



China Motor Bus Co. Ltd.

Annual Report 2010

Stock Code 026

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Corporate Information

BOARD OF DIRECTORS

NGAN Kit-ling, J.P.
Chairman & Managing Director

Dr. NGAN Kit-keung, D.Sc., Ph.D., D.B.A., F.I.Mgt., F.C.I.D., F.I.T.L., F.A.A.S., P.Eng.
Assistant Managing Director

Dr. Henry NGAN

*Dr. LIU Lit-mo, L.L.D., M.B.E., J.P.

Fritz HELMREICH

*Anthony Grahame STOTT, B.Sc., F.F.A.

*TSE Yiu-wah

(*Independent Non-Executive Director)

SECRETARY

KWOK Pun Tak

REGISTERED OFFICE

391 Chai Wan Road, Chai Wan, Hong Kong

BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank

SOLICITORS

MAYER.BROWN JSM
Linklaters
Ngan & Co.

AUDITORS

KPMG

REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.irasia.com/listco/hk/cmb/index.htm

STOCK CODE

026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Seventy Second Ordinary Yearly Meeting of the Members of the Company will be held at its registered office at 391 Chai Wan Road, Chai Wan, Hong Kong on Friday, 10th December, 2010 at 12:00 noon for the following purposes:-

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2010 and to declare a final dividend.
2. To elect Directors and fix their fees.
3. To appoint Auditors and authorise the Directors to fix their remuneration.
4. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“THAT:

- (A) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, "Relevant Period" being the period from the passing of this Resolution until the earlier of the conclusion of the next Ordinary Yearly Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved; and
- (B) the total number of shares of the Company purchased by the Company pursuant to paragraph (A) during the Relevant Period shall be no more than 2% of the existing issued share capital of the Company at the date of this meeting, and the authority pursuant to paragraph (A) shall be limited accordingly."

5. To transact any other competent business.

By Order of the Board

Kwok Pun Tak
Secretary

Hong Kong, 20th October, 2010

Notice of Ordinary Yearly Meeting (Continued)

Explanatory Note on Resolution 2

In relation to item 2 above, Dr. Henry Ngan, Dr. Liu Lit-mo, Messrs. Fritz Helmreich, Anthony Grahame Stott and Tse Yiu-wah retire from the Board pursuant to Article 122 of the Company's Articles of Association and, being eligible, offer themselves for re-election. The biographical details and interests in the shares of the Company of all the Directors to be re-elected at the Ordinary Yearly Meeting are provided in the explanatory statement for the re-election of Directors and general mandate for repurchase of own shares which accompanies this Annual Report.

Explanatory Note on Resolution 4

Resolution 4 relates to the grant of a general mandate to the Directors to repurchase shares of the Company up to a maximum of 2% of the issued share capital of the Company at the date of the resolution (the "Repurchase Mandate"). The authority conferred on the Directors by the Repurchase Mandate would continue in force until the earlier of the conclusion of the next Ordinary Yearly Meeting of the Company, the expiration of the period within which the next Ordinary Yearly Meeting is required by law to be held, or until revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next Ordinary Yearly Meeting. An explanatory statement providing details for the re-election of Directors and general mandate for repurchase of own shares accompanies this Annual Report.

Notice of Ordinary Yearly Meeting (Continued)

Notes:

- (1) A shareholder entitled to attend and vote at the above Meeting may appoint a proxy or proxies (not exceeding 2 in number) to attend and vote in his place and such proxy need not be a shareholder of the Company.
- (2) To be valid, forms of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for holding the Meeting or adjourned Meeting.
- (3) Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, unless a poll is required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
 - (i) the chairman of the meeting; or
 - (ii) at least four shareholders; or
 - (iii) a shareholder or shareholders holding or representing by proxy or entitled to vote in respect of at least one-tenth part of the capital represented at the meeting.
- (4) To qualify for the final dividend and the special dividend, all unregistered transfers should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 3rd December, 2010.
- (5) The Transfer Books and Register of Members of the Company will be closed from Monday, 6th December, 2010 to Thursday, 9th December, 2010, both days inclusive.
- (6) As at the date of this Notice, the Directors of the Company are:-
Ngan Kit-ling, Dr. Ngan Kit-keung, Dr. Henry Ngan, Dr. Liu Lit-mo*, Fritz Helmreich, Anthony Grahame Stott* and Tse Yiu-wah*.
- (7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.

*Independent Non-executive Director

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June, 2010.

PRINCIPAL PLACE OF BUSINESS

China Motor Bus Company, Limited (the "company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 391 Chai Wan Road, Chai Wan, Hong Kong.

GROUP'S ACTIVITIES AND OPERATIONS

The principal activities of the company and the group are property development and investment. The principal activities and other particulars of the subsidiaries are set out in note 14 on the financial statements.

The geographical analysis of the group's turnover and operating profit is set out in note 3 on the financial statements.

JOINTLY CONTROLLED ENTITIES

Particulars of jointly controlled entities at 30th June, 2010 are set out in note 15 on the financial statements.

FINANCIAL STATEMENTS

The profit of the group for the year ended 30th June, 2010 and the state of affairs of the company and of the group at that date are set out in the financial statements on pages 20 to 58.

A first interim dividend of HK\$0.10 per share and a special dividend of HK\$0.50 per share were paid on 29th June, 2010. A second interim dividend of HK\$0.30 per share is payable on 1st November, 2010. The directors now recommend that a final dividend of HK\$0.10 per share and a special dividend of HK\$1.30 per share be paid in respect of the year ended 30th June, 2010 and that HK\$10,000,000 be transferred to general reserve.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 8th February, 2011.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 on the financial statements.

DIRECTORS

The directors during the year and up to the date of this report are given on page 2 and further information regarding directors is given on page 18.

The company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and still considers the independent non-executive directors to be independent.

In accordance with article 122 of the company's articles of association, Dr. Henry Ngan, Dr. Liu Lit-mo, Messrs. Fritz Helmreich, Anthony Grahame Stott and Tse Yiu-wah retire from the board and, being eligible, offer themselves for re-election (for details of directors, see Appendix I of the explanatory statement on re-election of directors and general mandate for repurchase of own shares accompanying this annual report).

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2010, the interests and short positions of the directors and 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 Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of listed companies were as follows:

	Ordinary shares of HK\$2 each				Percentage of total issued shares
	Personal interests	Family interests	Other interests	Total ordinary shares held	
NGAN Kit-ling	4,848,345	–	33,468 (Note)	4,881,813	10.71%
Dr. NGAN Kit-keung	6,941,013	1,250	33,468 (Note)	6,975,731	15.30%
Dr. Henry NGAN	7,173,125	250	33,468 (Note)	7,206,843	15.81%
Dr. LIU Lit-mo	62,250	–	–	62,250	0.14%
Fritz HELMREICH	50,000	–	–	50,000	0.11%
Anthony Grahame STOTT	600	–	–	600	–
TSE Yiu-wah	137,800	–	–	137,800	0.30%

Note: The 33,468 shares in the company are included in the estate of the late Madam WONG Yick-mui.

All the interests disclosed above represent long positions as at 30th June, 2010.

Save as disclosed above, as at 30th June, 2010, none of the directors or chief executive of the company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year under review, the company did not grant to any director or chief executive or to the spouse or children under 18 years of age of any such director or chief executive any right to subscribe for shares of the company.

At no time during the year was the company or any of its subsidiaries a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The company has been notified of the following interests in the company's issued shares at 30th June, 2010, amounting to 5% or more of the shares in issue:

<u>Substantial shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares</u>
NGAN Kit-ling	4,881,813(Note)	10.71%
Dr. NGAN Kit-keung	6,975,731(Note)	15.30%
Dr. Henry NGAN	7,206,843(Note)	15.81%
CHAN Kwan Shat & WONG Wai Gin	5,553,200	12.18%
<u>Other persons</u>		
CHEE Ying Cheung & CHING Yung Yu	4,007,000	8.79%

Note : There is a duplication of 33,468 shares which are included in the estate of the late Madam WONG Yick-mui.

All the interests disclosed above represent long positions as at 30th June, 2010.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2010, none of the above shareholders had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, as at 30th June, 2010, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTEREST IN CONTRACTS

Madam Ngan Kit-ling is the sole proprietor of Ngan & Co., one of the company's solicitors, and as such has an interest in legal fees and expenses paid by the company to that firm.

Apart from the foregoing, no contract of significance, to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Ordinary Yearly Meeting has an unexpired service contract with the company which is not determinable by the company within one year without payment of compensation, other than normal statutory obligations.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of emoluments of the directors and the five highest paid directors/employees of the company are set out in note 7 on the financial statements.

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

During the year, neither the company nor any of its subsidiaries has repurchased, sold or redeemed any of the company's listed securities.

SHARE CAPITAL

Particulars of the movements in the share capital of the company during the year are set out in note 24 on the financial statements.

Report of the Directors (Continued)

EMPLOYEES' RETIREMENT SCHEMES

During the year, the company operated two separate non-contributory defined benefit retirement schemes, namely, "China Motor Bus General Monthly Rated Staff Retirement Scheme" and "China Motor Bus Senior Executive Retirement Scheme" for its monthly rated staff and senior executives respectively. Both schemes are formally established under trust and registered with the Registrar of Occupational Retirement Schemes. The assets of the schemes are held by an independent trustee, HSBC International Trustee Limited. The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the schemes are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the schemes at regular intervals, currently annually.

The actuarial valuation of the two defined benefit retirement schemes as at 30th June, 2010 showed that there were sufficient assets in each of the two schemes to cover the on-going liabilities of the schemes. The actuary of these schemes is Towers Watson Hong Kong Limited. In the actuarial valuations, the aggregate cost valuation method was used. The major assumptions used in these valuations were: Investment Return at 2.0% per annum; Salary Escalation at 2.5% per annum; and Normal Retirement Age 65. Other relevant information extracted from the valuations pertaining to these schemes is set out below:-

- (a) China Motor Bus General Monthly Rated Staff Retirement Scheme
 - (i) The market value of the scheme assets as at 30th June, 2010 was HK\$127,000 (2009: HK\$861,000).
 - (ii) The on-going funding level of the scheme was 318% (2009: 135%).
 - (iii) The on-going basis funding surplus in the scheme was HK\$87,000 (2009: HK\$224,000).
- (b) China Motor Bus Senior Executive Retirement Scheme
 - (i) The market value of the scheme assets as at 30th June, 2010 was HK\$10,614,000 (2009: HK\$10,721,000).
 - (ii) The on-going funding level of the scheme was 114% (2009: 115%).
 - (iii) The on-going basis funding surplus in the scheme was HK\$1,279,000 (2009: HK\$1,386,000).

Note: The obligations in respect of defined benefit retirement schemes in the financial statements are calculated using the projected unit credit method (see note 1(n)(ii) on the financial statements).

As from 1st December, 2000, the group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement schemes. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.

For the defined contribution retirement scheme, the contributions are expensed as incurred and may not be reduced by contributions forfeited by those employees who have left the scheme as all would be fully vested in the contributions.

Report of the Directors (Continued)

COMMENTARY ON ANNUAL RESULTS

Revenue and Operating Profit

Turnover of the group for the year under review comprising rental income from its investment properties and income from sale of properties amounted to HK\$513 million (2009: HK\$1,484 million). Operating profit of the group of HK\$301.3 million compares to HK\$574.6 million in the previous year and reflects the fall in income from the sale of completed property held for sale. The profit after taxation attributable to shareholders of HK\$493 million (2009: HK\$274 million) reflects the increase in the value of investment properties in Hong Kong and the United Kingdom. Share of results of jointly controlled entities increased compared with last year as a result of the increase in value of investment properties held by the jointly controlled entities.

Liquidity and Financial Resources

At 30th June, 2010, the group had no bank borrowings (2009: HK\$Nil) and had cash and cash equivalents of HK\$813 million (2009: HK\$1,888 million) which were held in the form of short term deposits or cash at banks and in hand. Deposits with banks with maturity more than three months amounted to HK\$1,722 million (2009: HK\$151 million).

For the year under review, net cash inflow from operating activities was HK\$583 million (2009: HK\$604 million). Repayment of loans by and dividends from jointly controlled entities amounted to HK\$29 million and HK\$3.8 million respectively (2009: HK\$24 million and HK\$7.2 million respectively). The consolidated cash flow statement for the group for the year ended 30th June, 2010 is set out on pages 25 and 26 of this annual report.

Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK\$49,000 (2009: HK\$439 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the group's turnover and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the group's total	
	Turnover	Purchases
The largest customer	8%	
Five largest customers in aggregate	36%	
The largest supplier		17%
Five largest suppliers in aggregate		58%

So far as the directors are aware, at no time during the year have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

Report of the Directors (Continued)

DISCLOSURE PURSUANT TO LISTING RULE 13.22

At 30th June, 2010, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Note	Amount HK\$000's	Type	Tenure
Island Land Development Ltd		440,350	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd		207,707	Interest free, unsecured loan	No fixed terms of repayment
	15	<u>648,057</u>		

Combined balance sheet of the above affiliated companies at 30th June, 2010 is as follows:

	HK\$000's
Fixed assets	1,407,088
Property held for development	243,000
Retirement benefit assets	568
	<u>1,650,656</u>
Current assets	31,232
Current liabilities	(28,772)
	<u>2,460</u>
Non-current liabilities	<u>(71,272)</u>
	<u>1,581,844</u>

Attributable interest to the group at 30th June, 2010 in the above affiliated companies amounted to HK\$790,922,000 (2009: HK\$747,838,000).

SUMMARY OF FINANCIAL DATA

A summary of the group's financial data for the last five years is shown on page 59.

PROPERTIES

Particulars of the properties and property interests of the group are shown on page 60.

PUBLIC FLOAT

As at the date of this report, the company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the company and within the knowledge of the directors.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Ordinary Yearly Meeting.

By order of the board

NGAN Kit-ling
Chairman

Hong Kong, 20th October, 2010

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the year ended 30th June, 2010, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of the deviations as set out in this report.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2010.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four board meetings were held during the financial year ended 30th June, 2010. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	4
Dr. NGAN Kit-keung (Assistant Managing Director)	4
Dr. Henry NGAN	4
Non-executive director	
Fritz HELMREICH	4
Independent non-executive directors	
Dr. LIU Li-mo	2
Anthony Grahame STOTT	4
TSE Yiu-wah	3

Ngan Kit-ling, Dr. Ngan Kit-keung and Dr. Henry Ngan are siblings. Fritz Helmreich is the spouse of Ngan Kit-ling.

Each director of the Company has been appointed on the strength of his/her experience and potential to contribute to the Group and its businesses.

Corporate Governance Report (Continued)

(C) BOARD OF DIRECTORS (Continued)

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interest of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities, where there are changes to the Company's or directors' disclosure obligations. Newly appointed directors receive briefings and orientation on their legal and other responsibilities as a director and the role of the Board. The Company has also provided appropriate information in a timely manner to the directors to enable them to make informed decisions and to discharge their duties and responsibilities as directors of the Company.

There is a clear division of responsibilities between the Board and the management. While decisions on the Group's operations are delegated to the management, decisions on important matters including those affecting the Group's strategy and policies, major investment and major commitments are made by the Board.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer as required under code provision A2.1 of the Code. NGAN Kit-ling serves as the Chairman and the Chief Executive Officer of the Company. The Company believes that separation of Chairman and the Chief Executive Officer would not result in enhanced efficiency and improved governance. The balance of power and authority between Chief Executive Officer and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.

(E) ROTATION OF DIRECTORS

Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. All those existing directors of the Company who do not hold any executive office of the Company are subject to retirement from the Board at the Ordinary Yearly Meeting of the Company and may stand for re-election at the Ordinary Yearly Meeting. Certain executive directors of the Company do not rotate as there are specific provisions governing the rotation of directors in the Company's Articles of Association.

(F) REMUNERATION OF DIRECTORS

Code B1.1 provides that the Company should establish a remuneration committee. The Company has not established a remuneration committee in view of the Company's size and simple structure. The full Board reviews annually the remuneration of the executive directors and determines their remuneration. Regarding directors' fees and bonus, details are set out in note 7(a) to the financial statements.

Corporate Governance Report (Continued)

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and other directors from time to time review the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and taxation services provided by KPMG, the external auditors of the Company, amounted to HK\$2.80 million and HK\$0.81 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of the financial information of the Company and oversight of the Company's financial controls, internal control and risk management systems.

The Audit Committee met three times in the year ended 30th June, 2010. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2010 are set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	3
Fritz HELMREICH	3
TSE Yiu-wah	2

During the year the Audit Committee has met with the external auditors three times without executive directors or management present.

The work performed by the Audit Committee during the financial year ended 30th June, 2010 included the review of the effectiveness of the group's internal control systems and the review of the interim report and annual report before submission to the Board.

Corporate Governance Report (Continued)

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the Group's financial statements. A statement by the auditors of their reporting responsibilities for the year ended 30th June, 2010 is set out in the Independent Auditor's Report on page 19 of this Annual Report.

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the operating profit of the Group for the year ended 30th June, 2010 amounted to HK\$301.3 million, compared with HK\$574.6 million for the previous year, which reflects the fall in income from the sale of completed property held for sale. The audited consolidated profit of the Group for the year amounted to HK\$493 million, compared with HK\$274 million for the previous year, which reflects the increase in the value of investment properties in Hong Kong and the United Kingdom. Share of results of jointly controlled entities increased compared with last year as a result of the increase in value of investment properties held by the jointly controlled entities.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 10th December, 2010 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.30 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share payable on 1st November 2010, will make a total dividend for the year of HK\$2.30 per share, compared with HK\$2.40 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

INLAND LOT 7105, KAM HONG STREET, NORTH POINT (ISLAND LODGE)

This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 sq. ft. to 2,265 sq. ft. in a single 45-storey block with a tastefully decorated clubhouse, 50 car parking spaces and retail facilities on the ground floor. The building and fitting out works have been completed. The occupation permit was issued on 17th December, 2008 and the Certificate of Compliance was issued on 19th March, 2009. As at 30th June, 2010, approximately 95% of the residential units have been sold.

INLAND LOT 88, NO. 391 CHAI WAN ROAD, CHAI WAN

The property, which is wholly-owned by the Company, continues to be held for investment purposes and derives rental income. The property has a site area of approximately 102,420 sq. ft. In May 2001, the site was rezoned and designated as a Comprehensive Development Area. In February 2002, the Town Planning Board approved, subject to a number of planning conditions, the Company's application under Section 16 of the Town Planning Ordinance for redevelopment. Planning approval was extended in January 2008 for a further three years until 8th February, 2011 subject to the same conditions. After lengthy negotiation with government, the Company is in the process of preparing a new application under Section 16 of the Town Planning Ordinance to redevelop the site into a residential and commercial complex with a more environmentally friendly design incorporating reduced height and plot ratio, increased gaps between buildings, improved environmental noise compliance rate and enhanced visual impact in the vicinity. The company will also continue to consider other options with a view of realizing the full potential for the site.

THE REMAINING PORTION OF KOWLOON INLAND LOT NO. 1300 (NO. 3 JORDAN ROAD, KOWLOON)

The site of approximately 2,906 sq. ft. has been developed into a 26-storey building comprising 48 furnished apartments and retail accommodation with a total gross floor area of approximately 29,880 sq. ft. With recent upsurge in demand for serviced apartments, the furnished apartment units are now almost fully let and the development is contributing towards the profit of the Group.

Chairman's Statement (Continued)

UK PROPERTIES

Despite continuing uncertainty in the economic outlook in the U.K., the Group's freehold commercial properties in central London remain fully let.

FUTURE OUTLOOK

With recovery of the economy in Hong Kong since the beginning of the year, capital values in residential properties have risen sharply. However, in view of the impending regulatory changes regarding residential development, the future outlook is somewhat uncertain. The Group remains in a strong financial position and will continue to seek investment opportunities, both in Hong Kong and overseas, with prudence and caution.

NGAN Kit-ling
Chairman

Hong Kong, 20th October, 2010

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NGAN Kit-ling, J.P., (77), Chairman and Managing Director, Executive Director of CMB since 1968. Solicitor and Notary Public. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Spouse of Mr Fritz HELMREICH. Sister of Dr. NGAN Kit-Keung and Dr. Henry NGAN.

DR. NGAN Kit-keung, D.Sc, Ph.D., D.B.A., F.I.Mgt., F.C.I.D., F.I.T.L., F.A.A.S., P.Eng., (75), Assistant Managing Director. Director of CMB since 1961 and appointed as Assistant Managing Director since 1967. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. He is also a Non-Executive Director of Transport Business Services Ltd. in United Kingdom. Dr. NGAN was elected a Fellow of the Duke of Edinburgh's Award World Fellowship in 2002. He was awarded "Cavaliere di Gran Crose" by the Republic of San Marino on December 2009. Brother of NGAN Kit-ling and Dr. Henry NGAN. Brother-in-law of Fritz HELMREICH.

DR. Henry NGAN, (72), Director of CMB since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling and Dr. NGAN Kit-keung. Brother-in-law of Fritz HELMREICH.

*Dr. LIU Lit Mo, L.L.D., M.B.E., J.P., (72), Director of CMB since 1981. Chairman and Managing Director of Liu Chong Hing Investment Ltd., Chairman and Executive Director of Chong Hing Bank Ltd. Also Member of Advisory Board of Tung Wah Group of Hospitals, Board of Trustees of the Chinese University of Hong Kong, United College and Director of Liu Po Shan Memorial College. He was also the Past District Governor of Rotary International District 3450 (Hong Kong, Macau and Mongolia), Past Chairman of Tung Wah Group of Hospitals, Past Chairman of Hong Kong Football Association, Past President of Hong Kong Chiu Chow Chamber of Commerce and Past Member of Board of Trustees of the Lord Wilson Heritage Trust. Awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. He was conferred an Honorary Doctor's Degree in Laws by Lingnan University in 2005.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (80), Director of CMB since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Republic of Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. NGAN Kit-Keung and Dr. Henry NGAN.

*Anthony Grahame STOTT, B.Sc., F.F.A., (56) Director of CMB since 2002. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees.

*TSE Yiu Wah, (63), Director of CMB since 2004. He is also director of Auzakia Company Limited and Sing Shun Properties Limited. Mr. TSE had over 27 years of experience in the property investment field in Hong Kong.

(Independent Non-Executive Director)*

Senior Management

Victor WONG, ACIS, (65), Personnel & Administration Manager. Was Company Secretary of CMB from 1982 to 1989 and rejoined CMB in 1993. Has 40 years experience in administration, personnel management and company secretary fields with 32 years in Senior Management post.

Y.T. YUEN, BBA(Hons), FCCA, CPA, (48), Chief Accountant, Joined CMB in 1999. Has 25 years experience in accounting field.

KWOK Pun Tak, FCIS, FCS, (57), Company Secretary. Joined CMB in 2002. Has 29 years company secretarial experience.

Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Motor Bus Company, Limited (the "company") set out on pages 20 to 58, which comprise the consolidated and company balance sheets as at 30th June, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th June, 2010 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 20th October, 2010

Consolidated Income Statement for the Year Ended 30th June, 2010

(Expressed in Hong Kong dollars)

	NOTE	2010	2009
		\$000's	\$000's
TURNOVER	3	513,483	1,483,762
COST OF SALES		<u>(179,487)</u>	<u>(857,283)</u>
GROSS PROFIT		333,996	626,479
FINANCE EXPENSES	4	(12,757)	(33,465)
OTHER INCOME	5	1,753	3,859
STAFF COSTS	6(a)	(8,278)	(7,834)
DEPRECIATION		(373)	(437)
OTHER OPERATING EXPENSES		<u>(13,079)</u>	<u>(14,015)</u>
OPERATING PROFIT	3, 6	301,262	574,587
SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES		92,677	(70,926)
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES		<u>172,505</u>	<u>(193,022)</u>
PROFIT BEFORE TAXATION		566,444	310,639
TAXATION	8(a)	<u>(73,813)</u>	<u>(36,378)</u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS	10	<u>492,631</u>	<u>274,261</u>
EARNINGS PER SHARE	11		
BASIC AND DILUTED		<u>\$10.80</u>	<u>\$6.02</u>

The notes on pages 27 to 58 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 9(a).

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2010

(Expressed in Hong Kong dollars)

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
PROFIT FOR THE YEAR	492,631	274,261
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
EXCHANGE DIFFERENCES ARISING ON CONSOLIDATION	(73,461)	(181,295)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	<u>419,170</u>	<u>92,966</u>

The notes on pages 27 to 58 form part of these financial statements.

Consolidated Balance Sheet at 30th June, 2010

(Expressed in Hong Kong dollars)

	NOTE	2010	2009
		\$000's	\$000's
NON-CURRENT ASSETS			
FIXED ASSETS	13	1,900,750	1,802,030
INTEREST IN JOINTLY CONTROLLED ENTITIES	15	1,066,947	1,007,070
OTHER INVESTMENTS	16	9,806	8,823
DEFINED BENEFIT ASSET	17	637	881
		<u>2,978,140</u>	<u>2,818,804</u>
CURRENT ASSETS			
COMPLETED PROPERTY HELD FOR SALE	18	175,099	347,570
DEBTORS, DEPOSITS AND PREPAYMENTS	19	118,770	558,874
DEPOSITS WITH BANKS		2,513,399	2,024,153
CASH AT BANKS AND IN HAND		21,605	15,756
		<u>2,828,873</u>	<u>2,946,353</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	20	183,291	516,948
TAXATION	22(a)	102,156	68,784
		<u>285,447</u>	<u>585,732</u>
NET CURRENT ASSETS			
		<u>2,543,426</u>	<u>2,360,621</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,521,566</u>	<u>5,179,425</u>
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	22(b)	167,049	134,651
		<u>5,354,517</u>	<u>5,044,774</u>
CAPITAL AND RESERVES			
Representing:–			
SHARE CAPITAL	24	91,189	91,189
RESERVES		4,822,131	4,512,388
DEFERRED PROFITS	23	4,913,320	4,603,577
		441,197	441,197
		<u>5,354,517</u>	<u>5,044,774</u>

Approved and authorised for issue by the board of directors on 20th October, 2010.

NGAN Kit-ling

)
) Director
)

Dr. NGAN Kit-keung

)
) Director
)

The notes on pages 27 to 58 form part of these financial statements.

Balance Sheet at 30th June, 2010

(Expressed in Hong Kong dollars)

	NOTE	2010 \$000's	2009 \$000's
NON-CURRENT ASSETS			
FIXED ASSETS	13	435,167	345,317
INTEREST IN SUBSIDIARIES	14	1,018,356	1,018,356
DEFINED BENEFIT ASSET	17	637	881
		<u>1,454,160</u>	<u>1,364,554</u>
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS	19	527	714
AMOUNTS DUE FROM SUBSIDIARIES	21	24,072	446,762
DEPOSITS WITH BANKS		567,299	240,711
CASH AT BANKS AND IN HAND		3,922	6,526
		<u>595,820</u>	<u>694,713</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	20	8,944	8,307
AMOUNTS DUE TO SUBSIDIARIES	21	701,135	681,964
		<u>710,079</u>	<u>690,271</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>(114,259)</u>	<u>4,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,339,901</u>	<u>1,368,996</u>
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	22(b)	67,080	52,180
		<u>1,272,821</u>	<u>1,316,816</u>
CAPITAL AND RESERVES			
Representing:-			
SHARE CAPITAL	24	91,189	91,189
RESERVES	25	951,500	995,495
		<u>1,042,689</u>	<u>1,086,684</u>
DEFERRED PROFITS	23	230,132	230,132
		<u>1,272,821</u>	<u>1,316,816</u>

Approved and authorised for issue by the board of directors on 20th October, 2010.

NGAN Kit-ling)	Director
)	
Dr. NGAN Kit-keung)	Director
)	

The notes on pages 27 to 58 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2010

(Expressed in Hong Kong dollars)

	Share capital	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2008	91,189	1,348	5,779	310,000	4,202,603	4,610,919
Dividends declared/ approved in respect of the previous year (note 9(b))	-	-	-	-	(72,951)	(72,951)
Realisation of other properties revaluation reserve	-	-	(27)	-	27	-
Transfer to general reserve	-	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	-	(27,357)	(27,357)
	-	-	(27)	10,000	(110,281)	(100,308)
Profit for the year	-	-	-	-	274,261	274,261
Other comprehensive income for the year - Exchange differences arising on consolidation	-	-	-	-	(181,295)	(181,295)
Total comprehensive income for the year	-	-	-	-	92,966	92,966
At 30th June, 2009	91,189	1,348	5,752	320,000	4,185,288	4,603,577
At 1st July, 2009	91,189	1,348	5,752	320,000	4,185,288	4,603,577
Dividends declared/ approved in respect of the previous year (note 9(b))	-	-	-	-	(82,070)	(82,070)
Realisation of other properties revaluation reserve	-	-	(28)	-	28	-
Transfer to general reserve	-	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	-	(27,357)	(27,357)
	-	-	(28)	10,000	(119,399)	(109,427)
Profit for the year	-	-	-	-	492,631	492,631
Other comprehensive income for the year - Exchange differences arising on consolidation	-	-	-	-	(73,461)	(73,461)
Total comprehensive income for the year	-	-	-	-	419,170	419,170
At 30th June, 2010	91,189	1,348	5,724	330,000	4,485,059	4,913,320

The notes on pages 27 to 58 form part of these financial statements.

