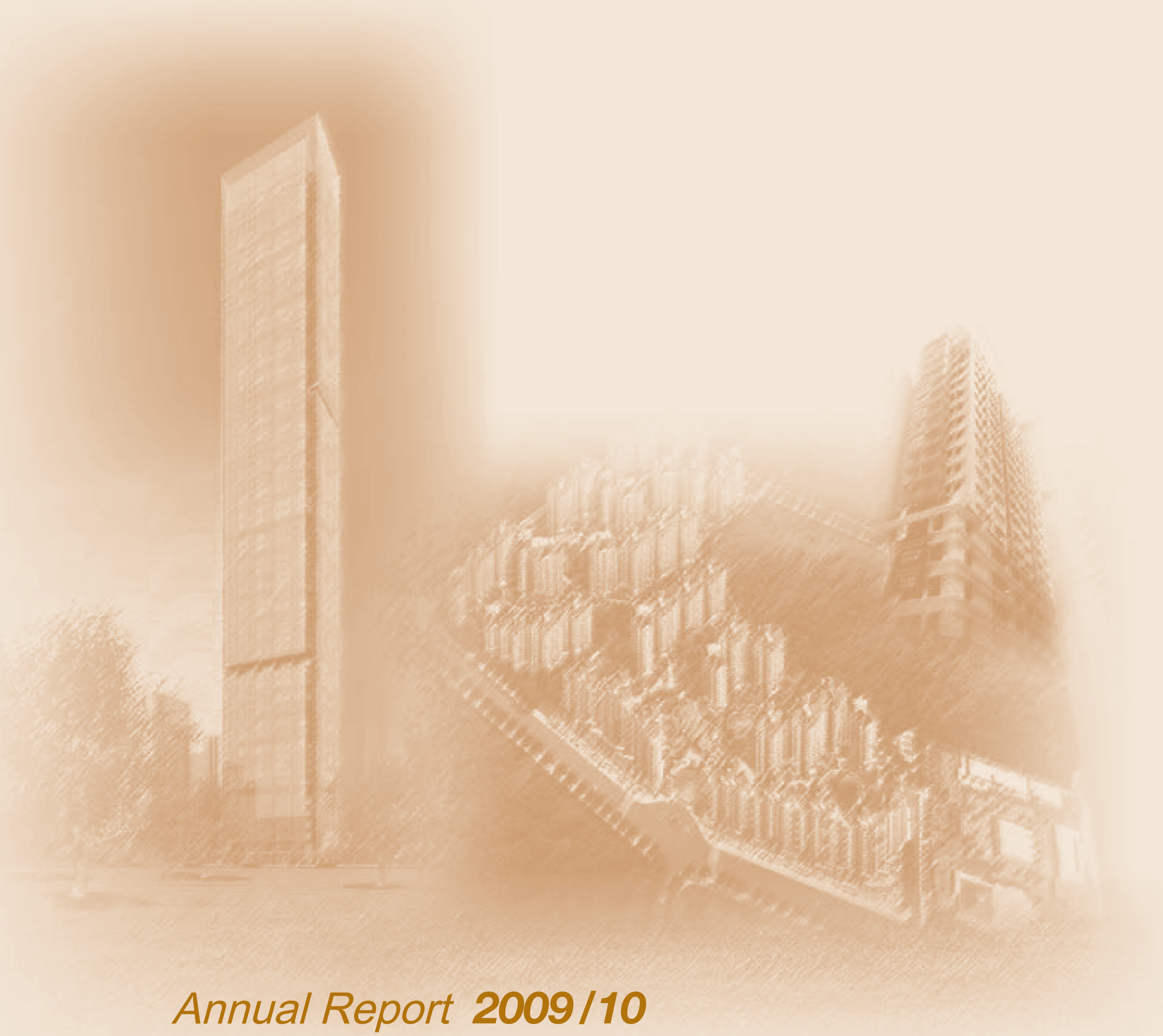
Hon Kwok Land Investment Company, Limited

Stock Code: 160



Annual Report **2009/10**

CONTENTS

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*
Zuric Yuen-Keung Chan
Xiao-Ping Li
Daniel Chi-Wai Tse*
Kenneth Kin-Hing Lam*
Hsin-Kang Chang*

* *Independent non-executive directors*

AUDIT COMMITTEE

Kenneth Kin-Hing Lam
Daniel Chi-Wai Tse
Hsin-Kang Chang

REMUNERATION COMMITTEE

Herman Man-Hei Fung
Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam

SECRETARY

Thomas Hang-Cheong Ma

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited

AUDITORS

Ernst & Young

REGISTRARS

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2523 7177
Fax : (852) 2845 1629
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 160

WEBSITE

http://www.honkwok.com.hk

FINANCIAL HIGHLIGHTS AND SHAREHOLDERS' CALENDAR

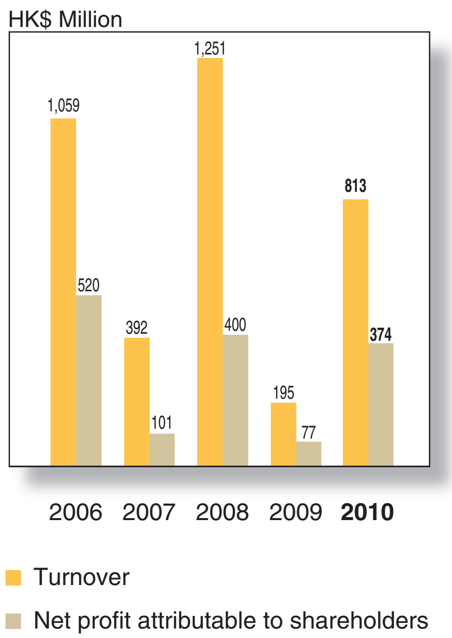
FINANCIAL HIGHLIGHTS

	2010	2009	*Increase/Decrease*	
	HK$ Million	*HK$ Million*	*HK$ Million*	*+/-*
For the year ended 31 March				
Turnover	**813**	195	*+ 618*	*+ 317%*
Profit attributable to shareholders				
after revaluation on investment properties	**374**	77	*+ 297*	*+ 386%*
Basic earnings per share *(in HK cents)*	**78**	16	*+ 62*	*+ 388%*
Proposed final dividend per share *(in HK cents)*	**12.5**	12.5		*No Change*
At 31 March				
Bank borrowings less bank balances	**1,095**	927	*+ 168*	*+ 18%*
Gearing ratio*	**33%**	37%		*- 4%*
Shareholders' funds	**3,471**	3,150	*+ 321*	*+ 10%*
Net assets per share attributable to				
shareholders *(in HK$)*	**7.23**	6.56	*+ 0.67*	*+ 10%*

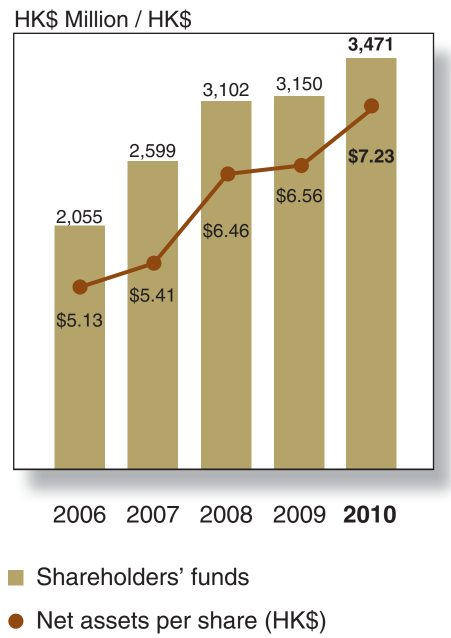
* *Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + minority interests".*

FINANCIAL HIGHLIGHTS *(Continued)*

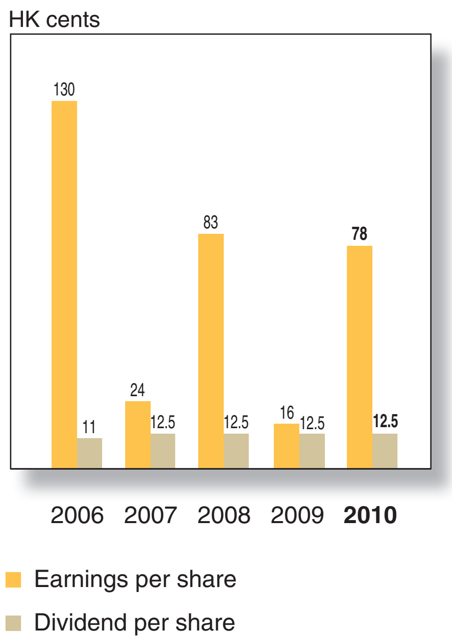
Turnover / Net Profit



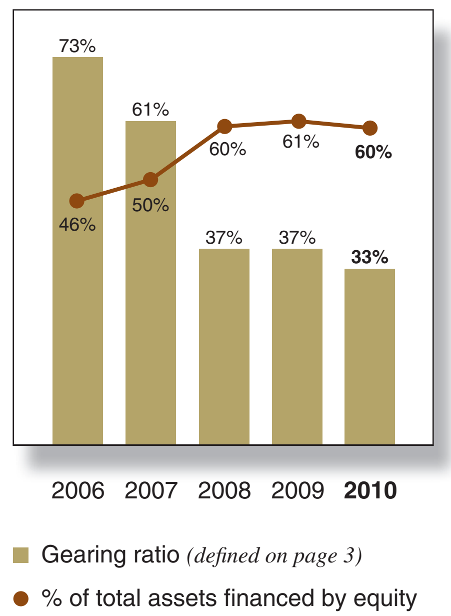
Shareholders' Funds / Net Assets per Share



Earnings / Dividend per Share



Gearing / Equity Funding



SHAREHOLDERS' CALENDAR

Interim results announcement	10 December 2009 (Thursday)
Annual results announcement	8 July 2010 (Thursday)
Proposed final dividend	12.5 Hong Kong cents per share
Despatch of annual report to shareholders	30 July 2010 (Friday)
Closure of register of members for the proposed final dividend entitlement and to determine the entitlement to attend and vote at the forthcoming annual general meeting	30 August 2010 (Monday) to 2 September 2010 (Thursday) (both days inclusive)
Latest date of share transfer for final dividend entitlement	not later than 4:30 p.m. on 27 August 2010 (Friday)
Annual General Meeting	2 September 2010 (Thursday)
Payment of final dividend	on or before 20 September 2010 (Monday)

LOCATION OF PROPERTY PROJECTS IN MAINLAND CHINA

Projects under Development

1 Botanica 寶翠園
2 Adjacent site to No. 5 Residence 北京路5號公館
3 Second adjacent site to No. 5 Residence 北京路5號公館
4 Dong Guan Zhuan 東莞莊 project
5 Yayao Oasis 雅瑤綠洲, Nanhai (not shown above)
6 Hon Kwok City Commercial Centre 漢國城市商業中心
7 Adjacent site to Chongqing Hon Kwok Centre 重慶漢國中心

Completed Projects

8 Millennium Oasis 城市綠洲花園 Phase I [2001], Phases II & III [2002]
9 City Square 城市天地廣場 [2005]
10 Chongqing Hon Kwok Centre 重慶漢國中心 [2009], held as investment property
11 No. 5 Residence 北京路5號公館 [2009]

Hotel/Serviced Apartments

12 City Suites 寶軒公寓
13 The Bauhinia Hotel (Shenzhen) 寶軒酒店（深圳）
14 The Bauhinia Hotel (Guangzhou) 寶軒酒店（廣州）

Newly acquired property

15 Newsun Commercial Building 新光商務大廈 (now known as Ganghui Dasha 港滙大廈), held as investment property

FINANCIAL RESULTS

For the year ended 31 March 2010, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK$813 million (2009: HK$195 million) and HK$374 million (2009: HK$77 million), respectively. Basic earnings per share were 78 Hong Kong cents (2009: 16 Hong Kong cents). The shareholders' equity as at 31 March 2010 amounted to HK$3,471 million (2009: HK$3,150 million). Net assets per share attributable to shareholders were HK$7.23 (2009: HK$6.56).

The increase in net profit is mainly attributable to the recognition of property sales in Guangzhou and the property revaluation gain, net of deferred tax, of HK$257 million (2009: HK$66 million) during the year.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2010 (2009: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2010. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 20 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30 August 2010 to 2 September 2010 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 August 2010.

