple skills and extensive experience, the Group has a clear vision of how the next phase of its history will unfold. It will continue to leverage its multi-faceted construction competence, which includes expertise in buildings, piling, tunnels, stormwater, drainage, and much more, to maintain its reputation as one of the region's best and most respected construction companies. In the short term, the Group holds a decent-sized backlog of construction projects going through to completion, while some will run ahead into 2017 and 2018 in some cases. At the same time, input from its new shareholders looks set to unlock opportunities in the wider region which will enable the Group to continue working at full stretch despite the anticipated slowdown in government tenders. The Group has also made corporate changes that are improving its cost efficiencies further, and its increasing involvement in joint venture projects is enabling it to mitigate risks associated with the industry. Given all these advantages, it is optimistic that the Group will be able to maintain its annual 10% growth in net profit target for the coming financial year.

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year except for the deviations from the code provisions A.4.1. and A.4.2 of the Code. Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election while one of our Chairmen who is also the non-executive director of the Company, was appointed with no specific term and not subject to re-election. Moreover, pursuant to code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairmen and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity. However, the Board may consider to amend the Bye-laws of the Company when appropriate in order to enhance the corporate governance.

Further information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2014/2015 Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

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

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AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “Audit Committee”) comprises three members, namely Mr. Chan Stephen Yin Wai (Chairman of the Audit Committee), Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung, all are independent non-executive directors of the Company. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual results of the Group for the Year.

SCOPE OF WORK OF THE COMPANY’S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures set out in the preliminary announcement of the Group’s results for the Year in respect of the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position have been agreed by the Company’s auditors, to the amounts set out in the Group’s drafted consolidated financial statements for the Year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

By Order of the Board

CHUN WO DEVELOPMENT HOLDINGS LIMITED

Xu Jianhua
Co-Chairman

Pang Yat Ting, Dominic
Co-Chairman

Hong Kong, 25 June 2015

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianhua, Ir Dr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement, the non-executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Zhang Xiaoliang and Mr. Chow Wing Kin, Anthony SBS, JP, and the independent non-executive directors of the Company are Mr. Chan Stephen Yin Wai, Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung.