



Hon Kwok Land Investment Company, Limited

Stock Code: 160



Annual Report 2010/11

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Cover Photo :
Yayao Oasis, Da Li District, Nanhai – Architect Perspective

封面圖片：
南海大瀝鎮雅瑤綠洲 – 總設計圖

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

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Fax : (852) 2845 1629
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STOCK CODE

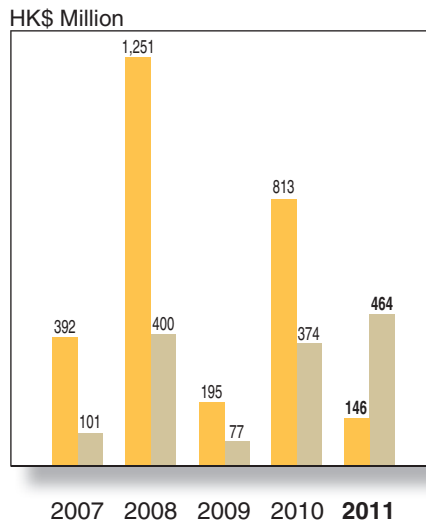
SEHK 160

WEBSITE

<http://www.honkwok.com.hk>

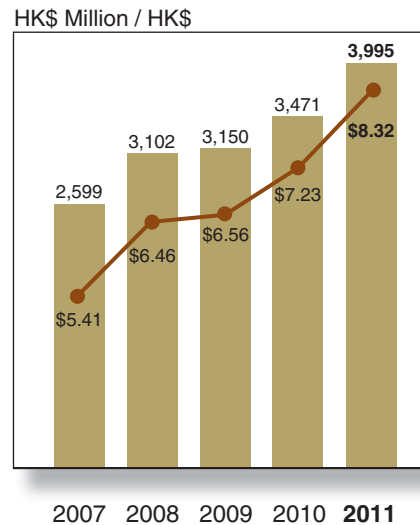
FINANCIAL HIGHLIGHTS

Turnover / Net Profit



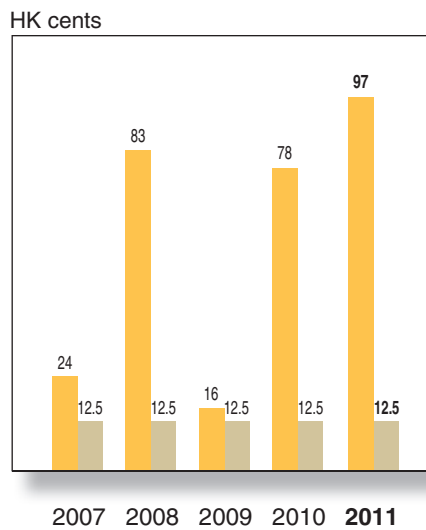
- Turnover
- Net profit attributable to shareholders

Shareholders' Funds / Net Assets per Share



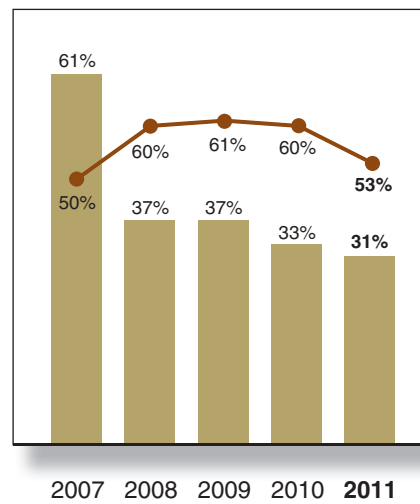
- Shareholders' funds
- Net assets per share (HK\$)

Earnings / Dividend per Share



- Earnings per share
- Dividend per share

Gearing / Equity Funding



- Gearing ratio (*)
- % of total assets financed by equity

(*) Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + non-controlling interests".