BUSINESS REVIEW

Acquisitions of properties

Yayao Oasis雅瑤綠洲, Nanhai, PRC

In view of the potential development value of the project and strong demand of quality residential units in Mainland China, the Group completed acquisition of the remaining 50% interests in a jointly-controlled entity which indirectly holds **Yayao Oasis 雅瑤綠洲** together with the related shareholder's loan in March 2010. In connection therewith, the Group's land bank has been enlarged by approximately 136,000 sq.m. The agreed price for the above acquisition was HK$200,000,000 and was agreed at after arm's length negotiations between the parties and by reference to the market value of the development site and the consolidated net asset value of the above jointly-controlled entity as at 31 December 2009. The net amount paid to the seller for the above acquisition was HK$172,493,110 after offsetting the amounts paid by the Group on behalf of the seller for its agreed share of working capital and other costs incurred by the jointly-controlled entity prior to the date of the agreement. For details of the transaction, please refer to the Company's announcement dated 4 March 2010.

Newsun Commercial Building新光商務大廈 (now known as Ganghui Dasha港滙大廈), Guangzhou, PRC

In March 2010, the Group entered into an agreement to acquire **Newsun Commercial Building 新光商務大廈 (now known as Ganghui Dasha 港滙大廈)** via its indirect holding company at an aggregate cash consideration of HK$144,211,000 which was determined by reference to the unaudited consolidated net assets of the aforesaid holding company together with assignment of related shareholder's loan as at 31 January 2010. The property, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a completed 20-storey commercial and office building with total gross floor area of approximately 13,000 sq.m. and occupancy rate of approximately 85%. The above acquisition constituted a discloseable and connected transaction for the Company and was subject to the approval of the Company's independent shareholders. Please refer to the Company's announcements dated 8 March 2010 and 16 April 2010 and circular dated 29 March 2010 for details. Subsequent to the year end, the above acquisition was completed on 21 April 2010.

Repurchase of 3.5% Convertible Bonds due June 2011 (the "Bonds")

As disclosed in our Interim Report, out of the principal amount of HK$280 million Bonds issued by a wholly-owned subsidiary of the Company in June 2006, the Group repurchased in late September 2009, an aggregate face value of HK$192 million of the Bonds at par. The repurchased Bonds were subsequently cancelled in October 2009 upon settlement. The above repurchase enables the Group to recognize a gain of about HK$19 million during this financial year under review and save interest charges (3.5% per annum) as well as premium on redemption (approximately 24.5% on face value) on the Bonds, totalling HK$58 million up to maturity.

BUSINESS REVIEW *(Continued)*

Property Development and Sales

Botanica Phases 1 & 2 寶翠園一期及二期, Guangzhou, PRC

The **Botanica 寶翠園** is a 40-block high-rise residential project situated in the greenery zone of Tian He District near the Botanical Garden and is scheduled for development and pre-sale by phases. Delivery of all units to purchasers of **Botanica Phase 1 寶翠園一期**, which comprises eight blocks of 332 flats, has been completed during the second half of this financial year under review. Total sales proceeds generated therefrom exceeding RMB367 million.

Botanica development project, Tian He District, Guangzhou – Architect Perspective

Construction works for **Botanica Phase 2 寶翠園二期**, which also comprises eight blocks of 420 residential units, are in progress and scheduled to complete by phases in the first to third quarter of 2011. Four blocks of 221 units have been launched to the market for pre-sale by end of April 2010 and approximate 90% has been pre-sold up to the date of this report, generated sales proceeds exceeding RMB253 million. The other four blocks are expected to launch for pre-sale by the fourth quarter of 2010.

BUSINESS REVIEW *(Continued)*

Property Development and Sales *(Continued)*

No. 5 Residence 北京路5號公館, Guangzhou, PRC

Located at Beijing Road in Yue Xiu District and in the proximity of the Pearl River, all of the 152 residential units offered for sale have been sold up to the date of this report, generated sales proceeds exceeding RMB242 million. Majority of the flats have been handed over to purchasers prior to the financial year end under review.

Li Wan Project 荔灣項目, Guangzhou, PRC

As disclosed in our Interim Report, disposal of the **Li Wan Project 荔灣項目**, in which the Group held 50% interests, was completed on 30 September 2009. The Group's attributable share of the cash consideration and net profit is HK$125 million and approximately HK$77 million respectively.

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

The master development plans of the project with total gross floor area of approximately 272,000 sq.m. have been approved. The development of Phase I comprises semi-detached houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the semi-detached houses are in progress and scheduled to complete by the end of 2010 and to launch for sale upon completion. Construction works of the high-rise apartments are expected to commence in early 2011.

Property Sales in Hong Kong

Grasping the property boom in Hong Kong during the period under review, especially in the first quarter of 2010, the Group has realized all its remaining unsold second hand residential units and disposed of over 100 car parking spaces. Sales proceeds in aggregate generated therefrom since April 2009 and up to the date of this report were in excess of HK$120 million.

Property Investment

Hon Kwok City Commercial Centre 漢國城市商業中心, Shenzhen, PRC

Detailed construction plans of this 128,000 sq.m. commercial/residential tower at Shen Nan Zhong Road, Futian District have been approved. Foundation works of this 80-storey signature building are scheduled to commence in the third quarter of 2010 and construction works are expected to complete in 2013. Upon completion, the Group intends to retain a major portion of this building for recurrent rental income.

Hon Kwok City Commercial Centre, Shenzhen – Architect Perspective

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu, is a twin-tower retail/commercial complex with total gross floor area of 107,802 sq.m. Three floors of the commercial podium have been leased out for operation of shopping mall and to a retail bank. Leasing for certain office floors has been committed and negotiations for the remaining floors are also in good progress.

Chongqing Hon Kwok Centre, Chongqing

The **Phase 2 Project 重慶二期項目**, adjacent to the above completed development and with total gross floor area of 133,502 sq.m., will be developed into a grade A office tower and a 5-star hotel with serviced apartments atop of a retail podium. The master development plans of this project have been approved and detailed design is in progress.

Shenzhen, PRC

Majority of ground level retail shops at commercial podium of **City Square 城市天地廣場** have been leased out. The tenant at entire level 2, which operates as a restaurant, has been opened for business in the first quarter of 2010 and will benefit the guests of our 159-room hotel, now known as **The Bauhinia Hotel (Shenzhen) 寶軒酒店(深圳)** which is under renovation at levels 3 to 5 of the podium and expected to complete by the third quarter of 2010. The occupancy rate of our existing 64 serviced apartments at **City Suites 寶軒公寓**, situated on top of the podium, is satisfactory.

Guangzhou, PRC

A leasehold property of the Group, situated at Jie Fang Nan Road, Yue Xiu District, is being upgraded and refurbished into a 166-room hotel, now known as **The Bauhinia Hotel (Guangzhou) 寶軒酒店(廣州)**. The renovation works are substantially completed and soft opening is scheduled to be in the third quarter of 2010.

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Hong Kong

Renovation works for conversion of the four office podium floors of **The Bauhinia/Honwell Commercial Centre 寶軒及漢貿商業中心** at Des Voeux Road Central to a 42-room boutique hotel named as "**The Bauhinia Hotel (Central) 寶軒酒店（中環）**", are scheduled to complete in the third quarter of 2010. Ground floor areas are now occupied by a retail bank and a restaurant. **The Bauhinia 寶軒**, a 171-room serviced apartments on top of the podium and of which the interior refurbishment works have been substantially finished, currently enjoys an occupancy rate of approximately 90% for those available units.

The Bauhinia Hotel (Central) under renovation and The Bauhinia serviced apartments upstairs

In respect of **Knutsford Place 諾士佛廣場** (formerly known as "**Hon Kwok TST Centre 漢國尖沙咀中心**") in Tsimshatsui, conversion works of 9 upper floors to a 44-room boutique hotel, known as "**The Bauhinia Hotel (TST) 寶軒酒店（尖沙咀）**", have been completed pending verification of work done and issuance of hotel licence by the relevant authorities. The soft opening is expected in the third quarter of 2010. Leasing negotiations for other commercial and office floors have been commenced and in order to enhance the overall rental yield on this upgraded property, a scheduled tenant mix to include retail tenants will be implemented.

Hon Kwok Jordan Centre 漢國佐敦中心, a 23-storey commercial and office building situated at Hillwood Road, has already changed its tenant mix to include bars, beauty saloons and private clubs etc. in prior years. Both the rental yield and occupancy rate maintain at a satisfactory level.

"The Bauhinia 寶軒" Group of Hotels and Serviced Apartments

The operation of the above hotel and serviced apartment rooms, in aggregate of 646, will be under "**The Bauhinia 寶軒**" brand and will cater for the accommodation needs for short-stay or longer term tourists and/or business travellers in Hong Kong, Shenzhen and Guangzhou. The location of the aforesaid guest rooms is summarized as follows:

	Hotel Rooms	Serviced Apartment Rooms	Total
Hong Kong	86	171	257
Shenzhen	159	64	223
Guangzhou	166	–	166
	411	235	646

The above hotel rooms, upon completion of renovation and in full operation, and coupled with the scheduled tenant mix for office floors of the above investment properties to be implemented, will enhance the Group's rental income in the years ahead.

OUTLOOK

Mainland China's gross domestic product jumped 11.9% in the first quarter of 2010 from the same period last year, the fastest quarterly expansion in three years. The consumer price index also rose to a 19-month high of 3.1% in May 2010 which exceeded the government's full-year target of 3%. The above data indicates that the economic growth of Mainland China is sustainable. Inflation however, looks set to claw its way back with a rebound of food and energy prices under the renewed pressure of currency appreciation which may lead to inflated asset prices.

In order to bring about stabilized property prices and healthy development of the real estate market, commencing April 2010, the Central Government announced a number of tightening measures to cool down the overheated property market. In connection therewith, property transactions dipped in major cities, indicating that cooling measures are starting to take effect.

The economic downturn in the United States has been gradually stabilized under the continued stimulus measures whereas impact of the Euro Zone's debt crisis remains unclear. However, under appropriate tightening of monetary policy, its impact on Mainland China and Hong Kong appears to be limited.

Owing to uncertainties in the global economy, the Central Government is expected to postpone the introduction of further drastic tightening measures, such as an interest rate hike and would not withdraw its stimulus measures but instead, adopt a moderate monetary policy. Moreover, the People's Bank of China recently announced a more flexible currency policy which anticipates to enhance the global economic recovery. Despite the promulgation of tightening measures by the Central Government, our Management is optimistic about the mainland property market under the urbanization scheme which gives rise to continued demand for homes from fresh university graduates as well as farmers and workers migrating from rural to urban areas.

Under the low interest rate environment in Hong Kong, the Group will be seeking opportunities to increase our property investments in Hong Kong for recurrent rental income whilst will continue our corporate strategy to expand our property developing business in Mainland China.

Finally, I wish to extend my appreciation and gratitude to all staff and fellow directors for their contributions and dedicated hard work during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 8 July 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

James Sai-Wing Wong

Aged 72, was appointed as the Managing Director of the Company in 1985 and became the Chairman in 1990. He is the chairman of Chinney Investments, Limited ("Chinney Investments"), a director of Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), all being substantial shareholders of the Company. He is also the chairman of Chinney Alliance Group Limited ("Chinney Alliance"). Except Chinney Holdings and Lucky Year, all the other companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 70, was appointed as a director of the Company in 1985. She is a director of Chinney Investments, Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of HKR International Limited and United Nigeria Textiles PLC. Chinney Investments and HKR International Limited are both listed on the Stock Exchange and United Nigeria Textiles PLC is listed on the Nigerian Stock Exchange.

Herman Man-Hei Fung

Aged 72, was appointed as the General Manager of the Company in 1986, a director of the Company in 1988 and Managing Director in 1991. Mr. Fung stepped down from the executive post of Managing Director on 31 October 2002 and became the Vice-Chairman since 1 November 2002. He is the managing director of Chinney Investments and a director of Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. He is also a non-executive director of Chinney Alliance. Both Chinney Investments and Chinney Alliance are listed on the Stock Exchange. He has actively participated in the property investment and development business for the past 39 years and has extensive experience in finance, marketing, construction and general administration of the real estate business.