Consolidated Cash Flow Statement for the Year Ended 30th June, 2010

(Expressed in Hong Kong dollars)

	2010	2009
	\$000's	\$000's
OPERATING ACTIVITIES		
Operating profit	301,262	574,587
Adjustments for:		
– Depreciation	373	437
– Dividend income from other investments	(340)	(386)
– Interest income	(12,722)	(32,174)
– Net unrealised (gains)/losses on other investments	(983)	2,601
– Loss on disposal of other investments	–	21
– Foreign exchange loss	25,087	64,818
	<u>312,677</u>	<u>609,904</u>
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	312,677	609,904
Decrease/(increase) in defined benefit asset	244	(157)
Decrease/(increase) in debtors, deposits and prepayments	439,744	(524,641)
Decrease in completed property held for sale/property under development for sale	172,471	418,255
(Decrease)/increase in creditors and accruals	(333,657)	105,724
	<u>591,479</u>	<u>609,085</u>
CASH GENERATED FROM OPERATIONS	591,479	609,085
Tax paid		
– Hong Kong Profits Tax paid	(2,087)	(151)
– Overseas tax paid	(5,956)	(4,523)
	<u>583,436</u>	<u>604,411</u>
NET CASH FROM OPERATING ACTIVITIES	583,436	604,411
INVESTING ACTIVITIES		
Purchase of fixed assets	(49)	(359)
Purchase of other investments	–	(364)
Proceeds from sale of other investments	–	60
Increase in deposits with banks with maturity more than three months	(1,570,994)	(151,470)
Dividends from jointly controlled entities	3,800	7,200
Dividends from other investments	340	386
Interest received	13,082	32,420
Repayment of loans by jointly controlled entities	29,000	24,000
	<u>(1,524,821)</u>	<u>(88,127)</u>
NET CASH USED IN INVESTING ACTIVITIES	(1,524,821)	(88,127)

Consolidated Cash Flow Statement for the Year Ended 30th June, 2010 (Continued)

(Expressed in Hong Kong dollars)

	2010	2009
	\$000's	\$000's
FINANCING ACTIVITIES		
Dividends paid	(109,427)	(100,308)
NET CASH USED IN FINANCING ACTIVITIES	<u>(109,427)</u>	<u>(100,308)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,050,812)	415,976
EFFECT OF FOREIGN EXCHANGE RATES	(25,087)	(64,818)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,888,439	1,537,281
CASH AND CASH EQUIVALENTS AT 30TH JUNE	<u>812,540</u>	<u>1,888,439</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with banks	2,513,399	2,024,153
Less: Deposits with banks with maturity more than three months	(1,722,464)	(151,470)
Cash at banks and in hand	<u>21,605</u>	<u>15,756</u>
	<u>812,540</u>	<u>1,888,439</u>

The notes on pages 27 to 58 form part of these financial statements.

Notes on The Financial Statements

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 30th June, 2010 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 30.

(c) Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). The group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

Unrealised profits and losses resulting from transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

- (i) Investments in securities are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant unrealised gain or loss recognised in profit or loss.
- (ii) Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.
- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in profit or loss as they arise.

(f) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(q)(i).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(h).

(ii) Other properties and fixed assets

Other properties are stated at valuation less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)). All other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(g) Depreciation

Depreciation is calculated to write off the cost or valuation of the company's and the group's fixed assets over their estimated useful lives as follows:

Other properties	– over the period of the lease
Motor buses	– on a straight line basis, over 12 years for new buses and 7 years for converted or second hand buses, to a residual value of \$10,000 and \$7,000 respectively
Plant, fixtures and equipment	– on a straight line basis to write off the assets over 10 or 5 years

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (continued)

(i) Classification of assets leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)(i)).
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale.

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(i)(ii)) and other current and non-current other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in jointly controlled entities recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes on The Financial Statements (Continued)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts); and
- investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)).

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and (ii)).

(j) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. In the case of completed property developed by the group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed property held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (k) Trade and other receivables
Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(i)).
- (l) Trade and other payables
Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.
- (m) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.
- (n) Employee benefits
- (i) Short term employee benefits and contributions to defined contribution retirement plans
Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Defined benefit retirement scheme obligations
The group's net obligations in respect of defined benefit retirement schemes are calculated separately for each scheme by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of the scheme's assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.
When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.
In calculating the group's obligation in respect of a scheme, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.
Where the calculation of the group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.
- (o) Income tax
- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(ii) Income from sale of properties

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of ownership of the property have passed to the buyers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under creditors and accruals.

(iii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss. Exchange differences arising on consolidation are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes on The Financial Statements (Continued)

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, two revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - Improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- HK(IFRIC) 15, *Agreements for the construction of real estate*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31).

The Interpretation HK(IFRIC) 15 has had no material impact on the group's financial statements as the interpretation was consistent with policies already adopted by the group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 26(f) about the fair value measurement of the group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.
- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the group's accounting policies:
As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

Notes on The Financial Statements (Continued)

3. TURNOVER

The principal activities of the company and the group are property development and investment. The principal activities of the subsidiaries are set out in note 14 on the financial statements.

Turnover represents rental income and income from sale of properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
Income from sale of properties	436,334	1,408,268
Rentals from investment properties	<u>77,149</u>	<u>75,494</u>
	<u>513,483</u>	<u>1,483,762</u>

The analysis of geographical location of the operations of the company and its subsidiaries during the year is as follows:

	<u>Group turnover</u>		<u>Operating profit</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
Hong Kong	465,534	1,435,499	269,714	550,174
United Kingdom	<u>47,949</u>	<u>48,263</u>	<u>31,548</u>	<u>24,413</u>
	<u>513,483</u>	<u>1,483,762</u>	<u>301,262</u>	<u>574,587</u>

The turnover of the jointly controlled entities attributable to the group for the year amounted to \$58,298,000 (2009: \$58,883,000).

Notes on The Financial Statements (Continued)

4. FINANCE EXPENSES

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
Interest income	12,722	32,174
Dividend income from other investments	340	386
Exchange loss	(26,802)	(63,403)
Net unrealised gains/(losses) on other investments	983	(2,601)
Loss on disposal of other investments	-	(21)
	<u>(12,757)</u>	<u>(33,465)</u>

5. OTHER INCOME

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
Management fee	497	497
Unclaimed dividends forfeited	245	2,320
Sundry income	1,011	1,042
	<u>1,753</u>	<u>3,859</u>

6. OPERATING PROFIT

Operating profit is arrived at	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	111	100
Expense/(income) recognised in respect of defined benefit retirement schemes (note 17)	244	(157)
Salaries, wages and other benefits	7,923	7,891
	<u>8,278</u>	<u>7,834</u>
(b) Other items:		
Auditors' remuneration		
– audit services (Note)	2,795	2,887
– tax services	814	721
Legal and professional fees	1,826	2,981
Property expenses	2,783	4,201
Cost of property sold	179,487	857,283
Note: including under-provision in respect of previous year		
and after crediting:-		
Rental income less outgoings	74,366	71,293
which includes		
– gross rental income from investment properties	<u>77,149</u>	<u>75,494</u>

Notes on The Financial Statements (Continued)

7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(a) Directors

Directors' fees are set with reference to the articles of association of the company and are approved by the shareholders at Ordinary Yearly Meetings of the company.

Directors' bonus is calculated on the basis provided in the articles of association of the company.

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:-

Name	Fees \$000's	Salaries, allowances and benefits in kind \$000's	Bonus in accordance with article 155 \$000's	Group's contributions to retirement scheme \$000's	Total \$000's
<i>2010</i>					
Ngan Kit-ling	125	2,288	-	-	2,413
Dr. Ngan Kit-keung	65	1,219	-	-	1,284
Dr. Henry Ngan	65	600	-	-	665
Fritz Helmreich	65	600	-	-	665
Dr. Liu Lit-mo	60	-	-	-	60
Anthony Grahame Stott	120	-	-	-	120
Tse Yiu-wah	60	-	-	-	60
	<u>560</u>	<u>4,707</u>	<u>-</u>	<u>-</u>	<u>5,267</u>
<i>2009</i>					
Ngan Kit-ling	55	2,305	-	-	2,360
Dr. Ngan Kit-keung	55	1,219	-	-	1,274
Dr. Henry Ngan	55	600	-	-	655
Fritz Helmreich	55	600	-	-	655
Dr. Liu Lit-mo	50	-	-	-	50
Anthony Grahame Stott	50	-	-	-	50
Tse Yiu-wah	50	-	-	-	50
	<u>370</u>	<u>4,724</u>	<u>-</u>	<u>-</u>	<u>5,094</u>

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2010 amounted to \$240,000 (2009: \$150,000).