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/Service 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)

◆ Acquired property

- 15 Ganghui Dasha 港滙大廈, held as investment property

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the year ended 31 March 2011, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK\$146 million (2010: HK\$813 million) and HK\$464 million (2010: HK\$374 million), respectively. Basic earnings per share were 97 Hong Kong cents (2010: 78 Hong Kong cents). As at 31 March 2011, the shareholders' equity amounted to HK\$3,995 million (2010: HK\$3,471 million) and net assets per share attributable to shareholders were HK\$8.32 (2010: HK\$7.23).

The decrease in turnover was mainly due to the pre-sold units of the Group's development project in Guangzhou have yet to be recognised for the financial year under review. On the other hand, the increase in net profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$510 million (2010: HK\$257 million) during the year. Nevertheless, the land portions of the Group's properties under development are stated at historical costs in accordance with generally accepted accounting practice.

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 2011 (2010: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 26 August 2011. 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 9 September 2011.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 18 August 2011. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 15 August 2011 to 18 August 2011 (both days inclusive), during which period no share transfers will be registered. In order to be eligible 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 12 August 2011.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2011 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 25 August 2011 and 26 August 2011, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 22 August 2011. In order to qualify for the proposed final dividend, 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 24 August 2011.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW

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

In the financial year 2009-10, out of the principal amount of HK\$280 million Bonds issued by a wholly-owned subsidiary of the Company in June 2006, the Group had repurchased an aggregate face value of HK\$192 million of the Bonds at par. Subsequent to the year end, the outstanding principal of the Bonds amounted to HK\$88 million has been redeemed in full upon maturity in June 2011 together with the redemption premium totalling HK\$110 million by internal resources of the Group.

Property Development and Sales

Botanica Phase 2 寶翠園二期, Guangzhou, PRC

The **Botanica** 寶翠園, comprises 39 blocks of high-rise residential building, is situated in the greenery zone of Tian He District near the Botanical Garden. The project, with total gross floor area of approximately 229,000 sq.m., is scheduled for development and pre-sale by phases. Delivery of all eight blocks totalled 332 units to purchasers of **Botanica Phase 1** 寶翠園一期 had been completed in the last financial year.

*Part of Botanica Phase 1
and Phase 2*



*Entrance of The Botanica,
Tian He District,
Guangzhou*

Botanica Phase 2 寶翠園二期 also comprises eight blocks of 420 units. Delivery of individual units to purchasers of four blocks totalled 221 flats has been commenced by phases early this month. Construction works of the remaining four blocks of 199 units are in progress and scheduled to be completed by the last quarter of 2011 and approximately 99% of the units have been pre-sold up to the date of this report. Total sales proceeds generated from the above phase 2 exceeding RMB630 million and the profits derived therefrom are to be recognised in the coming financial year.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development and Sales *(Continued)*

Yayao Oasis 雅瑤綠洲, **Nanhai, PRC**

Situated in Da Li District with total gross floor area of approximately 273,000 sq.m. (excluding car parking spaces), this project is scheduled for development by phases. Phase 1 of the project comprises town houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the town houses are in progress and scheduled to be completed by the end of next quarter whilst those of the high-rise apartments are expected to be commenced soon.



*Town Houses of
Yayao Oasis Phase 1,
- construction works in progress*



*Development site
of Yayao Oasis,
Da Li District, Nanhai*

Dong Guan Zhuan Road and Beijing Nan Road projects, Guangzhou, PRC

The design and planning for the development sites at Dong Guan Zhuan Road, Tian He District and 45-107 Beijing Nan Road, Yue Xiu District, with respective total gross floor area of approximately 266,000 sq.m. and 62,000 sq.m., are both in progress.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Investment

Shenzhen, PRC

Situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, foundation works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, an 80-storey commercial/residential tower with total gross floor area of 128,000 sq.m., are in progress. The Group intends to hold this signature building for recurrent rental income upon completion of construction works which is expected to be in 2014.