Zuric Yuen-Keung Chan

Aged 55, was appointed as a director of the Company in December 2003 and re-designated as an Executive Director of the Company in January 2007. He is also a director of Chinney Alliance, which is listed on the Stock Exchange. He has 36 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Xiao-Ping Li

Aged 58, joined the Group in 1999 and was appointed as an Executive Director of the Company in December 2009. He has over 31 years of experience in economics and management in the People's Republic of China ("PRC"). He has obtained a senior economist qualification certificate of PRC. He is a member of the Plant Maintenance Association of Chinese Mechanical Engineering Society.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Chi-Wai Tse

Aged 75, was appointed as an independent non-executive director of the Company in 1993. He is the Council Chairman of the University of Macau and the President Emeritus of the Hong Kong Baptist University. He was the President and Vice-Chancellor of the Hong Kong Baptist University for 30 years and retired in June 2001. He holds a Ph.D. in Physics from the University of Pittsburgh, USA. He was appointed a Justice of the Peace for Hong Kong in 1977 and was awarded a Gold Bauhinia Star in 1998.

Kenneth Kin-Hing Lam

Aged 56, was appointed as an independent non-executive director of the Company in 2004. He is the deputy chairman and director of Quam Limited, which is listed on the Stock Exchange, and also the managing director of Quam Capital (Holdings) Limited. He is a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand, and has previously held directorship in other publicly listed company in Thailand. He is also the vice-chairman of The Institute of Securities Dealers Limited. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 28 years of experience in corporate finance and banking. Mr. Lam holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada and a Master's Degree in Business Administration from the Chinese University of Hong Kong.

Hsin-Kang Chang

Aged 70, was appointed as an independent non-executive director of the Company in 2007. He is also an independent non-executive director of Brightoil Petroleum (Holdings) Limited and PCCW Limited, which are both listed on the Stock Exchange. He became an Honorary Professor of Tsinghua University and Wei Lun Senior Visiting Scholar in September 2007 and Yeh-Lu Xun Chair Professor in Social Sciences at Peking University in November 2007. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he served as Dean of the School of Engineering of the University of Pittsburgh, USA, Founding Dean of the School of Engineering of the Hong Kong University of Science and Technology and the chairman of Department of Biomedical Engineering of University of Southern California, USA. Professor Chang taught at several major universities in North America and served in a number of science and technology organisations and public advisory bodies in the United States and Hong Kong.

Professor Chang holds a Bachelor's Degree in Civil Engineering from the National Taiwan University, a Master's Degree in Structural Engineering from Stanford University, USA and a Ph.D in Biomedical Engineering from Northwestern University, USA. He is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, an Academician of the International Eurasian Academy of Sciences, a Chevalier de la Légion d'Honneur of France and a Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed a Justice of the Peace in 1999 and was awarded Gold Bauhinia Star in 2002 by the Government of Hong Kong.

SENIOR MANAGEMENT

Jason Chi-Kit Tso

Aged 45, joined the Company in 1998 and is the Deputy General Manager of Hon Kwok Land Investment (China) Limited. He has 22 years of experience in the field of architecture, project management and property development. He is an Authorised Person under the list of architects. He holds a Bachelor's Degree in Architecture from The University of Hong Kong and is a member of the Hong Kong Institute of Architects.

Thomas Hang-Cheong Ma

Aged 44, joined the Company in 1994 and is the Company Secretary and Financial Controller of the Company. He has 21 years of experience in the accounting field. He holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

Calvin Ming-Yui Ng

Aged 38, joined the Company in 2009 and is the Senior Finance Manager of the Company. He has 15 years of experience in investment banking and accounting sectors. He graduated from The University of Hong Kong with a Bachelor of Business Administration degree and obtained a Master of Science (Financial Management) degree from the University of London. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Chi-Kin Lam

Aged 55, joined the Company in 2003 and is the Assistant General Manager – Asset Management of the Company. He has 25 years of experience in large scale parking facilities and property services management. He is a chartered member of the Chartered Institute of Logistics and Transport.

Stephen Chun-Piu Lee

Aged 43, joined the Company in 1990 and is the Senior Property Manager of the Company in charge of investment properties in Hong Kong. He has 20 years of experience in property investment and development.

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year under review, except for the deviations as disclosed in this report.

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 Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31 March 2010 were:

Executive Directors

James Sai-Wing Wong *(Chairman)*	
Zuric Yuen-Keung Chan	
Xiao-Ping Li	(appointed on 11 December 2009)
Dennis Kwok-Wing Cheung	(resigned on 17 April 2010)

Non-Executive Directors

Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*

Independent Non-Executive Directors

Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam
Hsin-Kang Chang

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16 of this report.

BOARD OF DIRECTORS *(Continued)*

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group's business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day operation of the Company is delegated to the management with department heads responsible for different aspects of the business and functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

To the best knowledge of the directors, there is no financial, business and family relationship among the members of the Board except that James Sai-Wing Wong and Madeline May-Lung Wong are partners in several investments (including their interests in the Company).

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31 March 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer were not performed by separate individuals as is stipulated in CG Code provision A.2.1. James Sai-Wing Wong, the Chairman of the Company, assumes the role of the Chairman and also the chief executive officer who is responsible for overseeing the function of the Board and formulating overall strategies of and organising the implementation structure for the Company and also managing the Group's overall business operations. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

At the forthcoming annual general meeting, in accordance with article 95 of the Articles of Association, Xiao-Ping Li, being a director appointed by the Board after the Company's last annual general meeting held on 10 September 2009 shall retire and, being eligible, offer himself for re-election and in accordance with article 104 of the Articles of Association, Zuric Yuen-Keung Chan and Kenneth Kin-Hing Lam shall retire by rotation and, being eligible, offer themselves for re-election.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in December 2005. The Remuneration Committee currently comprises three members, namely Herman Man-Hei Fung, Daniel Chi-Wai Tse and Kenneth Kin-Hing Lam. The Chairman of the Remuneration Committee is Herman Man-Hei Fung.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management).

During the year under review, the Remuneration Committee held one meeting, during which the existing remuneration of all directors have been reviewed individually.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises three members, namely Kenneth Kin-Hing Lam, Daniel Chi-Wai Tse and Hsin-Kang Chang and they are all independent non-executive directors of the Company. The Chairman of the Audit Committee is Kenneth Kin-Hing Lam. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Ernst & Young.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the annual results for the year ended 31 March 2009 and the interim results for the six months ended 30 September 2009.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES

	Number of meetings attended For the year ended 31 March 2010		
	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Number of meetings held for the year ended 31 March 2010	2	1	2
James Sai-Wing Wong	2	N/A	N/A
Madeline May-Lung Wong	0	N/A	N/A
Herman Man-Hei Fung	2	1	2
Zuric Yuen-Keung Chan	2	N/A	2
Xiao-Ping Li (appointed as director on 11 December 2009)	N/A	N/A	N/A
Dennis Kwok-Wing Cheung (resigned as director on 17 April 2010)	2	N/A	2
Daniel Chi-Wai Tse	1	1	2
Kenneth Kin-Hing Lam	0	1	2
Hsin-Kang Chang	2	N/A	2

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experience and background.

AUDITORS' REMUNERATION

During the year under review, the Group had engaged its external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as below.

	Fees paid/payable *HK$'000*
Types of services	
Audit services	1,767
Non-audit services (tax compliance services and other services)	190
	1,957

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditors' Report on pages 35 and 36 of this report.

INTERNAL CONTROLS

The Board is responsible for ensuring that the Group maintains sound and effective internal controls to safeguard the assets of the Group and protect the interests of its shareholders.

The Board has conducted a review of the effectiveness of the internal control system of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions. The review covered relevant financial, operational and compliance controls as well as risk management functions. The Board has concluded that the Group's overall system of internal control has effectively exercised its functions and that the Group's accounting staff are adequate and qualified to manage the accounting and financial reporting functions properly during the year.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders and is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports, public announcements and other public circulars, all of which are available on the Company's website. The terms of reference of the Remuneration Committee and Audit Committee are available from the Company Secretary on request but not yet ready in the Company's website as stipulated in CG Code Provision B.1.4 and C.3.4.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the annual general meeting for which at least 21 days prior notice is given. The Chairman of the Board as well as Chairmen of the Board Committees (or in their absence, other members of the Committees) together with the external auditors are available to answer shareholders' questions at the meeting. At the general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual directors, and the poll procedures will be clearly explained.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development, property investment and property related activities. There have been no changes in the nature of the Group's principal activities during the year. Further details of the Company's principal subsidiaries are set out in note 17 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 115.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$1,830 million as at 31 March 2010 (2009: HK$1,551 million), of which approximately 12% (2009: 24%) of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were approximately HK$634 million as at 31 March 2010 (2009: HK$324 million). The Group had a total of approximately HK$1,019 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2010 were approximately HK$3,471 million (2009: HK$3,150 million). The increase was mainly due to current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,196 million (2009: HK$1,227 million) over the shareholders' funds plus minority interests totalling of approximately HK$3,644 million (2009: HK$3,294 million), was 33% as at 31 March 2010 (2009: 37%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Funding and treasury policies

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by borrowings including secured bank loans and convertible bonds. Repayments of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong dollars and Renminbi and bear interest at floating rates, except for the convertible bonds.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31 March 2010, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK$3,510 million as at 31 March 2010 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 31 to the financial statements.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 320 employees as at 31 March 2010. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2010 (2009: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30 August 2010 to 2 September 2010 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 August 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 117 to 120, which do not form part of the audited financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the convertible bonds issued by a subsidiary of the Company during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$643,028,000, of which HK$60,036,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$396,352,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

James Sai-Wing Wong	
Madeline May-Lung Wong	
Herman Man-Hei Fung	
Zuric Yuen-Keung Chan	
Xiao-Ping Li	(appointed on 11 December 2009)
Dennis Kwok-Wing Cheung	(resigned on 17 April 2010)
Daniel Chi-Wai Tse*	
Kenneth Kin-Hing Lam*	
Hsin-Kang Chang*	

* *Independent non-executive directors*

In accordance with article 95 of the Articles of Association, Xiao-Ping Li will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with article 104 of the Articles of Association, Zuric Yuen-Keung Chan and Kenneth Kin-Hing Lam will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) Xiao-Ping Li

Aged 58, was appointed as an executive director of the Company in December 2009. Mr. Li was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Li has over 31 years of experience in economics and management in the PRC. He graduated from Jiangsu Institute of Polytechnics with a major in Management Engineering and has obtained a senior economist qualification certificate of PRC. He is a member of the Plant Maintenance Association of Chinese Mechanical Engineering Society. Mr. Li did not hold any directorship in other listed companies in the last three years.

At the date of this report, Mr. Li did not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He also acts as director of certain subsidiaries of the Group. Save as disclosed above, Mr. Li does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

(a) Xiao-Ping Li *(Continued)*

No service contract has been signed between the Company and Mr. Li. However, Mr. Li has an employment contract with the Company. He is currently entitled to an annual salary of HK$1,664,000 plus discretionary bonus to be determined by the Board.

Save as disclosed above, there is no other information relating to Mr. Li which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

(b) Zuric Yuen-Keung Chan

Aged 55, was appointed as a director of the Company in December 2003 and re-designated as an Executive Director of the Company in January 2007. Mr. Chan was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Chan is also a director of Chinney Alliance, which is listed on the Stock Exchange. He has 36 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

At the date of this report, Mr. Chan did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. He also acts as director of various subsidiaries and associates of the Company and Chinney Investments, the controlling shareholder of the Company. Save as disclosed above, Mr. Chan does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Chan. However, Mr. Chan has an employment contract with the Company. He is currently entitled to an annual salary of HK$1,956,500 plus discretionary bonus to be determined by the Board.

Save as disclosed above, there is no other information relating to Mr. Chan which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

(c) Kenneth Kin-Hing Lam

Aged 56, was appointed as an independent non-executive director of the Company in 2004. Mr. Lam was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Lam is the deputy chairman and director of Quam Limited, which is listed on the Stock Exchange, and also the managing director of Quam Capital (Holdings) Limited. He is a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand, and has previously held directorship in other publicly listed company in Thailand. He is also the vice-chairman of The Institute of Securities Dealers Limited. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 28 years of experience in corporate finance and banking. He holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada and a Master's Degree in Business Administration from the Chinese University of Hong Kong.