(b) Employees

Set out below are analyses of the emoluments for the year ended 30th June, 2010 of one employee (2009: one) of the group who, not being directors of the company, is among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments		<u>2010</u>	<u>2009</u>
		\$000's	\$000's
Basic salary, housing allowance and other benefits		728	728
Retirement scheme contribution		12	12
		<u>740</u>	<u>740</u>
(ii) Bandings			
<i>Bands (in HK\$)</i>		<i>Number</i>	<i>Number</i>
\$Nil – \$1,000,000		1	1

Notes on The Financial Statements (Continued)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year ended 30th June, 2010. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

(a) Taxation in the consolidated income statement represents:-	2010 \$000's	2009 \$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	33,868	63,025
Over-provision in respect of prior years	<u>(1)</u>	<u>(16)</u>
	<u>33,867</u>	<u>63,009</u>
Current tax – Overseas		
Tax for the year	7,994	6,175
Over-provision in respect of prior years	<u>(446)</u>	<u>(349)</u>
	<u>7,548</u>	<u>5,826</u>
Deferred tax		
Origination and reversal of temporary differences		
– relating to property valuation	28,341	(30,300)
– others	<u>4,057</u>	<u>(2,157)</u>
	<u>32,398</u>	<u>(32,457)</u>
	<u>73,813</u>	<u>36,378</u>

Share of taxation of jointly controlled entities for the year ended 30th June, 2010 amounting to tax charge of \$14,422,000 (2009: tax credit of \$12,839,000) is included in share of results of jointly controlled entities in the consolidated income statement.

(b) Reconciliation between the actual tax expense and accounting profit at applicable tax rates:

	2010 \$000's	2009 \$000's
Profit before taxation	<u>566,444</u>	<u>310,639</u>
Notional tax on profit before taxation calculated at applicable tax rates	95,497	50,848
Tax effect of non-deductible expenses	2,809	19,694
Tax effect of non-taxable revenue	(25,324)	(35,003)
Over-provision in respect of prior years	(447)	(365)
Tax effect of tax losses not recognised	<u>1,278</u>	<u>1,204</u>
Actual total tax expense	<u>73,813</u>	<u>36,378</u>

Notes on The Financial Statements (Continued)

9. DIVIDENDS

(a) Dividends payable to equity shareholders of the company attributable to the year:

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
First interim dividend declared and paid of \$0.10 per share (2009: \$0.10)	4,559	4,559
Special dividend declared and paid of \$0.50 per share (2009: \$0.50)	22,798	22,798
Second interim dividend declared after the balance sheet date of \$0.30 per share (2009: \$0.30)	13,678	13,678
Final dividend proposed after the balance sheet date of \$0.10 per share (2009: \$0.10)	4,559	4,559
Special dividend proposed after the balance sheet date of \$1.30 per share (2009: \$1.40)	59,273	63,833
	<u>104,867</u>	<u>109,427</u>

The interim dividend, final dividend and special dividend declared or proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(b) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year:

	<u>2010</u>	<u>2009</u>
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.30 per share (2009: \$0.30)	13,678	13,678
Final dividend approved in respect of previous financial year of \$0.10 per share (2009: \$0.10)	4,559	4,559
Special dividend approved in respect of previous financial year of \$1.40 per share (2009: \$1.20)	63,833	54,714
	<u>82,070</u>	<u>72,951</u>

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, a profit of \$65,432,000 (2009: loss of \$77,219,000) is dealt with in the financial statements of the company.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of \$492,631,000 (2009: \$274,261,000) and the weighted average of 45,594,656 (2009: 45,594,656) shares in issue during the year.

12. SEGMENT REPORTING

The group manages its businesses according to the nature of the operations and the services and products provided. Management has determined that the reportable operating segments for measuring performance and allocating resources are the same as that reported previously. The segments are property investment and development and treasury management.

Property investment and development segment encompasses activities relating to property leasing and the development, construction, sale and marketing of the group's trading properties primarily in Hong Kong. Currently, the group's properties portfolio, which consists of retail, office and apartments, are primarily located in Hong Kong and London.

Treasury management segment includes activities for managing the group's listed investments, financial assets and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of jointly controlled entities of each segment.

Notes on The Financial Statements (Continued)

12. SEGMENT REPORTING (Continued)

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of defined benefit asset and other corporate assets. Segment liabilities include all liabilities directly attributable to and managed by each segment with the exception of income tax liabilities, dividends payable and other corporate liabilities.

(a) Segment results, assets and liabilities

	Property investment and development		Treasury management		Unallocated		Consolidated	
	2010 \$000's	2009 \$000's	2010 \$000's	2009 \$000's	2010 \$000's	2009 \$000's	2010 \$000's	2009 \$000's
Turnover	513,483	1,483,762	-	-	-	-	513,483	1,483,762
Finance income/(expenses)	-	-	(12,757)	(33,465)	-	-	(12,757)	(33,465)
Other income	-	-	-	-	1,753	3,859	1,753	3,859
Total revenue	513,483	1,483,762	(12,757)	(33,465)	1,753	3,859	502,479	1,454,156
Segment results	330,841	621,678	(12,757)	(33,465)	-	-	318,084	588,213
Unallocated expenses	-	-	-	-	-	-	(16,822)	(13,626)
Operating profit	-	-	-	-	-	-	301,262	574,587
Share of results of jointly controlled entities	92,677	(70,926)	-	-	-	-	92,677	(70,926)
Net valuation gains/(losses) on investment properties	172,505	(193,022)	-	-	-	-	172,505	(193,022)
Taxation	-	-	-	-	-	-	(73,813)	(36,378)
Profit attributable to shareholders	-	-	-	-	-	-	492,631	274,261
Depreciation for the year	(202)	(297)	-	-	(171)	(140)	(373)	(437)
Fixed assets	1,880,707	1,781,837	-	-	20,043	20,193	1,900,750	1,802,030
Other investments	-	-	9,806	8,823	-	-	9,806	8,823
Defined benefit asset	-	-	-	-	637	881	637	881
Completed property held for sale	175,099	347,570	-	-	-	-	175,099	347,570
Debtors, deposits and prepayments	116,647	556,514	1,678	2,038	445	322	118,770	558,874
Deposits with banks with maturity more than three months	-	-	1,722,464	151,470	-	-	1,722,464	151,470
Cash balances	-	-	812,540	1,888,439	-	-	812,540	1,888,439
Segment assets	2,172,453	2,685,921	2,546,488	2,050,770	21,125	21,396	4,740,066	4,758,087
Interest in jointly controlled entities	1,066,947	1,007,070	-	-	-	-	1,066,947	1,007,070
Total assets	-	-	-	-	-	-	5,807,013	5,765,157
Deferred profits	441,197	441,197	-	-	-	-	441,197	441,197
Creditors and accruals	174,016	508,184	-	-	9,275	8,764	183,291	516,948
Taxation	-	-	-	-	102,156	68,784	102,156	68,784
Deferred taxation	-	-	-	-	167,049	134,651	167,049	134,651
Segment liabilities	615,213	949,381	-	-	278,480	212,199	893,693	1,161,580
Additions to non-current assets other than other investments and defined benefit asset during the year	28	6	-	-	21	353	49	359

(b) Geographical information

The group participates in two principal economic environments. Hong Kong is a major market for the group's business. In the United Kingdom, the major business is property investment.

In presenting geographical information, revenue is based on the geographical locations of customers. Specified non-current assets, which represent non-current assets other than other investments and defined benefit assets, are based on the geographical location of assets.

	Hong Kong		United Kingdom	
	2010 \$000's	2009 \$000's	2010 \$000's	2009 \$000's
Turnover	465,534	1,435,499	47,949	48,263
Specified non-current assets	2,227,214	2,027,661	740,483	781,439

Notes on The Financial Statements (Continued)

13. FIXED ASSETS

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
(a) The group					
Cost or valuation:					
At 1st July, 2008	2,155,880	20,076	5,711	7,502	2,189,169
Exchange adjustment	(181,295)	-	-	-	(181,295)
Additions	-	-	-	359	359
Revaluation deficit	(193,022)	-	-	-	(193,022)
At 30th June, 2009	<u>1,781,563</u>	<u>20,076</u>	<u>5,711</u>	<u>7,861</u>	<u>1,815,211</u>
Representing:					
Cost	-	-	5,711	7,861	13,572
2002 valuation	-	20,076	-	-	20,076
2009 valuation	<u>1,781,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781,563</u>
	<u>1,781,563</u>	<u>20,076</u>	<u>5,711</u>	<u>7,861</u>	<u>1,815,211</u>
At 1st July, 2009	1,781,563	20,076	5,711	7,861	1,815,211
Exchange adjustment	(73,461)	-	-	-	(73,461)
Additions	-	-	-	49	49
Revaluation surplus	<u>172,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,505</u>
At 30th June, 2010	<u>1,880,607</u>	<u>20,076</u>	<u>5,711</u>	<u>7,910</u>	<u>1,914,304</u>
Representing:					
Cost	-	-	5,711	7,910	13,621
2002 valuation	-	20,076	-	-	20,076
2010 valuation	<u>1,880,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,880,607</u>
	<u>1,880,607</u>	<u>20,076</u>	<u>5,711</u>	<u>7,910</u>	<u>1,914,304</u>
Accumulated depreciation:					
At 1st July, 2008	-	472	5,644	6,628	12,744
Charge for the year	-	66	-	371	437
At 30th June, 2009	<u>-</u>	<u>538</u>	<u>5,644</u>	<u>6,999</u>	<u>13,181</u>
At 1st July, 2009	-	538	5,644	6,999	13,181
Charge for the year	-	66	-	307	373
At 30th June, 2010	<u>-</u>	<u>604</u>	<u>5,644</u>	<u>7,306</u>	<u>13,554</u>
Net book value:					
At 30th June, 2010	<u>1,880,607</u>	<u>19,472</u>	<u>67</u>	<u>604</u>	<u>1,900,750</u>
At 30th June, 2009	<u>1,781,563</u>	<u>19,538</u>	<u>67</u>	<u>862</u>	<u>1,802,030</u>
Tenure of title to properties:					
2010					
Held in Hong Kong					
- Long leases	575,000	19,472	-	-	594,472
- Medium term leases	<u>565,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,124</u>
	1,140,124	19,472	-	-	1,159,596
Held outside Hong Kong					
- Freehold	<u>740,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,483</u>
	<u>1,880,607</u>	<u>19,472</u>	<u>-</u>	<u>-</u>	<u>1,900,079</u>
2009					
Held in Hong Kong					
- Long leases	480,000	19,538	-	-	499,538
- Medium term leases	<u>520,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,124</u>
	1,000,124	19,538	-	-	1,019,662
Held outside Hong Kong					
- Freehold	<u>781,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,439</u>
	<u>1,781,563</u>	<u>19,538</u>	<u>-</u>	<u>-</u>	<u>1,801,101</u>