*Hon Kwok City Commercial Centre, Futian District, Shenzhen
– foundation works in progress*

All the retail shops at ground level and the entire level 2 of the commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, have been leased out. **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳), a 158-room hotel at levels 3 to 5 of the podium, obtained its business licence in early 2011 and has been softly opened in March. The current occupancy rate of **City Suites** 寶軒公寓, our 64-unit serviced apartments situated on top of the above podium, is satisfactory.

Guangzhou, PRC

As previously disclosed, the Group completed the acquisition of **Ganghui Dasha** 港滙大廈, a 20-storey commercial and office building, in April 2010. The property is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District and currently enjoys an occupancy rate exceeding 95%.

The Bauhinia Hotel (Guangzhou) 寶軒酒店 (廣州), situated at Jie Fang Nan Road, Yue Xiu District, is a 166-room hotel newly renovated and leased by the Group. It has been softly opened in February 2011 upon obtaining the business licence with current occupancy and room rates at a satisfactory level.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu with total gross floor area of 107,802 sq.m., is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. Three floors of the podium and entire block of one tower have been leased out and leasing for the other tower is in good progress.

Adjacent to the above project is our **Phase 2 Project** 重慶二期項目 with total gross floor area of 133,502 sq.m. which will be developed into a grade A office tower and a 5-star hotel with serviced apartments on top of a retail/commercial podium. Foundation works of this project are expected to be commenced in the next quarter.

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Hong Kong

The Bauhinia Hotel (Central) 寶軒酒店(中環), a 42-room boutique hotel at the podium floors at Des Voeux Road Central, is softly opened in May 2011 after issuance of hotel licence subsequent to the year end. All the retail areas at ground floor have been leased out. The occupancy rate of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, currently exceeds 85%.



The Bauhinia Hotel (Central) and the serviced apartments upstairs, Des Voeux Road Central, Hong Kong

Situated at nine upper floors of **Knutsford Place** 諾士佛廣場 at Observatory Court, Tsim Sha Tsui, **The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀) is a 44-room boutique hotel

with valid hotel licence and has been opened for business since September 2010. Both the average occupancy rate and the average room rate are encouraging. Leasing negotiations for the commercial and office floors are in progress.

The occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial and office building situated at Hillwood Road, Tsim Sha Tsui, maintains at a satisfactory level.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

The Bauhinia 寶軒 Group of Hotels and Serviced Apartments

The above hotels and serviced apartments, being operated under the brand name of “**The Bauhinia 寶軒**” at different locations in Hong Kong, Shenzhen and Guangzhou, aim to cater for the accommodation needs for short-stay or longer-term visitors and business travellers. A summary of the aforesaid hotels and apartments is as follows:

	Hotel Rooms	Serviced Apartment Rooms	Total
Des Voeux Road Central, Hong Kong			
The Bauhinia Hotel (Central) 寶軒酒店 (中環)	42	–	
The Bauhinia 寶軒	–	171	
Observatory Court, Tsim Sha Tsui, Kowloon, Hong Kong			
The Bauhinia Hotel (TST) 寶軒酒店 (尖沙咀)	44	–	
Jia Bin Road, Luo Hu District, Shenzhen			
The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳)	158	–	
City Suites 寶軒公寓	–	64	
Jie Fang Nan Road, Yue Xiu District, Guangzhou			
The Bauhinia Hotel (Guangzhou) 寶軒酒店 (廣州)	166	–	
	<u>410</u>	<u>235</u>	<u>645</u>

With progressive contribution from our enlarged investment property portfolios and upon full operation of the above guest rooms, the Group's recurrent rental income is expected to be enhanced in the years ahead.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK

It is generally expected that the U.S. Federal Reserve will maintain a loose monetary policy in the near term after the end of QE2 this month. On the other hand, the Euro Zone's ongoing sovereign debt crisis as well as Japan's earthquake and tsunami disaster in last quarter end have protracted the global economic recovery.