At the date of this report, Mr. Lam did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, Mr. Lam does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Lam. He is entitled to a director's fee of HK$75,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Lam which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, the interests and short positions of the directors of the Company in the share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code, were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(a) Directors' interests in the ordinary shares of the Company

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1 & 2*	Through controlled corporation	261,112,553	54.37
Madeline May-Lung Wong	*1 & 2*	Through controlled corporation	261,112,553	54.37
Herman Man-Hei Fung	*1*	Beneficially owned	300,000	0.06

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued share capital/paid-up registered capital
James Sai-Wing Wong	*1 & 3*	Chinney Investments	Through controlled corporation	318,675,324	57.80
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year	Beneficially owned	10,000	50.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
Madeline May-Lung Wong	*1 & 3*	Chinney Investments	Through controlled corporation	318,675,324	57.80
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. *All the interests stated above represent long positions.*

2. *These shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are also directors and have beneficial interests therein.*

3. *These shares are beneficially held by Chinney Holdings. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

4. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

5. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of the Company and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 31 March 2010, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 35 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the directors and comparable market statistics.

MANAGEMENT CONTRACTS

The Company has entered into a management contract with Chinney Investments for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving the other party two-month written notice.

During the year, the Company paid a management fee of HK$9,000,000 to Chinney Investments (2009: HK$6,000,000). James Sai-Wing Wong, Madeline May-Lung Wong and Herman Man-Hei Fung, the directors of the Company, are also the directors of Chinney Investments.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	*1 & 2*	Directly beneficially owned	261,112,553	54.37
Chinney Holdings	*1 & 2*	Through controlled corporation	261,112,553	54.37
Lucky Year	*1 & 2*	Through controlled corporation	261,112,553	54.37

Notes:

1. *All the interests stated above represent long positions.*

2. *Chinney Investments, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.*

Save as disclosed herein, as at 31 March 2010, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, (i) James Sai-Wing Wong, the Chairman of the Company, has deemed interests and holds directorships in companies engaged in the businesses of property investment; and (ii) Madeline May-Lung Wong is a director of HKR International Limited, whose group's businesses consist of property development and property investment. In this respect, James Sai-Wing Wong and Madeline May-Lung Wong are regarded as being interested in businesses which might compete with the Group.

As the Board is independent from the board of those entities and maintains three independent non-executive directors, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from, the businesses of those entities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2010.

CONNECTED TRANSACTION

During the year and up to the date of this report, the Company and the Group had the following connected transaction, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 8 March 2010, Join Ally Limited, a wholly-owned subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$144,211,000 (the "Acquisition"). The Acquisition constituted a discloseable and connected transaction to the Company under the Listing Rules as Enhancement is a company controlled by James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. At the extraordinary general meeting of the Company held on 16 April 2010, the Acquisition was approved by the independent shareholders of the Company.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

(a) In November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement (the "HK$280 million Facility Agreement") relating to a HK$280 million transferrable term and revolving loan facility (the "HK$280 million Loan Facilities") with a syndicate of banks. The HK$280 million Loan Facilities have a term of 36 months commencing from the date of the HK$280 million Facility Agreement and will be used as general working capital of the Group.

Pursuant to the HK$280 million Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to remain as the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, the Chairman of both the Company and Chinney Investments, ceases to hold a controlling shareholding interest in Chinney Investments.

If an event of default under the HK$280 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$280 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$280 million Loan Facilities to be immediately due and payable.

The whole outstanding amount of the above loan facilities was repaid by the Group during the year.

(b) In March 2010, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement (the "HK$400 million Facility Agreement") relating to a HK$400 million transferrable term and revolving loan facilities (the "HK$400 million Loan Facilities") with a syndicate of banks. The HK$400 million Loan Facilities have a term of 36 months commencing from the date of the HK$400 million Facility Agreement and will be used as general working capital of the Group.

Pursuant to the HK$400 million Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to be the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, the Chairman of both the Company and Chinney Investments, ceases to be a major beneficial ultimate shareholder of Chinney Investments.

If an event of default under the HK$400 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$400 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$400 million Loan Facilities to be immediately due and payable.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 16%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 38 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Herman Man-Hei Fung
Vice-Chairman

Hong Kong, 8 July 2010

ERNST & YOUNG
安 永

To the shareholders of Hon Kwok Land Investment Company, Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Hon Kwok Land Investment Company, Limited set out on pages 37 to 115, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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 auditors' 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 auditors consider 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 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.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 July 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**812,584**	194,858
Cost of sales		**(620,020)**	(152,909)
Gross profit		**192,564**	41,949
Other income and gains	5	**13,138**	7,609
Fair value gains/(losses) on investment properties, net		**309,650**	(251,189)
Fair value gain on a completed property transferred to investment property		**–**	315,625
Fair value gains on properties held for sale transferred to investment properties		**–**	38,188
Gain on disposal of investment properties		**7,285**	22,252
Gain on repurchase of convertible bonds		**19,199**	–
Gain on disposal of a jointly-controlled entity		**76,922**	–
Administrative expenses		**(60,886)**	(49,513)
Other operating expenses, net		**(22,965)**	(9,743)
Finance costs	6	**(23,068)**	(28,619)
Share of profits and losses of jointly-controlled entities		**(473)**	25,239
PROFIT BEFORE TAX	7	**511,366**	111,798
Income tax expense	10	**(107,309)**	(38,678)
PROFIT FOR THE YEAR		**404,057**	73,120
Attributable to:			
Owners of the Company	11	**373,866**	76,500
Minority interests		**30,191**	(3,380)
		404,057	73,120
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**78 HK cents**	16 HK cents
Diluted		**71 HK cents**	15 HK cents

Details of the proposed final dividend for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**404,057**	73,120
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**15,708**	33,695
Release of exchange fluctuation reserve to consolidated income statement upon the disposal of a jointly-controlled entity		**(8,428)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7,280**	33,695
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**411,337**	106,815
Attributable to:			
Owners of the Company	11	**380,942**	107,947
Minority interests		**30,395**	(1,132)
		411,337	106,815

STATEMENTS OF FINANCIAL POSITION

31 March 2010

		Group		Company	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	**41,995**	26,340	**899**	1,170
Properties under development	*15*	**1,407,522**	1,712,258	**–**	–
Investment properties	*16*	**3,746,995**	2,558,115	**–**	–
Interests in subsidiaries	*17*	**–**	–	**1**	1
Interests in jointly-controlled entities	*18*	**63**	24,848	**–**	–
Total non-current assets		**5,196,575**	4,321,561	**900**	1,171
CURRENT ASSETS					
Amounts due from subsidiaries	*17*	**–**	–	**2,221,948**	2,494,368
Amounts due from jointly-controlled entities	*18*	**25**	178,837	**–**	–
Tax recoverable		**988**	191	**–**	–
Properties held for sale	*19*	**148,273**	533,608	**–**	–
Trade receivables	*20*	**18,899**	1,479	**–**	–
Prepayments, deposits and other receivables	*21*	**40,904**	26,320	**1,644**	2,965
Pledged deposits	*22*	**91,200**	–	**–**	–
Cash and cash equivalents	*22*	**542,704**	324,455	**76,368**	66,574
Total current assets		**842,993**	1,064,890	**2,299,960**	2,563,907
CURRENT LIABILITIES					
Amounts due to subsidiaries	*17*	**–**	–	**694,029**	1,041,109
Trade payables and accrued liabilities	*23*	**183,492**	154,242	**6,508**	6,151
Interest-bearing bank borrowings	*24*	**213,655**	379,091	**80,000**	–
Promissory note payable	*25*	**20,000**	–	**–**	–
Customer deposits		**7,200**	76,191	**–**	–
Tax payable		**71,518**	60,393	**–**	–
Total current liabilities		**495,865**	669,917	**780,537**	1,047,260
NET CURRENT ASSETS		**347,128**	394,973	**1,519,423**	1,516,647
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,543,703**	4,716,534	**1,520,323**	1,517,818

		Group		Company	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*24*	**1,515,409**	872,227	**–**	–
Promissory note payable	*25*	**–**	20,000	**–**	–
Convertible bonds	*26*	**100,900**	299,475	**–**	–
Deferred tax liabilities	*27*	**283,416**	230,544	**–**	–
Total non-current liabilities		**1,899,725**	1,422,246	**–**	–
Net assets		**3,643,978**	3,294,288	**1,520,323**	1,517,818
EQUITY					
Equity attributable to owners of the Company					
Issued capital	*28*	**480,286**	480,286	**480,286**	480,286
Equity component of convertible bonds	*26*	**7,802**	24,826	**–**	–
Reserves	*29*	**2,922,967**	2,585,037	**980,001**	977,496
Proposed final dividend	*12*	**60,036**	60,036	**60,036**	60,036
		3,471,091	3,150,185	**1,520,323**	1,517,818
Minority interests		**172,887**	144,103	**–**	–
Total equity		**3,643,978**	3,294,288	**1,520,323**	1,517,818

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

		Attributable to owners of the Company									
		Issued capital	Share premium account	Capital redemption reserve	Equity component of convertible bonds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2008		480,286	396,352	10	24,826	276,305	1,864,459	60,036	3,102,274	148,321	3,250,595
Total comprehensive income for the year		–	–	–	–	31,447	76,500	–	107,947	(1,132)	106,815
Acquisition of minority interests		–	–	–	–	–	–	–	–	(4)	(4)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(3,082)	(3,082)
Final 2008 dividend declared		–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
Proposed final 2009 dividend	12	–	–	–	–	–	(60,036)	60,036	–	–	–
At 31 March 2009 and 1 April 2009		480,286	396,352*	10*	24,826	307,752*	1,880,923*	60,036	3,150,185	144,103	3,294,288
Total comprehensive income for the year		–	–	–	–	7,076	373,866	–	380,942	30,395	411,337
Repurchase of convertible bonds		–	–	–	(17,024)	–	17,024	–	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(1,611)	(1,611)
Final 2009 dividend declared		–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
Proposed final 2010 dividend	12	–	–	–	–	–	(60,036)	60,036	–	–	–
At 31 March 2010		**480,286**	**396,352***	**10***	**7,802**	**314,828***	**2,211,777***	**60,036**	**3,471,091**	**172,887**	**3,643,978**

* *These reserve accounts comprise the consolidated reserves of HK$2,922,967,000 (2009: HK$2,585,037,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**511,366**	111,798
Adjustments for:			
Finance costs	6	**23,068**	28,619
Share of profits and losses of jointly-controlled entities		**473**	(25,239)
Interest income	7	**(1,579)**	(2,741)
Depreciation	7	**3,242**	3,092
Gain on disposal of investment properties	7	**(7,285)**	(22,252)
Loss/(gain) on disposal of items of property, plant and equipment	7	**24**	(124)
Gain on repurchase of convertible bonds	7	**(19,199)**	–
Gain on disposal of a jointly-controlled entity	7	**(76,922)**	–
Fair value losses/(gains) on investment properties, net	7	**(309,650)**	251,189
Fair value gains on properties held for sale transferred to investment properties	7	**–**	(38,188)
Fair value gain on a completed property transferred to investment property	7	**–**	(315,625)
		123,538	(9,471)
Increase in properties under development		**(428,007)**	(175,617)
Decrease/(increase) in properties held for sale		**499,798**	(30,768)
Decrease/(increase) in trade receivables		**(17,420)**	4,071
Decrease/(increase) in prepayments, deposits and other receivables		**(17,413)**	6,482
Decrease in trade payables and accrued liabilities		**(13,893)**	(72,581)
Decrease in an amount due to a related company		**–**	(44)
Increase/(decrease) in customer deposits		**(68,991)**	37,663
Cash generated from/(used in) operations		**77,612**	(240,265)
Overseas taxes paid		**(41,450)**	(8,087)
Net cash flows from/(used in) operating activities		**36,162**	(248,352)

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from/(used in) operating activities		**36,162**	(248,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,579**	2,741
Purchases of items of property, plant and equipment	14	**(19,034)**	(2,652)
Proceeds from disposals of items of property, plant and equipment		**113**	272
Proceeds from disposal of investment properties		**46,851**	344,996
Proceeds from disposal of a jointly-controlled entity		**123,303**	–
Additions to investment properties		**(91,352)**	(14,356)
Increase in pledged deposits		**(91,200)**	–
Dividends received from a jointly-controlled entity		**750**	45,654
Decrease/(increase) in amounts due from jointly-controlled entities		**4,221**	(15,696)
Acquisition of minority interests		**–**	(4)
Net cash flows from/(used in) investing activities		**(24,769)**	360,955
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(39,412)**	(49,046)
New bank loans		**865,728**	443,636
Repurchase of convertible bonds		**(192,000)**	–
Repayment of bank loans		**(387,982)**	(631,091)
Dividend paid		**(60,036)**	(60,036)
Dividends paid to minority shareholders		**(1,611)**	(3,082)
Net cash flows from/(used in) financing activities		**184,687**	(299,619)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**196,080**	(187,016)
Cash and cash equivalents at beginning of year		**324,455**	519,226
Effect of foreign exchange rates changes, net		**22,169**	(7,755)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**542,704**	324,455
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**516,340**	216,940
Non-pledged time deposits with original maturity of less than three months when acquired	22	**26,364**	107,515
Cash and cash equivalents as stated in the statement of financial position		**542,704**	324,455

1. CORPORATE INFORMATION

Hon Kwok Land Investment Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was involved mainly in property development, property investment and property related activities.