Notes on The Financial Statements (Continued)

13. FIXED ASSETS (Continued)

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
(b) The company					
Cost or valuation:					
At 1st July, 2008	405,124	20,076	5,711	5,621	436,532
Additions	–	–	–	353	353
Revaluation deficit	(80,000)	–	–	–	(80,000)
At 30th June, 2009	<u>325,124</u>	<u>20,076</u>	<u>5,711</u>	<u>5,974</u>	<u>356,885</u>
Representing:					
Cost	–	–	5,711	5,974	11,685
2002 valuation	–	20,076	–	–	20,076
2009 valuation	<u>325,124</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>325,124</u>
	<u>325,124</u>	<u>20,076</u>	<u>5,711</u>	<u>5,974</u>	<u>356,885</u>
At 1st July, 2009	325,124	20,076	5,711	5,974	356,885
Additions	–	–	–	21	21
Revaluation surplus	90,000	–	–	–	90,000
At 30th June, 2010	<u>415,124</u>	<u>20,076</u>	<u>5,711</u>	<u>5,995</u>	<u>446,906</u>
Representing:					
Cost	–	–	5,711	5,995	11,706
2002 valuation	–	20,076	–	–	20,076
2010 valuation	<u>415,124</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>415,124</u>
	<u>415,124</u>	<u>20,076</u>	<u>5,711</u>	<u>5,995</u>	<u>446,906</u>
Accumulated depreciation:					
At 1st July, 2008	–	472	5,644	5,312	11,428
Charge for the year	–	66	–	74	140
At 30th June, 2009	<u>–</u>	<u>538</u>	<u>5,644</u>	<u>5,386</u>	<u>11,568</u>
At 1st July, 2009	–	538	5,644	5,386	11,568
Charge for the year	–	66	–	105	171
At 30th June, 2010	<u>–</u>	<u>604</u>	<u>5,644</u>	<u>5,491</u>	<u>11,739</u>
Net book value:					
At 30th June, 2010	<u>415,124</u>	<u>19,472</u>	<u>67</u>	<u>504</u>	<u>435,167</u>
At 30th June, 2009	<u>325,124</u>	<u>19,538</u>	<u>67</u>	<u>588</u>	<u>345,317</u>
Tenure of title to properties:					
2010					
Held in Hong Kong					
– Long leases	410,000	19,472	–	–	429,472
– Medium term leases	<u>5,124</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,124</u>
	<u>415,124</u>	<u>19,472</u>	<u>–</u>	<u>–</u>	<u>434,596</u>
2009					
Held in Hong Kong					
– Long leases	320,000	19,538	–	–	339,538
– Medium term leases	<u>5,124</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,124</u>
	<u>325,124</u>	<u>19,538</u>	<u>–</u>	<u>–</u>	<u>344,662</u>

- (i) The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2010 by Professional Property Services Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for development potential or reversionary potential as appropriate.
- (ii) The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2010 by SAVILLS Commercial Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for reversionary potential.
- (iii) The gross carrying amounts of investment properties of the group held for use in operating leases were \$1,880,607,000 (2009: \$1,781,563,000). Further details of the leasing arrangements are contained in note 27(a).
- (iv) The carrying amount of other properties of the group at 30th June, 2010 would have been \$11,420,000 (2009: \$11,459,000) had they been carried at cost less accumulated depreciation.

Notes on The Financial Statements (Continued)

14. INTEREST IN SUBSIDIARIES

	The company	
	2010	2009
	\$000's	\$000's
Unlisted shares, at cost	<u>1,018,356</u>	<u>1,018,356</u>

Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Place of operation	Issued ordinary share capital	Percentage directly held	Percentage indirectly held	Principal activity
Island Communication Enterprises Limited	Hong Kong	Hong Kong	185,073,024 HK\$1 shares	100%	-	Investment holding
Heartwell Limited	Hong Kong	Hong Kong	9,000,002 HK\$10 shares	100%	-	Investment holding
Communication Holdings Limited	British Virgin Islands	Hong Kong	35,900,010 HK\$10 shares	100%	-	Investment holding
Forever Vitality Limited	Hong Kong	Hong Kong	100 HK\$1 shares	100%	-	Property development
Affluent Dragon Island Limited	Hong Kong	Hong Kong	2 HK\$10 shares	100%	-	Dormant
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 HK\$1 shares	-	100%	Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 HK\$1 shares	-	100%	Investment property holding
Nottingham Developments Limited	British Virgin Islands	Hong Kong	1 US\$1 share	-	100%	Investment holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 US\$1 share	-	100%	Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 US\$1 share	-	100%	Investment property holding
Eaglefield Properties Limited	British Virgin Islands	United Kingdom	1 US\$1 share	-	100%	Investment property holding
Prosperous Orient Limited	Hong Kong	Hong Kong	2 HK\$10 shares	-	100%	Investment property holding

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group	
	2010	2009
	\$000's	\$000's
Share of net assets	418,890	330,013
Loans to jointly controlled entities	648,057	677,057
	<u>1,066,947</u>	<u>1,007,070</u>

Details of the group's interest in the jointly controlled entities are as follows:-

Name of jointly controlled entity	Form of business structure	Place of incorporation	Place of operation	Particulars of issued share capital	Proportion of ownership interest		Financial year end
					Group's effective interest or held by subsidiary company	Principal activity	
Swire and Island Communication Developments Limited	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of HK\$10 40 'B' shares of HK\$10 1 non-voting dividend share of HK\$10	- 100% 100%	Property development for investment	31st December
Island Land Development Limited	Incorporated	British Virgin Islands	Hong Kong	100 shares of HK\$10	50%	Property development for investment	31st December
Hareton Limited	Incorporated	Hong Kong	Hong Kong	100 shares of HK\$10	50%	Property development for resale and investment	31st December
Ultoxeter Limited	Incorporated	Hong Kong	Hong Kong	100 shares of HK\$10	20%	Property development for resale	31st December

The loans to the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

The following supplementary financial information is disclosed relating to the group's effective share of the four principal jointly controlled entities:

(i) Swire and Island Communication Developments Limited

	2010	2009
	\$000's	\$000's
(a) Income statement		
Income (Note (a))	35,234	19,687
Expenses (Note (b))	<u>(10,706)</u>	<u>(30,741)</u>
Profit/(loss) before taxation	24,528	(11,054)
Taxation	<u>(4,102)</u>	<u>1,786</u>
Profit/(loss) after taxation	<u>20,426</u>	<u>(9,268)</u>
(b) Balance sheet		
Fixed assets	288,854	274,471
Current assets	14,687	7,313
Current liabilities	(8,585)	(8,245)
Deferred taxation	<u>(19,092)</u>	<u>(15,701)</u>
Net assets	<u>275,864</u>	<u>257,838</u>

(ii) Island Land Development Limited

	2010	2009
	\$000's	\$000's
(a) Income statement		
Income (Note (a))	72,093	38,831
Expenses (Note (b))	<u>(9,709)</u>	<u>(105,556)</u>
Profit/(loss) before taxation	62,384	(66,725)
Taxation	<u>(10,295)</u>	<u>11,053</u>
Profit/(loss) after taxation	<u>52,089</u>	<u>(55,672)</u>
(b) Balance sheet		
Fixed assets	703,544	668,057
Retirement benefit assets	284	179
Current assets	12,937	17,590
Current liabilities	(454,581)	(482,756)
Deferred taxation	<u>(35,636)</u>	<u>(28,611)</u>
Net assets	<u>226,548</u>	<u>174,459</u>

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(iii) Hareton Limited

	2010	2009
	\$000's	\$000's
(a) Income statement		
Income (Note (c))	20,070	580
Expenses (Note (d))	<u>(75)</u>	<u>(6,572)</u>
Profit/(loss) before taxation	19,995	(5,992)
Taxation	<u>-</u>	<u>-</u>
Profit/(loss) after taxation	<u>19,995</u>	<u>(5,992)</u>
(b) Balance sheet		
Property held for development	121,500	102,000
Current assets	2,679	2,161
Current liabilities	<u>(207,862)</u>	<u>(207,839)</u>
Net liabilities	<u>(83,683)</u>	<u>(103,678)</u>

(iv) Uttoxeter Limited

	2010	2009
	\$000's	\$000's
(a) Income statement		
Income	201	17
Expenses	<u>(9)</u>	<u>(11)</u>
Profit before taxation	192	6
Taxation	<u>(25)</u>	<u>-</u>
Profit after taxation	<u>167</u>	<u>6</u>
(b) Balance sheet		
Current assets	365	1,766
Current liabilities	<u>(204)</u>	<u>(372)</u>
Net assets	<u>161</u>	<u>1,394</u>

Notes:

(a) Income for the year ended 30th June, 2010 include revaluation gains on investment properties.

(b) Expenses for the year ended 30th June, 2009 included revaluation losses on investment properties.

(c) Income for the year ended 30th June, 2010 include a write-back of impairment loss on property held for development.

(d) Expenses for the year ended 30th June, 2009 included additional provision for impairment loss on property held for development.