In Mainland China, consumer inflation rate rose to a peak of 5.5% in May in almost three years. To contain high imported inflation and make adjustments to its economic structure, the Central Government is anticipated to continue to let the Renminbi's exchange rate appreciate steadily.

In order to cool down the overheated property market, the People's Bank of China has recently further tightened monetary policy by draining excess liquidity from the banking system via raising the reserve requirement ratio to a record high of 21.5% for large banks. In addition, the benchmark lending rate has been raised four times since October 2010. Coupled with the previous implementation of administrative measures by the Central Government such as restrictions on mortgage lending and multiple purchases, property transactions in major cities dropped significantly.

With property assets regarded as a reliable investment and the rapid pace of urbanization, the Board is optimistic to the mainland property market in the medium to long term as its economy continues to grow. The Group is closely monitoring the property markets in Mainland China and Hong Kong and intends to replenish its land bank and/or enlarges its investment property portfolios at opportune times.

Finally, I wish to express my sincere thanks to my fellow directors for their valuable contribution and all staff for their dedication and hard work during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 28 June 2011

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

James Sai-Wing Wong

Aged 73, 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 Main Board of 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 71, 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 Main Board of the Stock Exchange and United Nigeria Textiles PLC is listed on the Nigerian Stock Exchange.

Herman Man-Hei Fung

Aged 73, 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 Vice-Chairman of the Company 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 Main Board of the Stock Exchange. He has actively participated in the property investment and development business for the past 40 years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Mr. Fung was appointed a member of the Hong Kong Inland Revenue Board of Review from November 1996 to June 2005.

Zuric Yuen-Keung Chan

Aged 56, 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 Main Board of the Stock Exchange. He has 37 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Xiao-Ping Li

Aged 59, joined the Group in 1999 and was appointed as an Executive Director of the Company in December 2009. He has over 32 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Chi-Wai Tse

Aged 76, 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 Gold Bauhinia Star in 1998.

Kenneth Kin-Hing Lam

Aged 57, 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 Main Board of 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 25 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 71, 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 Main Board of 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 dans l'Ordre National 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

SENIOR MANAGEMENT

Jason Chi-Kit Tso

Aged 46, joined the Company in 1998 and is the Executive Director of Hon Kwok Land Investment (China) Limited. He has 23 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 45, joined the Company in 1994 and is the Director of Finance and Company Secretary of the Company. He has 22 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 member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Calvin Ming-Yui Ng

Aged 39, joined the Company in 2009 and is the Senior Finance Manager of the Company. He has 16 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 member of the Association of Chartered Certified Accountants.

Chi-Kin Lam

Aged 56, joined the Company in 2003 and is the Assistant General Manager – Asset Management of the Company. He has 26 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 44, joined the Company in 1990 and is the Senior Property Manager of the Company in charge of investment properties in Hong Kong. He has 21 years of experience in property investment and development.

CORPORATE GOVERNANCE REPORT

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 2011 were:

Executive Directors

James Sai-Wing Wong (*Chairman*)

Zuric Yuen-Keung Chan

Xiao-Ping Li

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 12 to 14 of this report.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 Group 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 with advance 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 certain 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 2011.

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 as well as managing the Group's overall business operations. Given the nature of the Group's businesses which require considerable market expertise, the Board believes 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 considers 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 104 of the Articles of Association, Madeline May-Lung Wong, Daniel Chi-Wai Tse and Hsin-Kang Chang 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 for the year ended 31 March 2011.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES

	Number of meetings attended during the year ended 31 March 2011		
	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Number of meetings held during the year ended 31 March 2011	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	2	N/A	N/A
Daniel Chi-Wai Tse	0	1	2
Kenneth Kin-Hing Lam	0	1	2
Hsin-Kang Chang	1	N/A	1

CORPORATE GOVERNANCE REPORT *(Continued)*

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 <i>HK\$'000</i>
Types of services	
Audit services	1,833
Non-audit services (tax compliance services and other services)	<u>180</u>
	<u>2,013</u>

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 34 and 35 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 on 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 the 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.