The immediate holding company of the Group is Chinney Investments, Limited ("Chinney Investments"), a company incorporated and listed in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Company is Lucky Year Finance Limited ("Lucky Year"), a company incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments: Disclosures – Information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary,* which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 8, HKFRS 8 Amendment and HKAS 40 Amendment (included in Improvements to HKFRSs issued in October 2008), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments* and Amendment to HKFRS 8 *Operating Segments: Disclosures – Information about segment assets*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) Amendment to HKAS 40 *Investment Property*

HKAS 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 April 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

It is determined that the fair value of the Group's investment properties under construction is not reliably determinable at the end of the reporting period. As a result of the adoption of this amendment, the Group reclassified properties under development of approximately HK$808 million into investment properties.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

A joint venture is treated as:

(a) a subsidiary, if the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net asset under the equity method of accounting, less any impairment loss. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, investment properties, investment properties under construction and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding companies;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses. Impairment is assessed by the directors with reference to prevailing market prices, on an individual property basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. The Group has concluded that the fair value of its investment properties under construction cannot be measured reliably at the end of the reporting period, therefore, the Group's investment properties under construction continue to be measured at cost.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates according to prevailing market conditions, on an individual property basis.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, deposits, and amounts due from jointly-controlled entities.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Initial recognition and measurement (Continued)

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables and accrued liabilities, interest-bearing bank borrowings, convertible bonds, customer deposits and the promissory note payable.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) property management income, on an accrual basis, in the period in which services are rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who were eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 8.67% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or a property held for sale, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Properties held for sale are properties held by the Group with intention for sale in the Group's ordinary course of business.

Judgement is made on an individual property basis to determine whether leased out properties are classified as properties held for sale.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of recoverable amounts of properties under development

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties under development held by the Group are set out in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. Particulars of the investment properties held by the Group are set out in note 16 to the financial statements.

Current income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 27 to the financial statements.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax ("LAT'') implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes, which have been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of land appreciation taxes in the period in which such determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income; and

(c) the "others" segment comprises, principally, sub-leasing business and property management service business which provide management services to residential and commercial properties.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, share of profits and losses of jointly-controlled entities as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude interests in jointly-controlled entities, amounts due from jointly-controlled entities, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank borrowings, convertible bonds, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**738,767**	110,033	**40,317**	47,539	**33,500**	37,286	**812,584**	194,858
Segment results	**151,504**	(17,044)	**337,999**	157,519	**(45)**	5,285	**489,458**	145,760
Reconciliation:								
Interest income							**1,579**	2,741
Unallocated gains							**96,230**	55
Unallocated expenses							**(52,360)**	(33,378)
Finance costs							**(23,068)**	(28,619)
Share of profits and losses of jointly-controlled entities							**(473)**	25,239
Profit before tax							**511,366**	111,798
Segment assets	**1,620,256**	2,284,854	**4,008,743**	2,802,859	**1,916,882**	2,100,283	**7,545,881**	7,187,996
Reconciliation:								
Elimination of intersegment receivables							**(2,141,293)**	(2,329,878)
Interests in jointly-controlled entities							**63**	24,848
Amounts due from jointly-controlled entities							**25**	178,837
Corporate and other unallocated assets							**634,892**	324,648
Total assets							**6,039,568**	5,386,451
Segment liabilities	**1,166,643**	1,350,348	**898,929**	956,462	**286,413**	273,501	**2,351,985**	2,580,311
Reconciliation:								
Elimination of intersegment payables							**(2,141,293)**	(2,329,878)
Corporate and other unallocated liabilities							**2,184,898**	1,841,730
Total liabilities							**2,395,590**	2,092,163

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Fair value gains/(losses) on investment properties, net	**–**	–	**309,650**	(251,189)	**–**	–	**309,650**	(251,189)
Fair value gains on properties held for sale transferred to investment properties	**–**	–	**–**	38,188	**–**	–	**–**	38,188
Fair value gain on a completed property transferred to investment property	**–**	–	**–**	315,625	**–**	–	**–**	315,625
Depreciation	**2,118**	2,023	**117**	136	**1,007**	933	**3,242**	3,092
Capital expenditure	**594,315**	320,252	**111,231**	14,358	**1,037**	846	**706,583***	335,456*

* *Capital expenditure represents additions to property, plant and equipment, properties under development and investment properties.*

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**133,240**	184,630
Mainland China	**677,818**	3,620
Canada	**1,526**	6,608
	812,584	194,858

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**1,719,895**	1,381,586
Mainland China	**3,476,617**	2,915,127
	5,196,512	4,296,713

The non-current asset information above is based on the location of assets and excludes interests in jointly-controlled entities.

Information about a major customer

In the prior year, revenue of HK$71,500,000 was derived from sale of properties to a single customer.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties, gross rental income and property management income during the year.

An analysis of revenue and other income and gains is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**738,767**	110,033
Gross rental income	**71,560**	82,374
Property management income	**2,257**	2,451
	812,584	194,858
Other income and gains		
Bank interest income	**1,579**	2,737
Interest income from mortgage loans receivable	**–**	4
Project consultancy service income	**2,500**	–
Foreign exchange differences, net	**4,317**	776
Others	**4,742**	4,092
	13,138	7,609

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**52,036**	69,273
Less: Interest capitalised under property development projects	**(28,968)**	(40,654)
	23,068	28,619

7. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of properties sold	**574,458**	107,260
Depreciation	**3,242**	3,092
Minimum lease payments under operating leases on land and buildings#	**27,102**	20,123
Auditors' remuneration	**1,767**	1,908
Employee benefit expense (including directors' remuneration *(note 8)*):		
Wages, salaries, allowances and benefits in kind	**31,477**	29,325
Pension scheme contributions	**1,153**	1,127
	32,630	30,452
Less: Amounts capitalised under property development projects	**(5,300)**	(8,179)
	27,330	22,273
Gross rental income	**(71,560)**	(82,374)
Less: Outgoing expenses*	**45,562**	45,649
	(25,998)	(36,725)
Rental income on investment properties less direct operating expenses of HK$16,969,000 (2009: HK$14,760,000)	**(23,348)**	(34,203)
Foreign exchange differences, net	**(4,317)**	(776)
Fair value gain on a completed property transferred to investment property	**–**	(315,625)
Fair value gains on properties held for sale transferred to investment properties	**–**	(38,188)
Fair value losses/(gains) on investment properties, net	**(309,650)**	251,189
Gain on disposal of investment properties	**(7,285)**	(22,252)
Gain on repurchase of convertible bonds	**(19,199)**	–
Gain on disposal of a jointly-controlled entity	**(76,922)**	–
Write-back of provision for a claim	**–**	(5,426)
Interest income	**(1,579)**	(2,741)
Loss/(gain) on disposal of items of property, plant and equipment	**24**	(124)

7. PROFIT BEFORE TAX *(Continued)*

At the end of the reporting period, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant (2009: Nil).

Included in the amount is rental expenses for carpark operations of HK$16,240,000 (2009: HK$17,251,000) which are included in "Cost of sales" on the face of the consolidated income statement.

* *The outgoing expenses for the year are included in "Cost of sales" on the face of the consolidated income statement.*

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees	**225**	225
Other emoluments:		
Salaries, allowances and benefits in kind	**4,245**	3,647
Discretionary performance related bonuses*	**4,166**	3,000
Pension scheme contributions	**156**	147
	8,567	6,794
	8,792	7,019

* *Certain executive directors of the Company are entitled to bonus payments which are determined based on the individual performance of these directors during the year.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Daniel Chi-Wai Tse	**75**	75
Kenneth Kin-Hing Lam	**75**	75
Hsin-Kang Chang	**75**	75
	225	225

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010					
Executive directors:					
James Sai-Wing Wong	**–**	**–**	**–**	**–**	**–**
Dennis Kwok-Wing Cheung	**–**	**2,010**	**1,950**	**140**	**4,100**
Zuric Yuen-Keung Chan	**–**	**1,757**	**1,892**	**12**	**3,661**
Xiao-Ping Li	**–**	**478**	**324**	**4**	**806**
	–	**4,245**	**4,166**	**156**	**8,567**
Non-executive directors:					
Madeline May-Lung Wong	**–**	**–**	**–**	**–**	**–**
Herman Man-Hei Fung	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**
	–	**4,245**	**4,166**	**156**	**8,567**
2009					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Dennis Kwok-Wing Cheung	–	1,950	1,500	135	3,585
Zuric Yuen-Keung Chan	–	1,697	1,500	12	3,209
	–	3,647	3,000	147	6,794
Non-executive directors:					
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
	–	–	–	–	–
	–	3,647	3,000	147	6,794

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: three) non-director, highest paid employees for the year are set out below:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,608**	4,028
Pension scheme contributions	**144**	192
	2,752	4,220

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	2	3

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

LAT has been calculated in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

10. INCOME TAX *(Continued)*

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Elsewhere	**47,757**	1,552
LAT in Mainland China	**6,680**	–
Deferred *(note 27)*	**52,872**	37,126
Total tax charge for the year	**107,309**	38,678

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**511,366**	111,798
Tax at the statutory rate of 16.5% (2009: 16.5%)	**84,375**	18,447
Effect of different rates for companies operating in other jurisdictions	**12,966**	25,919
Effect on opening deferred tax of decrease in statutory rate *(note 27)*	**–**	(4,515)
Income not subject to tax	**(16,633)**	(4,468)
Expenses not deductible for tax	**11,279**	4,814
Tax losses utilised from previous periods	**(1,345)**	(2,149)
Tax losses not recognised	**10,357**	4,544
Profits attributable to jointly-controlled entities	**78**	(4,164)
LAT	**6,680**	–
Others	**(448)**	250
Tax charge at the Group's effective rate of 21.0% (2009: 34.6%)	**107,309**	38,678

10. INCOME TAX *(Continued)*

Certain subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the corporate income tax rates of 20% from 1 April 2009 to 31 December 2009 and 22% from 1 January 2010 to 31 March 2010.