16. OTHER INVESTMENTS

	The group	
	2010	2009
	\$000's	\$000's
Equity securities listed in Hong Kong, at fair value	<u>9,806</u>	<u>8,823</u>

Notes on The Financial Statements (Continued)

17. DEFINED BENEFIT RETIREMENT SCHEMES

During the year, the company operated two separate non-contributory defined benefit retirement schemes, namely, "China Motor Bus General Monthly Rated Staff Retirement Scheme" and "China Motor Bus Senior Executive Retirement Scheme" for its monthly rated staff and senior executives respectively. Both schemes are formally established under trust and registered with the Registrar of Occupational Retirement Schemes. The assets of the schemes are held by an independent trustee, HSBC International Trustee Limited. The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the schemes are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the schemes at regular intervals, currently annually. The actuary of these schemes is Towers Watson Hong Kong Limited.

(a) The amounts recognised in the balance sheets are as follows:

	2010	2009
	\$000's	\$000's
Present value of the funded obligations	9,375	9,972
Fair value of scheme assets	(10,741)	(11,582)
Net unrecognised actuarial gains	729	729
	<u>(637)</u>	<u>(881)</u>

(b) Plan assets consist of deposits with banks and cash at banks of \$10,741,000 (2009: \$11,582,000).

(c) Changes in the present value of the funded obligations are as follows:

	2010	2009
	\$000's	\$000's
Balance brought forward	9,972	9,935
Current service cost	13	12
Interest cost	20	199
Benefit payments	(626)	-
Actuarial gain on obligation	(4)	(174)
Balance carried forward	<u>9,375</u>	<u>9,972</u>

(d) Changes in the fair value of scheme assets are as follows:

	2010	2009
	\$000's	\$000's
Balance brought forward	11,582	11,775
Expected return on scheme assets, including scheme administrative expenses of \$216,000 (2009: \$206,000)	15	88
Actuarial loss on scheme assets	(230)	(281)
Benefit payments	(626)	-
Balance carried forward	<u>10,741</u>	<u>11,582</u>

Notes on The Financial Statements (Continued)

17. DEFINED BENEFIT RETIREMENT SCHEMES (Continued)

(e) Expense/(income) recognised in the consolidated income statement is as follows:

	2010	2009
	\$000's	\$000's
Current service cost	13	12
Interest cost	20	199
Expected return on scheme assets, including scheme administrative expenses of \$216,000 (2009: \$206,000)	(15)	(88)
Net actuarial loss/(gain) recognised	<u>226</u>	<u>(280)</u>
	<u>244</u>	<u>(157)</u>

The expense/(income) is recognised in the line of staff costs in the consolidated income statement.

	2010	2009
	\$000's	\$000's
Actual return on scheme assets, including scheme administrative expenses	<u>(215)</u>	<u>(193)</u>

(f) The principal actuarial assumptions used as at 30th June are as follows:

	2010	2009
Discount rate	0.50% p.a.	0.20% p.a.
Expected rate of return on scheme assets, excluding scheme administrative expenses	2.00% p.a.	2.00% p.a.
Future salary increases	2.50% p.a.	2.50% p.a.

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

(g) Amounts for the current and previous four periods are as follows:

	2010	2009	2008	2007	2006
	\$000's	\$000's	\$000's	\$000's	\$000's
Present value of the funded obligation	9,375	9,972	9,935	9,690	9,498
Fair value of scheme assets	<u>(10,741)</u>	<u>(11,582)</u>	<u>(11,775)</u>	<u>(11,566)</u>	<u>(11,319)</u>
	<u>(1,366)</u>	<u>(1,610)</u>	<u>(1,840)</u>	<u>(1,876)</u>	<u>(1,821)</u>
Experience gain on defined benefit obligation	<u>(1)</u>	<u>(202)</u>	<u>(447)</u>	<u>(447)</u>	<u>(421)</u>
Experience loss on scheme assets	<u>230</u>	<u>281</u>	<u>80</u>	<u>36</u>	<u>30</u>

18. COMPLETED PROPERTY HELD FOR SALE

Completed property held for sale is located in Hong Kong and held under a government lease for a term of 75 years commencing from May 1954, and is renewable for a further term of 75 years.

Completed property held for sale is expected to be recovered within one year.

Notes on The Financial Statements (Continued)

19. DEBTORS, DEPOSITS AND PREPAYMENTS

(a) Ageing analysis

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Current	34,293	500,053	-	-
Less than one month past due	345	919	-	-
1-3 months past due	108	39,885	-	-
Total trade debtors	34,746	540,857	-	-
Deposits, prepayment and other receivables	84,024	18,017	527	714
	<u>118,770</u>	<u>558,874</u>	<u>527</u>	<u>714</u>

A defined credit policy is maintained within the group.

The following amounts are expected to be recovered after more than one year:

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Debtors, deposits and prepayments	<u>1,134</u>	<u>1,139</u>	<u>165</u>	<u>165</u>

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(i)).

At 30th June, 2010, none of the group's trade debtors were individually determined to be impaired (2009: \$Nil).

(c) Trade debtors that are not impaired

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Neither past due nor impaired	34,293	500,053	-	-
Less than 1 month past due	345	919	-	-
1 to 3 months past due	108	39,885	-	-
	<u>453</u>	<u>40,804</u>	<u>-</u>	<u>-</u>
	<u>34,746</u>	<u>540,857</u>	<u>-</u>	<u>-</u>

Proceeds from sale of properties are receivable pursuant to the terms of the sale and purchase agreements. Management believes that no impairment allowance is necessary in respect of these balances as the balances are considered fully recoverable.

Notes on The Financial Statements (Continued)

20. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with the following ageing analysis:

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Due within 1 month	9	34	–	–
Due from 1 to 3 months	–	–	–	–
Due after 3 months	201	201	201	201
Total trade creditors	210	235	201	201
Other payables and accruals, including sales/pre-sales deposits	183,081	516,713	8,743	8,106
	<u>183,291</u>	<u>516,948</u>	<u>8,944</u>	<u>8,307</u>

The following amounts are expected to be settled after more than one year:

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Creditors and accruals	5,178	8,062	3,091	3,116
	<u>5,178</u>	<u>8,062</u>	<u>3,091</u>	<u>3,116</u>

21. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

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

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes on The Financial Statements (Continued)

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Provision for Hong Kong Profits Tax for the year	33,868	63,025	-	-
Provisional Profits Tax paid	(57)	-	-	-
	33,811	63,025	-	-
Balance of Profits Tax provision relating to prior years	61,667	673	-	-
	95,478	63,698	-	-
Overseas taxation	6,678	5,086	-	-
	<u>102,156</u>	<u>68,784</u>	<u>-</u>	<u>-</u>

(b) Deferred tax (assets)/liabilities recognised:

(i) The group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Other provisions	Total
	\$000's	\$000's	\$000's	\$000's
Balance at 1st July, 2008	25,646	141,978	(516)	167,108
(Credited)/charged to profit or loss	(2,168)	(30,300)	11	(32,457)
Balance at 30th June, 2009	<u>23,478</u>	<u>111,678</u>	<u>(505)</u>	<u>134,651</u>
Balance at 1st July, 2009	23,478	111,678	(505)	134,651
Charged to profit or loss	4,042	28,341	15	32,398
Balance at 30th June, 2010	<u>27,520</u>	<u>140,019</u>	<u>(490)</u>	<u>167,049</u>

Notes on The Financial Statements (Continued)

22. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax (assets)/liabilities recognised: (continued)

(ii) The company

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Other provisions	Total
	\$000's	\$000's	\$000's	\$000's
Balance at 1st July, 2008	2,605	63,184	(516)	65,273
Charged/(credited) to profit or loss	<u>96</u>	<u>(13,200)</u>	<u>11</u>	<u>(13,093)</u>
Balance at 30th June, 2009	<u>2,701</u>	<u>49,984</u>	<u>(505)</u>	<u>52,180</u>
Balance at 1st July, 2009	2,701	49,984	(505)	52,180
Charged to profit or loss	<u>35</u>	<u>14,850</u>	<u>15</u>	<u>14,900</u>
Balance at 30th June, 2010	<u>2,736</u>	<u>64,834</u>	<u>(490)</u>	<u>67,080</u>

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of \$45,970,000 (2009: \$38,697,000). The tax losses do not expire under current tax legislation.

23. DEFERRED PROFITS

	The group		The company	
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
At 1st July and at 30th June	<u>441,197</u>	<u>441,197</u>	<u>230,132</u>	<u>230,132</u>

Deferred profits represent profits from the sale of land and buildings to jointly controlled entities.

24. SHARE CAPITAL

	2010		2009	
	No. of shares	Amount \$000's	No. of shares	Amount \$000's
Authorised:				
Ordinary shares of \$2 each	<u>50,000,000</u>	<u>100,000</u>	<u>50,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st July and 30th June	<u>45,594,656</u>	<u>91,189</u>	<u>45,594,656</u>	<u>91,189</u>

Notes on The Financial Statements (Continued)

25. RESERVES

(a) Movements in components of equity:

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

The company	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2008	1,348	5,779	310,000	855,895	1,173,022
Dividends declared/approved in respect of the previous year (note 9(b))	-	-	-	(72,951)	(72,951)
Realisation of other properties revaluation reserve	-	(27)	-	27	-
Loss for the year	-	-	-	(77,219)	(77,219)
Transfer to general reserve	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	(27,357)	(27,357)
At 30th June, 2009	<u>1,348</u>	<u>5,752</u>	<u>320,000</u>	<u>668,395</u>	<u>995,495</u>
At 1st July, 2009	1,348	5,752	320,000	668,395	995,495
Dividends declared/approved in respect of the previous year (note 9(b))	-	-	-	(82,070)	(82,070)
Realisation of other properties revaluation reserve	-	(28)	-	28	-
Profit for the year	-	-	-	65,432	65,432
Transfer to general reserve	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	(27,357)	(27,357)
At 30th June, 2010	<u>1,348</u>	<u>5,724</u>	<u>330,000</u>	<u>614,428</u>	<u>951,500</u>

The directors consider that all of the general reserve and \$242,544,000 (2009: \$371,661,000) of the retained profits of the company, totalling \$572,544,000 (2009: \$691,661,000), are distributable.