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 121.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$2,381 million as at 31 March 2011 (2010: HK\$1,830 million), of which approximately 35% (2010: 12%) of the debts were classified as current liabilities. The increase in total debts was mainly due to drawdown of additional bank loans for capital injection into mainland development projects and also for acquisition of property. Effective from this financial year, a new accounting interpretation has been adopted that requires a term loan shall be classified as current if the lender has an unconditional right to demand repayment at any time and accordingly, total bank loans of HK\$196 million were classified as current liabilities as at year end. Based on the repayment schedules pursuant to the related loan agreements and also taking into consideration the refinancing of a property loan amounted to HK\$340 million for three years subsequent to the year end, the current portion of the total interest-bearing debts was approximately 13%.

Total cash and bank balances including time deposits were approximately HK\$1,089 million as at 31 March 2011 (2010: HK\$634 million). The Group had a total of approximately HK\$844 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2011 were approximately HK\$3,995 million (2010: HK\$3,471 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\$1,292 million (2010: HK\$1,196 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$4,175 million (2010: HK\$3,644 million), was 31% as at 31 March 2011 (2010: 33%).

REPORT OF THE DIRECTORS *(Continued)*

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 2011, 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\$5,052 million as at 31 March 2011 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 32 to the financial statements.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 450 employees as at 31 March 2011. 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2011 (2010: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 26 August 2011. 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 9 September 2011.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 18 August 2011. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 15 August 2011 to 18 August 2011 (both days inclusive), during which period no share transfers will be registered. In order to be eligible 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 12 August 2011.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2011 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 25 August 2011 and 26 August 2011, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 22 August 2011. In order to qualify for the proposed final dividend, 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 24 August 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 122. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS *(Continued)*

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.

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 123 to 126, 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 2011, 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\$644,668,000, of which HK\$60,360,000 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.

REPORT OF THE DIRECTORS *(Continued)*

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
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 104 of the Articles of Association, Madeline May-Lung Wong, Daniel Chi-Wai Tse and Hsin-Kang Chang 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) **Madeline May-Lung Wong**

Aged 71, was appointed as a director of the Company in 1985. Ms. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Ms. Wong 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 Main Board of the Stock Exchange and United Nigeria Textiles PLC is listed on the Nigerian Stock Exchange.

At the date of this report, Ms. Wong was deemed to be interested in 261,926,553 shares of the Company, 318,675,324 shares in Chinney Investments, 9,900,000 shares in Chinney Holdings and 10,000 shares in Lucky Year within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Ms. Wong's interests in the shares of the Company is through her interest in Chinney Investments, which is a subsidiary of Chinney Holdings. Chinney Holdings is in turn a subsidiary of Lucky Year.

REPORT OF THE DIRECTORS *(Continued)*

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

(a) Madeline May-Lung Wong *(Continued)*

Ms. Wong together with James Sai-Wing Wong, director and substantial shareholder of the Company, held all the issued share capital of Lucky Year and they are partners in certain private investments. Save as disclosed above, Ms. Wong 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 Ms. Wong and no remuneration has been paid to Ms. Wong during the year.

Save as disclosed above, there is no other information relating to Ms. Wong 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) Daniel Chi-Wai Tse

Aged 76, was appointed as an independent non-executive director of the Company in 1993. Dr. Tse was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Dr. Tse 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 Gold Bauhinia Star in 1998.

At the date of this report, Dr. Tse 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, Dr. Tse 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 Dr. Tse. 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 Dr. Tse 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.

REPORT OF THE DIRECTORS *(Continued)*

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

(c) Hsin-Kang Chang

Aged 71, was appointed as an independent non-executive director of the Company in 2007. Professor Chang was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Professor Chang is an independent non-executive director of Brightoil Petroleum (Holdings) Limited and PCCW Limited, which are both listed on the Main Board of 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 dans l'Ordre National 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.