In the prior year, the share of net tax credit attributable to jointly-controlled entities amounting to HK$5,743,000 was included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement. There was no share of tax attributable to jointly-controlled entities during the year ended 31 March 2010.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2010 includes a profit of HK$62,541,000 (2009: HK$63,583,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Proposed final – 12.5 HK cents (2009: 12.5 HK cents) per ordinary share	**60,036**	60,036

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**373,866**	76,500
Interest on convertible bonds, net of tax and interest capitalisation	**–**	6,164
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**373,866**	82,664

	Number of shares	
	2010	2009
Shares		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	**480,286,201**	480,286,201
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**48,611,318**	71,794,872
	528,897,519	552,081,073

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2010					
At 31 March 2009 and at 1 April 2009:					
Cost	24,593	2,035	8,576	5,701	40,905
Accumulated depreciation	(4,554)	(1,181)	(6,519)	(2,311)	(14,565)
Net carrying amount	20,039	854	2,057	3,390	26,340
At 1 April 2009, net of accumulated depreciation	20,039	854	2,057	3,390	26,340
Additions	–	15,415	1,403	2,216	19,034
Disposals	–	–	(21)	(116)	(137)
Depreciation provided during the year	(1,106)	(347)	(946)	(843)	(3,242)
At 31 March 2010, net of accumulated depreciation	**18,933**	**15,922**	**2,493**	**4,647**	**41,995**
At 31 March 2010:					
Cost	24,593	17,450	9,970	7,627	59,640
Accumulated depreciation	(5,660)	(1,528)	(7,477)	(2,980)	(17,645)
Net carrying amount	**18,933**	**15,922**	**2,493**	**4,647**	**41,995**
31 March 2009					
At 1 April 2008:					
Cost	24,046	2,035	8,449	4,166	38,696
Accumulated depreciation	(3,370)	(834)	(6,248)	(1,849)	(12,301)
Net carrying amount	20,676	1,201	2,201	2,317	26,395
At 1 April 2008, net of accumulated depreciation	20,676	1,201	2,201	2,317	26,395
Additions	–	–	749	1,903	2,652
Disposals	–	–	(54)	(94)	(148)
Depreciation provided during the year	(1,107)	(347)	(866)	(772)	(3,092)
Exchange realignment	470	–	27	36	533
At 31 March 2009, net of accumulated depreciation	20,039	854	2,057	3,390	26,340
At 31 March 2009:					
Cost	24,593	2,035	8,576	5,701	40,905
Accumulated depreciation	(4,554)	(1,181)	(6,519)	(2,311)	(14,565)
Net carrying amount	20,039	854	2,057	3,390	26,340

The leasehold land and buildings are situated in Mainland China and are held under long term leases.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements *HK$'000*	**Furniture and equipment** *HK$'000*	**Total** *HK$'000*
31 March 2010			
At 31 March 2009 and at 1 April 2009:			
Cost	1,520	2,758	4,278
Accumulated depreciation	(734)	(2,374)	(3,108)
Net carrying amount	786	384	1,170
At 1 April 2009, net of accumulated depreciation	786	384	1,170
Additions	–	201	201
Depreciation provided during the year	(304)	(168)	(472)
At 31 March 2010, net of accumulated depreciation	**482**	**417**	**899**
At 31 March 2010:			
Cost	1,520	2,959	4,479
Accumulated depreciation	(1,038)	(2,542)	(3,580)
Net carrying amount	**482**	**417**	**899**
31 March 2009			
At 1 April 2008:			
Cost	1,520	2,714	4,234
Accumulated depreciation	(429)	(2,218)	(2,647)
Net carrying amount	1,091	496	1,587
At 1 April 2008, net of accumulated depreciation	1,091	496	1,587
Additions	–	44	44
Depreciation provided during the year	(305)	(156)	(461)
At 31 March 2009, net of accumulated depreciation	786	384	1,170
At 31 March 2009:			
Cost	1,520	2,758	4,278
Accumulated depreciation	(734)	(2,374)	(3,108)
Net carrying amount	786	384	1,170

15. PROPERTIES UNDER DEVELOPMENT

Group

	2010	2009
	HK$'000	*HK$'000*
At beginning of year	**1,712,258**	1,699,408
Additions	**576,597**	318,448
Transfer to properties held for sale	**(73,492)**	–
Transfer to completed investment properties *(note 16)*	**–**	(343,466)
Transfer to investment properties under construction *(note 16)*	**(807,841)**	–
Exchange realignment	**–**	37,868
At end of year	**1,407,522**	1,712,258

Properties under development included interest expense of HK$4,979,000 (2009: HK$31,950,000) that was incurred and capitalised during the year.

Details of the properties under development are as follows:

	2010	2009
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**3,582**	3,582
Mainland China	**179,225**	986,753
Long term leases:		
Mainland China	**1,224,715**	721,923
	1,407,522	1,712,258

Certain of the Group's properties under development with an aggregate carrying value of HK$462,335,000 (2009: HK$131,827,000) at the end of the reporting period were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 24(a)(ii) to the financial statements.

The Group is subject to a risk that certain land relating to the properties under development situated in the PRC, with a carrying amount of HK$351,865,000 at the end of the reporting period, could be appropriated by the relevant government authorities in the PRC as a result of the non-compliance with the requirement to complete the construction work on the land in prior years. In the opinion of the directors, the chance that the land administration bureau will appropriate the property without paying compensation is remote because the Group had fully paid the land premium in prior years and was granted approval from the relevant government authorities for the modification and application for extension of several Construction Works Planning Permits and Construction Works Commencement Permits.

Further particulars of the Group's properties under development are included in "Particulars of Properties" on pages 117 to 120.

16. INVESTMENT PROPERTIES

Group

	2010		
	Completed investment properties at fair value	**Investment properties under construction at cost**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At beginning of year	**2,558,115**	**–**	**2,558,115**
Additions	**77,307**	**33,645**	**110,952**
Transfer from properties under development – upon adoption of *Improvements to HKFRSs* issued in October 2008	**–**	**807,841**	**807,841**
Disposals	**(39,566)**	**–**	**(39,566)**
Net gains from fair value adjustments	**309,650**	**–**	**309,650**
Exchange realignment	**3**	**–**	**3**
At end of year	**2,905,509**	**841,486**	**3,746,995**

Group

	2009		
	Completed investment properties at fair value	Investment properties under construction at cost	Total
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	2,373,878	–	2,373,878
Additions	14,356	–	14,356
Transfer from properties held for sale	35,676	–	35,676
Transfer from properties under development	343,466	–	343,466
Disposals	(322,744)	–	(322,744)
Net gains from fair value adjustments	102,624	–	102,624
Exchange realignment	10,859	–	10,859
At end of year	2,558,115	–	2,558,115

16. INVESTMENT PROPERTIES *(Continued)*

	2010	2009
	HK$'000	*HK$'000*
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	**957,000**	781,000
Medium term leasehold land and buildings in Hong Kong	**757,600**	595,300
Medium term leasehold land and buildings in Mainland China	**2,032,395**	1,181,815
	3,746,995	2,558,115

At the end of the reporting period, all of the completed investment properties were revalued on an open market, existing use basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers. Certain completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Investment properties under construction included interest expense of HK$19,600,000 (2009: Nil) that was incurred and capitalised during the year.

The Group's investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. The Group has concluded that the fair value of its investment properties under construction cannot be measured reliably at the end of the reporting period and are therefore measured at cost in the consolidated statement of financial position.

The Group's investment properties with an aggregate carrying value of HK$2,882,509,000 (2009: HK$2,253,118,000) at the end of the reporting period were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 24(a)(i) to the financial statements. In addition, certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's investment properties as detailed in note 24(a)(iv).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 117 to 120.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**3,103,824**	3,412,300
	3,103,825	3,412,301
Impairment on amounts due from subsidiaries#	**(881,876)**	(917,932)
	2,221,949	2,494,369

An impairment was recognised for amounts due from subsidiaries because these subsidiaries of the Company have been making losses.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free, and repayable on demand. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Billion Capital Development Limited	Hong Kong	HK$2	100	–	Property investment
Chinney Property Management Limited	Hong Kong	HK$100	–	100	Property management
CP Parking Limited	Hong Kong	HK$2	–	100	Carpark management
Crown Honour Developments Limited	Hong Kong	HK$2	100	–	Nominee services
Full Yip Development Limited	BVI/Hong Kong	US$1	–	100	Property holding and letting
Foshan Nanhai XinDa Land Development Ltd.*#	PRC/ Mainland China	HK$129,480,000	–	100	Property development

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Global Wealth Development Limited	Hong Kong	HK$1,000	–	100	Property investment
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/ Mainland China	Renminbi ("RMB") 185,000,000	–	60	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/ Mainland China	RMB220,000,000	–	75	Property development
Guangzhou Hua Yin Land Development Co., Ltd.*#	PRC/ Mainland China	RMB80,000,000	–	100	Property development
Guangzhou Sheng Jin Real Estate Information Consultancy Co., Ltd*#	PRC/ Mainland China	RMB40,000,000	–	100	Property development
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd.*#	PRC/ Mainland China	RMB90,000,000	–	100	Property development
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/ Mainland China	HK$30,000,000	–	100	Property development
Hon Kwok Land Treasury IV Limited	BVI	US$1	100	–	Financing
Hon Kwok Project Management Limited	Hong Kong	HK$2	– (2009: 100)	100	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	–	100	Financing
Honour Well Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
Hotfield Land Investment (Chongqing) Co., Ltd.*#	PRC/ Mainland China	US$14,300,000	–	100	Property holding and letting

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Island Parking Limited	BVI/Hong Kong	US$10	–	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	–	100	Property holding and letting
Lido Parking Limited	BVI/Hong Kong	US$1	–	100	Property holding and letting
One City Hall Place Limited*	Canada	Canadian dollars ("CAD") 100	–	75	Property development
Prime Best Development Limited	Hong Kong	HK$2	–	100	Investment holding
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB467,273,375	–	100	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/ Mainland China	RMB50,000,000	–	100	Property holding and letting
The Bauhinia Hotel Management Limited (formerly known as "CP Hotel & Guesthouse Management Limited")	Hong Kong	HK$2	–	100	Property letting
Vast Champ Investment (Chongqing) Co., Ltd*#	PRC/ Mainland China	US$10,000,000 (2009: US$2,200,000)	–	100	Property development
Wide Fame Investment Limited	Hong Kong	HK$2	–	100	Investment holding
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	100	Money lending

* *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.*

\# *These subsidiaries are registered in the PRC as foreign-owned enterprises with business duration of 25 to 50 years.*

17. INTERESTS IN SUBSIDIARIES *(Continued)*

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**63**	8,562
Goodwill on acquisition	**–**	16,286
	63	24,848

The amounts due from jointly-controlled entities included in current assets are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from jointly-controlled entities approximate to their fair values.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal jointly-controlled entities are as follows:

Name	Particulars of issued share capital/paid-up registered capital	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Foshan Nanhai XinDa Land Development Ltd.#	Registered capital of HK$129,480,000	PRC	– (2009:50)	– (2009:50)	– (2009:50)	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.*	Registered capital of RMB95,000,000	PRC	– (2009:50)	– (2009:50)	– (2009:50)	Property development
Hunnewell Limited	Ordinary share capital of HK$1,000,000	Hong Kong	50	50	50	Property development
King Success Limited	Ordinary share capital of HK$10,000	Hong Kong	50	50	50	Property development
Two City Hall Place Limited	Common share capital of CAD100	Canada	50	50	50	Property development

* *Guangzhou Lian Cheng Real Estate Co., Ltd. was disposed of by the Group during the year.*

\# *During the year, the Group acquired the remaining 50% equity interest in Foshan Nanhai XinDa Land Development Ltd. which became a wholly-owned subsidiary of the Group thereafter.*

All of the above interests in jointly-controlled entities are indirectly held by the Company.

The above table includes the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2010	2009
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	**2,599**	169,479
Total current assets	**348**	3,322
Total current liabilities	**(2,884)**	(164,239)
Net assets	**63**	8,562
Share of the jointly-controlled entities' results:		
Total revenue	**169**	69,858
Total expenses	**(642)**	(44,619)
Profit/(loss) for the year	**(473)**	25,239

19. PROPERTIES HELD FOR SALE

Properties held for sales are completed properties of HK$148,273,000 (2009: HK$57,425,000). In the prior year, also included in balance were incomplete properties with established pre-sale programmes of HK$476,183,000.

Properties held for sale included interest expense of HK$4,389,000 (2009: HK$8,704,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

Certain of the Group's properties held for sale with an aggregate carrying value of HK$73,492,000 (2009: HK$199,346,000) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 24(a)(iii) to the financial statements.

20. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**18,154**	778
31 to 60 days	**420**	314
61 to 90 days	**311**	228
Over 90 days	**14**	159
	18,899	1,479

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables approximate to their fair values.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**17,384**	–
Within 30 days past due	**770**	778
31 to 90 days past due	**731**	542
Over 90 days past due	**14**	159
	18,899	1,479

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

20. TRADE RECEIVABLES *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Company had no trade receivables at the end of the reporting period (2009: Nil).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**3,966**	8,585	**344**	270
Deposits	**23,286**	10,579	**1,300**	2,685
Other receivables	**24,176**	17,680	**–**	10
Impairment	**(10,524)**	(10,524)	**–**	–
	40,904	26,320	**1,644**	2,965

None of the deposits is either past due or impaired. The provision for impairment relates to other receivables.

Included in the above provision for impairment of other receivables is a provision for an impaired other receivable of HK$10,524,000 (2009: HK$10,524,000) with a carrying amount of HK$10,524,000 (2009: HK$10,524,000). The Group does not hold any collateral or other credit enhancement over this balance.

The remaining balance of other receivables was neither past due nor impaired and relates to a large number of independent parties for whom there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**516,340**	216,940	**76,368**	36,564
Time deposits		**117,564**	107,515	**–**	30,010
		633,904	324,455	**76,368**	66,574
Less: Pledged time deposits					
Pledged deposits for a short term bank loan	*24(a)(vi)*	**(91,200)**	–	**–**	–
Cash and cash equivalents		**542,704**	324,455	**76,368**	66,574

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK$429,958,000 (2009: HK$156,274,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of less than three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$29,689,000 (2009: HK$10,155,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**29,689**	10,155

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

The Company had no trade payables at the end of the reporting period (2009: Nil).