The application of the capital redemption reserve is governed by section 49 of the Hong Kong Companies Ordinance. The other properties revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

(b) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders. The capital structure of the group consists of equity attributable to shareholders of the company, comprising issued share capital, reserves and retained profits.

The group currently does not have external loans and borrowings.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities.

The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

The group's credit risk is primarily attributable to deposits with banks and property sales receivable included in trade debtors. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. The group maintains bank deposits with authorised financial institutions. There are no significant concentrations of credit risk within the group.

(b) Liquidity risk

The treasury function of the group is centralised. The group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group can be required to pay.

	Carrying amount/ contractual undiscounted cash flow \$000's	Within 1 year or on demand \$000's	More than 1 year but less than 2 years \$000's	More than 2 years but less than 5 years \$000's
At 30th June, 2010				
Trade creditors	210	210	-	-
Other payables	<u>183,081</u>	<u>177,903</u>	<u>5,091</u>	<u>87</u>
	<u>183,291</u>	<u>178,113</u>	<u>5,091</u>	<u>87</u>
At 30th June, 2009				
Trade creditors	235	235	-	-
Other payables	<u>516,713</u>	<u>508,651</u>	<u>6,617</u>	<u>1,445</u>
	<u>516,948</u>	<u>508,886</u>	<u>6,617</u>	<u>1,445</u>

(c) Interest rate risk

(i) The group has no interest-bearing borrowings. The group is exposed to interest rate risk through the impact of rates changes on income-earning financial assets. The following table details their interest rate profile at the balance sheet date.

	2010	2009
	Effective interest rate (%)	Effective interest rate (%)
	\$000's	\$000's
Deposits with banks	0.05–0.76 <u>2,513,399</u>	0.19–1.16 <u>2,024,153</u>

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2010, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$25.1 million (2009: \$20.2 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's profit after tax and retained profits is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2009.

(d) Currency risk

The group owns assets and conducts its business primarily in Hong Kong and the United Kingdom with its cash flows substantially denominated in Hong Kong dollars ("HKD") and Pounds Sterling ("GBP").

The group's primary foreign currency assets are United States dollars ("USD") denominated bank deposits and direct property investment, rental income and bank deposits in GBP in the United Kingdom which are regularly monitored by management.

The group is exposed to currency risk primarily arising from bank deposits denominated in USD and GBP.

(i) The following table details the group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the group's entities to which they relate. For presentation purpose, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in HKD)			
	2010		2009	
	USD	GBP	USD	GBP
	\$000's	\$000's	\$000's	\$000's
Deposits with banks	1,081,594	163,227	1,070,909	173,618
Cash at banks and in hand	-	1,469	-	85
Debtors, deposits and prepayments	939	361	692	195
Net exposure arising from recognised assets and liabilities	<u>1,082,533</u>	<u>165,057</u>	<u>1,071,601</u>	<u>173,898</u>

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2010, it is estimated that an increase/decrease of 5% in foreign exchange rate of GBP against HKD, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$8.3 million (2009: \$8.7 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax and retained profits that would arise if foreign exchange rates to which the group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

Results of the analysis as above represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and retained profits measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to the group's exposure to currency risk for financial instruments in existence at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2009.

(e) Equity price risk

The group is exposed to equity price changes arising from other investments (see note 16). They have been chosen taking reference to their longer term growth potential and are monitored regularly for performance.

Given that the volatility of the stock markets may not have a direct correlation with the group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the group's portfolio of other investments.

At 30th June, 2010, it is estimated that an increase/decrease of 5% in the market value of the group's other investments, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$0.5 million (2009: \$0.4 million) respectively. The analysis is performed on the same basis for 2009.

(f) Fair value

(i) Financial instruments carried at fair value

The amendments to HKFRS 7, *Financial instruments: Disclosures*, require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 30th June, 2010, the only financial instruments of the group carried at fair value were other investments of \$9,806,000 listed on the Stock Exchange of Hong Kong (see note 16). These instruments fall into Level 1 of the fair value hierarchy described above.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 30th June, 2010 and 30th June, 2009. Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

Notes on The Financial Statements (Continued)

27. OPERATING LEASES

(a) Significant leasing arrangements

The group leases out investment properties in Hong Kong and the United Kingdom under operating leases. The leases for investment properties in Hong Kong typically run for an initial period of one to three years. The leases for investment properties in the United Kingdom run for an initial period of fifteen to twenty-five years. Lease payments are subject to upward only rent review for every 5 years for investment properties in the United Kingdom. One of the leases includes contingent rentals. Further details of the carrying value of the investment properties are contained in note 13.

\$77,149,000 (2009: \$75,494,000) was recognised as rental income in the consolidated income statement in respect of operating leases.

(b) Future operating lease income

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010	2009
	\$000's	\$000's
Within one year	64,933	73,875
After one but within five years	190,902	212,583
After five years	<u>279,226</u>	<u>356,703</u>
	<u>535,061</u>	<u>643,161</u>

28. MATERIAL RELATED PARTY TRANSACTIONS

Loans to the jointly controlled entities at 30th June, 2010 are disclosed in note 15. The loans are unsecured, interest-free and have no fixed terms of repayment.

29. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been reclassified to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of accounting estimates and estimation uncertainty include the following:

(a) Valuation of investment properties

Investment properties are included in the balance sheet at their open market value, which are assessed by external qualified valuers, after taking into consideration the net rental income allowing for development potential or reversionary potential. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

(b) Completed property held for sale

Management determines the net realisable value of completed property held for sale by assessing the prevailing market data such as most recent sale transactions and market survey reports and the related costs incurred in selling the properties.

Notes on The Financial Statements (Continued)

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30TH JUNE, 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 30th June, 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2009	1st January, 2010
Improvements to HKFRSs 2010	1st July, 2010 or 1st January, 2011
HKFRS 9, <i>Financial instruments</i>	1st January, 2013

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the group's or the company's results of operations and financial position.

Financial Summary

(Expressed in Hong Kong dollars)

	2010	2009	2008	2007	2006
	\$000's	\$000's	\$000's	\$000's	\$000's
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>513,483</u>	<u>1,483,762</u>	<u>83,225</u>	<u>76,819</u>	<u>68,018</u>
Operating profit	301,262	574,587	122,911	154,352	117,584
Share of results of jointly controlled entities	92,677	(70,926)	195,237	128,607	173,997
Net valuation gains/(losses) on investment properties	<u>172,505</u>	<u>(193,022)</u>	<u>18,032</u>	<u>227,947</u>	<u>148,726</u>
Profit before taxation	566,444	310,639	336,180	510,906	440,307
Taxation	<u>(73,813)</u>	<u>(36,378)</u>	<u>(3,707)</u>	<u>(46,380)</u>	<u>(45,094)</u>
Profit after taxation and attributable to the group	<u>492,631</u>	<u>274,261</u>	<u>332,473</u>	<u>464,526</u>	<u>395,213</u>
CONSOLIDATED BALANCE SHEET					
Fixed assets	1,900,750	1,802,030	2,176,425	2,172,315	1,848,115
Interest in jointly controlled entities	1,066,947	1,007,070	1,109,196	943,359	833,752
Other investments	9,806	8,823	11,141	12,903	11,876
Defined benefit asset	637	881	724	656	803
Net current assets	2,543,426	2,360,621	1,921,738	1,871,599	1,795,515
Deferred taxation	<u>(167,049)</u>	<u>(134,651)</u>	<u>(167,108)</u>	<u>(169,713)</u>	<u>(128,756)</u>
	<u>5,354,517</u>	<u>5,044,774</u>	<u>5,052,116</u>	<u>4,831,119</u>	<u>4,361,305</u>
Representing:-					
Share capital	91,189	91,189	91,189	91,189	91,189
Reserves	<u>4,822,131</u>	<u>4,512,388</u>	<u>4,519,730</u>	<u>4,298,733</u>	<u>3,828,919</u>
	4,913,320	4,603,577	4,610,919	4,389,922	3,920,108
Deferred profits	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>
	<u>5,354,517</u>	<u>5,044,774</u>	<u>5,052,116</u>	<u>4,831,119</u>	<u>4,361,305</u>
Earnings per share	<u>\$10.80</u>	<u>\$6.02</u>	<u>\$7.29</u>	<u>\$10.19</u>	<u>\$8.67</u>
Dividends per share	<u>\$2.40</u>	<u>\$2.20</u>	<u>\$2.20</u>	<u>\$2.00</u>	<u>\$2.00</u>

Group Properties

Properties held for investment

Location	Lot number	Existing use	Term of lease
391 Chai Wan Road, Chai Wan	CWIL 88	Industrial	Long
Unit 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan	CWIL 132	Industrial	Medium
21/F, 26/F, 27/F & 28/F Island Place Tower Island Place 510 King's Road, North Point	IL 8849	Office	Medium
Unit B 37/F One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F Two Island Place 51-61 Tanner Road, North Point	IL 8849	Residential	Medium
No. 3 Jordan Road, Kowloon	Remaining portion of KIL 1300	Residential and commercial	Long
Albany House, Petty France, SW1 London		Office	Freehold
Thanet House, 231/232 Strand, WC2 London		Commercial and office	Freehold
Scorpio House, SW3 London		Office	Freehold

Completed property held for sale

Location	Lot number	Existing use	Term of lease
9-23 Kam Hong Street, Nos 172-186 Java Road and Nos 61-75 Marble Road, North Point	IL 7105	Residential and commercial	Long