At the date of this report, Professor Chang 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, Professor Chang 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 Professor Chang. 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 Professor Chang 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.

REPORT OF THE DIRECTORS *(Continued)*

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 12 to 14 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

As at 31 March 2011, 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:

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

<u>Name of director</u>	<u>Notes</u>	<u>Capacity and nature of interest</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the Company's issued share capital</u>
James Sai-Wing Wong	1 & 2	Through controlled corporation	261,926,553	54.54
Madeline May-Lung Wong	1 & 2	Through controlled corporation	261,926,553	54.54
Herman Man-Hei Fung	1	Beneficially owned	220,000	0.05

REPORT OF THE DIRECTORS *(Continued)*

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

(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

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.*

REPORT OF THE DIRECTORS *(Continued)*

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

Save as disclosed herein, as at 31 March 2011, 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 36 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 (2010: HK\$9,000,000). 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.

REPORT OF THE DIRECTORS *(Continued)*

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

As at 31 March 2011, 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	261,926,553	54.54
Chinney Holdings	1 & 2	Through controlled corporation	261,926,553	54.54
Lucky Year	1 & 2	Through controlled corporation	261,926,553	54.54

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 2011, 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2011.

CONNECTED TRANSACTION

During the year, 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 and was completed on 21 April 2010.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

Pursuant to the 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 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 Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the 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.

REPORT OF THE DIRECTORS *(Continued)*

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 14%. 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 40 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, 28 June 2011

INDEPENDENT AUDITORS' REPORT



To the shareholders of Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hon Kwok Land Investment Company, Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 121, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT *(Continued)*

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, 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

28 June 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
REVENUE	5	145,534	812,584
Cost of sales		<u>(82,557)</u>	<u>(620,020)</u>
Gross profit		62,977	192,564
Other income and gains	5	8,446	13,138
Fair value gains on investment properties, net		630,385	309,650
Gain on disposal of investment properties		1,130	7,285
Gain on repurchase of convertible bonds		–	19,199
Gain on disposal of a jointly-controlled entity		–	76,922
Administrative expenses		(60,866)	(60,886)
Other operating expenses, net		(8,309)	(22,965)
Finance costs	6	(41,651)	(23,068)
Share of profits and losses of jointly-controlled entities		<u>194</u>	<u>(473)</u>
PROFIT BEFORE TAX	7	592,306	511,366
Income tax expense	10	<u>(126,902)</u>	<u>(107,309)</u>
PROFIT FOR THE YEAR		<u>465,404</u>	<u>404,057</u>
Attributable to:			
Owners of the Company	11	464,285	373,866
Non-controlling interests		<u>1,119</u>	<u>30,191</u>
		<u>465,404</u>	<u>404,057</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		<u>97 HK cents</u>	<u>78 HK cents</u>
Diluted		<u>93 HK cents</u>	<u>71 HK cents</u>

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 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
PROFIT FOR THE YEAR		465,404	404,057
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		126,094	15,708
Release of exchange fluctuation reserve to consolidated income statement upon the disposal of a jointly-controlled entity		<u>—</u>	<u>(8,428)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>126,094</u>	<u>7,280</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>591,498</u>	<u>411,337</u>
Attributable to:			
Owners of the Company	<i>11</i>	584,411	380,942
Non-controlling interests		<u>7,087</u>	<u>30,395</u>
		<u>591,498</u>	<u>411,337</u>