24. INTEREST-BEARING BANK BORROWINGS

Group	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000
Current						
Bank loans – unsecured	**1.8-2.1**	**2011**	**38,000**	1.2	2009	56,000
Bank loans – secured	**0.8-5.0**	**2010-2011**	**175,655**	1.0-5.4	2009-2010	323,091
			213,655			379,091
Non-current						
Bank loans – unsecured	**2.1**	**2011-2013**	**202,000**	1.2	2010	210,000
Bank loans – secured	**0.8-5.8**	**2011-2015**	**1,313,409**	1.0-5.4	2010-2012	662,227
			1,515,409			872,227
			1,729,064			1,251,318

Company	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000
Current						
Bank loan – unsecured	**1.8**	**2011**	**20,000**			–
Bank loan – secured	**1.1**	**2011**	**60,000**			–
			80,000			–

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**213,655**	379,091	**80,000**	–
In the second year	**543,000**	414,227	**–**	–
In the third to fifth years, inclusive	**972,409**	458,000	**–**	–
	1,729,064	1,251,318	**80,000**	–

24. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK$2,882,509,000 (2009: HK$2,253,118,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying value at the end of the reporting period of HK$462,335,000 (2009: HK$131,827,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying value at the end of the reporting period of HK$73,492,000 (2009: HK$199,346,000);

(iv) assignments of rental income from the leases of the Group's certain investment properties;

(v) charge over the shares of certain subsidiaries of the Group; and

(vi) the pledge of certain of the Group's time deposits amounting to HK$91,200,000 (2009: Nil).

(b) Irrevocable and unconditional guarantees have been given by the Company in respect of bank borrowings of certain subsidiaries. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

(c) Except for certain bank loans denominated in RMB equivalent to HK$386,364,000 (2009: HK$181,818,000), all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.

All bank loans of the Group and the Company are interest-bearing at floating rates.

The carrying amounts of the Group's current and non-current bank borrowings approximate to their fair values.

25. PROMISSORY NOTE PAYABLE

In the prior year, the Group acquired the remaining interest in a jointly-controlled entity holding a piece of land at a consideration of HK$40,000,000, of which HK$20,000,000 was satisfied by a promissory note. The promissory note payable is unsecured, interest-free and is due on 4 January 2011. The fair value of the promissory note payable approximated to HK$18,879,000 (2009: HK$17,500,000) as at 31 March 2010.

26. CONVERTIBLE BONDS

On 27 June 2006, the Group issued convertible bonds due June 2011 at par for a principal sum of HK$280,000,000 (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the right, at any time on or after 27 July 2006 up to and including the seventh business date prior to 27 June 2011, to convert the Bonds into equity shares of the Company with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. The conversion price of the Bonds has been adjusted from HK$4.00 per share to HK$3.90 per share on 3 October 2008 and further adjusted to HK$3.80 per share with effect from 6 October 2009. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27 June 2011. When the Bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the Bonds were issued.

The fair value of the liability component of the Bonds was estimated at the issue date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

During the year ended 31 March 2010, the Company repurchased part of the Bonds with an aggregate principal amount of HK$192,000,000 through over-the-counter purchases at a total consideration of HK$192,000,000. The Bonds repurchased have been cancelled. The Company determined the fair value of the liability component, at the dates of the repurchase transactions based on the valuations performed by Jones Lang LaSalle Sallmanns Limited, an independent firm of professional qualified valuers, using an equivalent market interest rate for a similar bonds without a conversion option, to be greater than the repurchase consideration. Accordingly, the whole repurchase consideration of HK$192,000,000 was allocated to the liability component with nil residual amount allocated to the equity component of the Bonds repurchased. The difference between the carrying value of the Bonds repurchased of HK$211,199,000 and the repurchase consideration of HK$192,000,000, being HK$19,199,000, was credited to the income statement. Subsequent to the repurchase, an amount of HK$17,024,000 which related to the equity component of the Bonds repurchased was transferred to the retained profits.

As at 31 March 2010, the Bonds with an aggregate principal amount of HK$88,000,000 remained outstanding. Upon full conversion, after conversion price adjustments, the Bonds shall be converted into 23,157,894 ordinary shares of the Company.

26. CONVERTIBLE BONDS *(Continued)*

The movements in the liability and equity components of the Bonds are as follows:

Group

	2010		
	Liability component of the Bonds	**Equity component of the Bonds**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2009	**299,475**	**24,826**	**324,301**
Interest expense	**20,968**	**–**	**20,968**
Interest paid	**(8,344)**	**–**	**(8,344)**
Repurchase of bonds	**(211,199)**	**–**	**(211,199)**
Transfer to retained profits	**–**	**(17,024)**	**(17,024)**
At 31 March 2010	**100,900**	**7,802**	**108,702**

Group

	2009		
	Liability component of the Bonds	Equity component of the Bonds	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	279,980	24,826	304,806
Interest expense	29,295	–	29,295
Interest paid	(9,800)	–	(9,800)
At 31 March 2009	299,475	24,826	324,301

The effective interest rate of the Bonds was 10.4% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair value of the Group's convertible bonds was approximately HK$103 million (2009: HK$325 million) at the end of the reporting period.

27. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Group

	2010		
	Depreciation allowance in excess of related depreciation	**Revaluation of investment properties**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2009	**189**	**230,355**	**230,544**
Deferred tax charged to the income statement during the year *(note 10)*	**–**	**52,872**	**52,872**
At 31 March 2010	**189**	**283,227**	**283,416**

Group

	2009		
	Depreciation allowance in excess of related depreciation	Revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	189	190,690	190,879
Deferred tax charged to the income statement during the year including the effect of the change in statutory tax rate from 17.5% to 16.5% of HK$4,515,000 *(note 10)*	–	37,126	37,126
Exchange realignment	–	2,539	2,539
At 31 March 2009	189	230,355	230,544

27. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK$220,000 (2009: HK$531,000) and unrecognised tax losses of HK$1,074,502,000 (2009: HK$1,028,272,000) available to offset against future profits. The deductible temporary differences and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profit available against the utilisation of these temporary differences and tax losses.

At 31 March 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China and in Canada. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and in Canada for which deferred tax liabilities have not been recognised totalled approximately HK$188,334,000 at 31 March 2010 (2009: HK$80,984,000) and the related amount, net of minority interests, amounted to HK$164,650,000 (2009: HK$80,984,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Company had no significant unrecognised deferred tax liability (2009: Nil).

28. SHARE CAPITAL

	2010 ***HK$'000***	2009 *HK$'000*
Authorised:		
1,750,000,000 ordinary shares of HK$1.00 each	**1,750,000**	1,750,000
Issued and fully paid:		
480,286,201 ordinary shares of HK$1.00 each	**480,286**	480,286

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000
At 1 April 2008	396,352	647	10	576,940	973,949
Total comprehensive income for the year	–	–	–	63,583	63,583
Proposed final 2009 dividend *(note 12)*	–	–	–	(60,036)	(60,036)
At 31 March 2009 and 1 April 2009	396,352	647	10	580,487	977,496
Total comprehensive income for the year	–	–	–	62,541	62,541
Proposed final 2010 dividend *(note 12)*	–	–	–	(60,036)	(60,036)
At 31 March 2010	**396,352**	**647**	**10**	**582,992**	**980,001**

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 March 2010, the Group acquired properties under development in the PRC and their related assets and liabilities from MSR Asia Acquisitions VII, Inc., as vendor. The acquisition was made by way of acquiring the remaining 50% equity interest in Floralmist Holdings Ltd. ("Floralmist") and its subsidiaries (the "Floralmist Group") and since then, Floralmist became a wholly-owned subsidiary of the Group.

This transaction was accounted for as purchase of assets and liabilities rather than as business combination because Floralmist Group has not carried out any significant business transactions prior to the date of acquisition. The net outflow of cash and cash equivalents from this acquisition reflected in the consolidated statement of cash flows as part of the cash flow movement in individual assets and liabilities acquired.

The net assets acquired in the acquisition of Floralmist Group are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	447
Properties under development	315,242
Prepayments, deposits, and other receivables	5
Cash and bank balances	415
Trade payable and accrued liabilities	(272)
Amounts due to related companies	(37,817)
Amounts due to shareholders	(179,244)
	98,776
Interest in a jointly-controlled entity	(15,905)
Assignment of shareholder's loan	89,622
	172,493

	HK$'000
Satisfied by:	
Cash	172,493

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

An analysis of net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	HK$'000
Cash consideration	172,493
Cash and bank balances acquired	(415)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	172,078

(b) During the year ended 31 March 2009, the Group acquired properties under development in the PRC and their related assets and liabilities from Sharp-View Group Inc., as vendor. The acquisition was made by way of acquiring the remaining 50% equity interest in Ample Joy International Limited ("Ample Joy") and its subsidiaries (the "Ample Joy Group") and since then, Amply Joy became a wholly-owned subsidiary of the Group.

This transaction was accounted for as purchase of assets and liabilities rather than as business combination because Amply Joy Group had not carried out any significant business transactions prior to the date of acquisition. The net outflow of cash and cash equivalents from this acquisition reflected in the consolidated statement of cash flows as part of the cash flow movement in individual assets and liabilities acquired.

The net assets acquired in the acquisition of Amply Joy Group are as follows:

	HK$'000
Net assets acquired:	
Properties under development	49,476
Prepayments, deposits, and other receivables	7
Cash and bank balances	391
Trade payable and accrued liabilities	(231)
Amounts due to shareholders	(16,820)
	32,823
Interest in a jointly-controlled entity	(1,233)
Assignment of shareholder's loan	8,410
	40,000

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	HK$'000
Satisfied by:	
Cash	20,000
Promissory note issued	20,000
	40,000

An analysis of net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	HK$'000
Cash consideration	20,000
Cash and bank balances acquired	(391)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	19,609

(c) Major non-cash transactions

Certain additions of properties held for sale of HK$36,281,000 (2009: properties under development of HK$78,393,000) during the year were not paid at the end of the reporting period and recorded as accrued liabilities.

31. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to its subsidiaries	**–**	–	**2,500,620**	1,184,602
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	**–**	–	**88,000**	280,000
	–	–	**2,588,620**	1,464,602

As at 31 March 2010, the banking facilities granted to the subsidiaries, subject to guarantees given to the banks by the Company, were utilised to the extent of HK$1,491,984,000 (2009: HK$1,184,602,000).

(b) As at 31 March 2010, the Group has given guarantees of HK$251,634,000 (2009: HK$34,556,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

The fair value of the guarantee is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements for the years ended 31 March 2010 and 2009 for the guarantees.

32. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 24 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty-two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**32,523**	14,437
In the second to fifth years, inclusive	**102,331**	15,811
After five years	**419,040**	–
	553,894	30,248

Certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's properties as detailed in note 24(a)(iv).

At the end of the reporting period, the Company had no operating lease arrangement as lessor.

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 March 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**17,159**	16,078	**3,660**	1,318
In the second to fifth years, inclusive	**12,210**	15,112	**5,022**	–
	29,369	31,190	**8,682**	1,318

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for:		
Property development expenditure and acquisition of properties	**232,511**	245,118
Acquisition of subsidiaries	**129,790**	–
	362,301	245,118

In addition, in the prior year, the Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK$26,380,000.

35. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year.

(a) During the year, the Group had transactions with a company in which James Sai-Wing Wong and Madeline May-Lung Wong, directors of the Company, have beneficial interests. The transaction is summarised below:

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Management fees paid to the immediate holding company	*(i)*	**9,000**	6,000

Note:

(i) The management fees were charged based on the underlying costs incurred by the immediate holding company.

(b) During the year, Join Ally Limited, a wholly-owned subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$144,211,000. Enhancement is a company controlled by James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. Further details of this transaction is set out in note 38 to the financial statements.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group and the Company have outstanding balances with the Company's subsidiaries and jointly-controlled entities. Particulars of the terms of balances with subsidiaries and jointly-controlled entities are set out in their respective notes.