STATEMENTS OF FINANCIAL POSITION

31 March 2011

	Notes	Group			Company	
		31 March 2011 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)	31 March 2011 HK\$'000	31 March 2010 HK\$'000
NON-CURRENT ASSETS						
Property, plant and equipment	14	50,386	41,995	26,340	427	899
Properties under development	15	–	–	807,841	–	–
Investment properties	16	4,776,851	3,746,995	2,558,115	–	–
Investments in subsidiaries	17	–	–	–	1	1
Investments in jointly-controlled entities	18	257	63	24,848	–	–
Total non-current assets		<u>4,827,494</u>	<u>3,789,053</u>	<u>3,417,144</u>	<u>428</u>	<u>900</u>
CURRENT ASSETS						
Amounts due from subsidiaries	17	–	–	–	2,262,164	2,221,948
Amounts due from jointly-controlled entities	18	31	25	178,837	6	–
Tax recoverable		32,198	988	191	–	–
Properties held for sale under development and properties held for sale	19	1,794,748	1,555,795	1,438,025	–	–
Trade receivables	20	2,389	18,899	1,479	–	–
Prepayments, deposits and other receivables	21	74,123	40,904	26,320	1,557	1,644
Pledged deposits	22	96,974	91,200	–	–	–
Cash and cash equivalents	22	992,403	542,704	324,455	17,817	76,368
Total current assets		<u>2,992,866</u>	<u>2,250,515</u>	<u>1,969,307</u>	<u>2,281,544</u>	<u>2,299,960</u>
CURRENT LIABILITIES						
Amounts due to subsidiaries	17	–	–	–	724,158	694,029
Trade payables and accrued liabilities	23	94,160	183,492	154,242	5,851	6,508
Interest-bearing bank borrowings	24	730,802	213,655	401,591	30,000	80,000
Promissory note payable	25	–	20,000	–	–	–
Customer deposits		670,433	7,200	76,191	–	–
Convertible bonds	26	108,355	–	–	–	–
Tax payable		59,676	71,518	60,393	–	–
Total current liabilities		<u>1,663,426</u>	<u>495,865</u>	<u>692,417</u>	<u>760,009</u>	<u>780,537</u>
NET CURRENT ASSETS		<u>1,329,440</u>	<u>1,754,650</u>	<u>1,276,890</u>	<u>1,521,535</u>	<u>1,519,423</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,156,934</u>	<u>5,543,703</u>	<u>4,694,034</u>	<u>1,521,963</u>	<u>1,520,323</u>

STATEMENTS OF FINANCIAL POSITION *(Continued)*

31 March 2011

	Notes	Group			Company	
		31 March	31 March	1 April	31 March	31 March
		2011	2010	2009	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>	<i>(Restated)</i>		
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	24	1,541,687	1,515,409	849,727	–	–
Promissory note payable	25	–	–	20,000	–	–
Convertible bonds	26	–	100,900	299,475	–	–
Deferred tax liabilities	27	440,607	283,416	230,544	–	–
Total non-current liabilities		<u>1,982,294</u>	<u>1,899,725</u>	<u>1,399,746</u>	<u>–</u>	<u>–</u>
Net assets		<u>4,174,640</u>	<u>3,643,978</u>	<u>3,294,288</u>	<u>1,521,963</u>	<u>1,520,323</u>
EQUITY						
Equity attributable to owners of the Company						
Issued capital	28	480,286	480,286	480,286	480,286	480,286
Equity component of convertible bonds	26	7,802	7,802	24,826	–	–
Reserves	29	3,447,342	2,922,967	2,585,037	981,641	980,001
Proposed final dividend	12	60,036	60,036	60,036	60,036	60,036
		3,995,466	3,471,091	3,150,185	1,521,963	1,520,323
Non-controlling interests		<u>179,174</u>	<u>172,887</u>	<u>144,103</u>	<u>–</u>	<u>–</u>
Total equity		<u>4,174,640</u>	<u>3,643,978</u>	<u>3,294,288</u>	<u>1,521,963</u>	<u>1,520,323</u>