(d) Compensation of key management personnel of the Group:

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**16,003**	15,456
Post-employment benefits	**554**	648
	16,557	16,104

Further details of directors' emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Loans and receivables	
	2010	2009
	HK$'000	*HK$'000*
Amounts due from jointly-controlled entities	**25**	178,837
Trade receivables	**18,899**	1,479
Financial assets included in prepayments, deposits and other receivables *(note 21)*	**36,938**	17,735
Pledged deposits	**91,200**	–
Cash and cash equivalents	**542,704**	324,455
	689,766	522,506

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	**175,974**	146,204
Interest-bearing bank borrowings	**1,729,064**	1,251,318
Financial liabilities included in customer deposits	**6,373**	3,948
Promissory note payable	**20,000**	20,000
Convertible bonds	**100,900**	299,475
	2,032,311	1,720,945

Company

Financial assets

	Loans and receivables	
	2010	2009
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**2,221,948**	2,494,368
Financial assets included in prepayments, deposits and other receivables *(note 21)*	**1,300**	2,695
Cash and cash equivalents	**76,368**	66,574
	2,299,616	2,563,637

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	*HK$'000*
Amounts due to subsidiaries	**694,029**	1,041,109
Financial liabilities included in trade payables and accrued liabilities	**5,761**	5,326
Interest-bearing bank borrowings	**80,000**	–
	779,790	1,046,435

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, convertible bonds, amounts due from jointly-controlled entities, a promissory note payable and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The management reviews and agrees polices for managing each of these risks and they are summarised below.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB and CAD, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign currency risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required. Approximately 84% (2009: 5%) of the Group's sales are denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB and CAD exchange rates at the end of the reporting period with all other variables held constant, of the Group's profit after tax and the Group's equity (due to changes in fair value of monetary assets and liabilities).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Group

	Change in exchange rate	Increase/ (decrease) in profit after tax and equity
	%	*HK$'000*
2010		
If Hong Kong dollar weakens against RMB	**5**	**(249)**
If Hong Kong dollar strengthens against RMB	**5**	**249**
If Hong Kong dollar weakens against CAD	**5**	**18**
If Hong Kong dollar strengthens against CAD	**5**	**(18)**
2009		
If Hong Kong dollar weakens against RMB	5	(194)
If Hong Kong dollar strengthens against RMB	5	194
If Hong Kong dollar weakens against CAD	5	14
If Hong Kong dollar strengthens against CAD	5	(14)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 24 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates at the end of the reporting period, with all other variables held constant, of the Group's profit after tax and the Group's equity (through the impact on floating rate borrowings) and after the effect of interest being capitalised under property development projects of HK$597,000.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax and equity *HK$'000*
2010		
Hong Kong dollar	**100**	**(9,909)**
RMB	**50**	**(784)**
Hong Kong dollar	**(100)**	**9,909**
RMB	**(50)**	**784**
2009		
Hong Kong dollar	100	(7,159)
RMB	50	191
Hong Kong dollar	(100)	7,159
RMB	(50)	(191)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from jointly-controlled entities, other receivables and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31(b) to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements. 12% of the Group's debts, which comprise interest-bearing bank borrowings and convertible bonds, would mature in less than one year as at 31 March 2010 (2009: 24%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

			2010		
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	3,582	172,392	–	–	175,974
Interest-bearing bank borrowings	–	252,815	579,120	1,023,310	1,855,245
Customer deposits	6,373	–	–	–	6,373
Promissory note payable	–	20,000	–	–	20,000
Convertible bonds	–	–	109,602	–	109,602
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	251,634	–	–	–	251,634
	261,589	445,207	688,722	1,023,310	2,418,828

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group *(Continued)*

	2009				
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	3,568	142,636	–	–	146,204
Interest-bearing bank borrowings	–	404,054	428,958	463,075	1,296,087
Customer deposits	3,948	–	–	–	3,948
Promissory note payable	–	–	20,000	–	20,000
Convertible bonds	–	–	–	348,735	348,735
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	34,556	–	–	–	34,556
	42,072	546,690	448,958	811,810	1,849,530

Company

	2010				
	On demand	**Less than 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts due to subsidiaries	**694,029**	**–**	**–**	**–**	**694,029**
Financial liabilities included in trade payables and accrued liabilities	**928**	**4,833**	**–**	**–**	**5,761**
Interest-bearing bank borrowings	**–**	**80,625**	**–**	**–**	**80,625**
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,491,984**	**–**	**–**	**–**	**1,491,984**
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	**88,000**	**–**	**–**	**–**	**88,000**
	2,274,941	**85,458**	**–**	**–**	**2,360,399**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company *(Continued)*

	2009				
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	1,041,109	–	–	–	1,041,109
Financial liabilities included in trade payables and accrued liabilities	900	4,426	–	–	5,326
Guarantees given to banks in connection with facilities granted to subsidiaries	1,184,602	–	–	–	1,184,602
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	280,000	–	–	–	280,000
	2,506,611	4,426	–	–	2,511,037

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed capital requirements as set out in certain of its banking facilities. As at 31 March 2010, there was no indication of breach of covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net interest-bearing debts divided by the equity attributable to owners of the Company plus minority interests. Net interest-bearing debts include interest-bearing bank borrowings and the liability component of convertible bonds less cash and cash equivalents and pledged deposits. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010	2009
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**1,729,064**	1,251,318
Convertible bonds, the liability component	**100,900**	299,475
Less: Cash and cash equivalents and pledged deposits	**(633,904)**	(324,455)
Net interest-bearing debts	**1,196,060**	1,226,338
Equity attributable to owners of the Company	**3,471,091**	3,150,185
Minority interests	**172,887**	144,103
Total equity	**3,643,978**	3,294,288
Gearing ratio	**33%**	37%

38. EVENT AFTER THE REPORTING PERIOD

On 8 March 2010, Join Ally Limited, a wholly-owned subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with Enhancement, as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$144,211,000 (the "Acquisition"). Upon signing the agreement, a deposit of HK$14,421,000 was paid and was included in prepayments, deposits and other receivables under current assets of the Company.

The Acquisition constituted a discloseable and connected transaction to the Company under the Listing Rules as Enhancement is a company controlled by James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. At the extraordinary general meeting of the Company held on 16 April 2010, the Acquisition was approved by the independent shareholders of the Company.

As the completion accounts of Guru Star Group had not been finalised as at the date of this report, there was no further financial information available for disclosure regarding the Acquisition.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 July 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**812,584**	194,858	1,250,745	392,218	1,059,427
PROFIT FOR THE YEAR	**404,057**	73,120	436,924	105,437	584,646
Profit attributable to:					
Owners of the Company	**373,866**	76,500	399,516	101,401	519,754
Minority interests	**30,191**	(3,380)	37,408	4,036	64,892
	404,057	73,120	436,924	105,437	584,646

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**6,039,568**	5,386,451	5,391,254	5,489,632	5,076,311
TOTAL LIABILITIES	**(2,395,590)**	(2,092,163)	(2,140,659)	(2,759,273)	(2,727,994)
NET ASSETS	**3,643,978**	3,294,288	3,250,595	2,730,359	2,348,317
MINORITY INTERESTS	**(172,887)**	(144,103)	(148,321)	(131,283)	(293,487)
SHAREHOLDERS' FUNDS	**3,471,091**	3,150,185	3,102,274	2,599,076	2,054,830

GROUP I – PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area (sq.m./sq.ft.)	Gross floor area (sq.m./sq.ft.)	Development progress (up to 8 July 2010)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
1. Yayao Oasis (雅瑤綠洲) Da Li District Nanhai Guangdong Province	Low density residential	247,987 sq.m. (2,668,340 sq.ft.)	272,786 sq.m. (2,935,177 sq.ft.)	Phase I – Construction in progress	–	100
2. Dong Guan Zhuan Dong Guan Zhuan Road Tian He District Guangzhou Guangdong Province	Residential	95,382 sq.m. (1,026,310 sq.ft.)	265,768 sq.m. (2,859,663 sq.ft.)	Planning stage	–	75
3. Botanica (寶翠園) Long Dong Cun Guang Shan Road Western Tian He District Guangzhou Guangdong Province	Residential	113,796 sq.m. (1,224,444 sq.ft.)	228,646 sq.m. (2,460,230 sq.ft.)	Phase I with 46,305 sq.m. – Completed		60
				Phase II with ~ 46,000 sq.m. – Superstructure work in progress	2011	60
4. 45-65 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Residential	2,177 sq.m. (23,424 sq.ft.)	23,077 sq.m. (248,308 sq.ft.)	Planning stage	–	100
5. 67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial	2,781 sq.m. (29,923 sq.ft.)	38,568 sq.m. (414,991 sq.ft.)	Planning stage	–	100
6. Hon Kwok City Commercial Centre (漢國城市商業中心) Junction of Shen Nan Zhong Road and Fu Ming Road Fu Tian District Shenzhen Guangdong Province	Commercial/ Residential	7,845 sq.m. (84,412 sq.ft.)	128,000 sq.m. (1,377,280 sq.ft.)	Master development plan approved	–	100

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

GROUP I – PROPERTIES HELD FOR DEVELOPMENT *(Continued)*

Location	Use	Site area *(sq.m./sq.ft.)*	Gross floor area *(sq.m./sq.ft.)*	Development progress (up to 8 July 2010)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
7. Lot no. B-01-02 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office/Hotel	12,181 sq.m. (131,067 sq.ft.)	133,502 sq.m. (1,436,481 sq.ft.)	Master development plan approved	–	100
HONG KONG						
8. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	100

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area *(sq.m./sq.ft.)*	Car parking spaces	Attributable interest of the Group *(%)*
MAINLAND CHINA					
9. Ganghui Huating (港滙華庭) 5 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial	4-storey of commercial podium	4,157 sq.m. (44,729 sq.ft.)	71	100

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area *(sq.m./sq.ft.)*	No. of apartment/ hotel rooms	Ownership status	Attributable interest of the Group *(%)*
MAINLAND CHINA					
10. City Square (城市天地廣場) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	5-storey of commercial podium comprising hotel (renovation in progress), commercial and shops	20,308 sq.m. (218,514 sq.ft.)	159 hotel rooms	Medium term lease	100
11. City Suites (寶軒公寓) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	Serviced apartments	3,692 sq.m. (39,725 sq.ft.)	64 units	Medium term lease	100
12. Chongqing Hon Kwok Centre (重慶漢國中心) Lot no. B-01-03 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office apartments	107,802 sq.m. (1,159,949 sq.ft.)	–	Medium term lease	100
HONG KONG					
13. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	62,127 sq.ft.	–	Medium term lease	100
14. The Bauhinia and Honwell Commercial Centre (寶軒及漢貿商業中心) 119-121 Connaught Road Central & 237-241 Des Voeux Road Central Hong Kong	Serviced apartments/ Hotel (renovation in progress)/ Commercial	123,283 sq.ft.	112 apartment units and 42-room hotel with a total of 213 rooms	Long term lease	100
15. Knutsford Place (諾士佛廣場) (formerly known as Hon Kwok TST Centre 「漢國尖沙咀中心」) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Hotel (renovation completed)/ Commercial/ office	60,893 sq.ft.	44 hotel rooms	Medium term lease	100

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

GROUP IV – CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
HONG KONG			
16. Provident Centre (和富中心) 21-53 Wharf Road North Point Hong Kong	72	Long term lease	100
17. Lido Garden (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	64	Medium term lease	100
18. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	100

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hon Kwok Land Investment Company, Limited (the "Company") will be held at Dragon Rooms 1-2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 2 September 2010 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements, the reports of the directors and the independent auditors' report for the year ended 31 March 2010.

2. To declare a final dividend.

3. To elect directors and to authorise the directors to fix their remuneration.

4. To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT** the exercise by the directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK$1.00 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where shares of the Company are offered for a period fixed by the directors to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (c) the exercise of any options under any share option scheme of the Company or similar arrangement for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (d) the exercise of conversion rights attaching to the existing convertible guaranteed bonds; or (e) a specific authority granted by the shareholders of the Company in general meeting, the additional shares allotted, issued or dealt with (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Ordinary Resolution and the said approval shall be limited accordingly.

For the purpose of this Ordinary Resolution, “Relevant Period” means the period from the passing of this Ordinary Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s Memorandum and Articles of Association to be held; and

(iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting.”.

By Order of the Board
Thomas Hang-Cheong Ma
Company Secretary

Hong Kong, 30 July 2010

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the Articles of Association of the Company. A proxy need not be a member of the Company.

2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

4. All the resolutions set out in this notice will be decided by poll.