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Attributable to owners of the Company										
	Note	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Equity	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total	Non-controlling interests HK\$'000	Total equity HK\$'000
					component of convertible bonds HK\$'000						
At 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
Profit for the year		-	-	-	-	-	373,866	-	373,866	30,191	404,057
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	15,504	-	-	15,504	204	15,708
Release of exchange fluctuation reserve to consolidated income statement upon the disposal of a jointly-controlling entity		-	-	-	-	(8,428)	-	-	(8,428)	-	(8,428)
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 non-controlling 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 and 1 April 2010		480,286	396,352*	10*	7,802	314,828*	2,211,777*	60,036	3,471,091	172,887	3,643,978
Profit for the year		-	-	-	-	-	464,285	-	464,285	1,119	465,404
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	120,126	-	-	120,126	5,968	126,094
Total comprehensive income for the year		-	-	-	-	120,126	464,285	-	584,411	7,087	591,498
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	(800)	(800)
Final 2010 dividend declared		-	-	-	-	-	-	(60,036)	(60,036)	-	(60,036)
Proposed final 2011 dividend	12	-	-	-	-	-	(60,036)	60,036	-	-	-
At 31 March 2011		480,286	396,352*	10*	7,802	434,954*	2,616,026*	60,036	3,995,466	179,174	4,174,640

* These reserve accounts comprise the consolidated reserves of HK\$3,447,342,000 (2010: HK\$2,922,967,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		592,306	511,366
Adjustments for:			
Finance costs	6	41,651	23,068
Share of profits and losses of jointly-controlled entities		(194)	473
Interest income	5	(3,658)	(1,579)
Depreciation	7	4,163	3,242
Gain on disposal of investment properties	7	(1,130)	(7,285)
Loss on disposal of items of property, plant and equipment	7	342	24
Gain on repurchase of convertible bonds	7	–	(19,199)
Gain on disposal of a jointly-controlled entity	7	–	(76,922)
Fair value gains on investment properties, net	7	(630,385)	(309,650)
Gain on bargain purchase	5	(1,246)	–
		1,849	123,538
Decrease/(increase) in properties held for sale under development and properties held for sale		(178,761)	71,791
Decrease/(increase) in trade receivables		16,510	(17,420)
Increase in prepayments, deposits and other receivables		(32,494)	(17,413)
Decrease in trade payables and accrued liabilities		(93,485)	(13,893)
Increase/(decrease) in customer deposits		663,233	(68,991)
Cash generated from operations		376,852	77,612
Overseas taxes paid		(49,728)	(41,450)
Net cash flows from operating activities		327,124	36,162

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Year ended 31 March 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
Net cash flows from operating activities		<u>327,124</u>	<u>36,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,658	1,579
Purchases of items of property, plant and equipment	14	(12,303)	(19,034)
Proceeds from disposals of items of property, plant and equipment		846	113
Proceeds from disposal of investment properties		21,558	46,851
Proceeds from disposal of a jointly-controlled entity		–	123,303
Additions to investment properties		(119,599)	(91,352)
Increase in pledged deposits		(974)	(91,200)
Dividends received from a jointly-controlled entity		–	750
Decrease/(increase) in amounts due from jointly-controlled entities		(6)	4,221
Acquisition of subsidiaries	30	<u>(132,649)</u>	<u>–</u>
Net cash flows used in investing activities		<u>(239,469)</u>	<u>(24,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(57,792)	(39,412)
New bank loans		904,020	865,728
Repurchase of convertible bonds		–	(192,000)
Repayment of bank loans		(419,360)	(387,982)
Dividend paid		(60,036)	(60,036)
Dividends paid to non-controlling shareholders		(800)	(1,611)
Decrease in promissory note payable		<u>(20,000)</u>	<u>–</u>
Net cash flows from financing activities		<u>346,032</u>	<u>184,687</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		433,687	196,080
Cash and cash equivalents at beginning of year		542,704	324,455
Effect of foreign exchange rates changes, net		<u>16,012</u>	<u>22,169</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>992,403</u>	<u>542,704</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	784,291	516,340
Non-pledged time deposits with original maturity of less than three months when acquired	22	<u>208,112</u>	<u>26,364</u>
Cash and cash equivalents as stated in the statement of financial position		<u>992,403</u>	<u>542,704</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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.

As further explained in note 2.2 below, during the year, the Group adopted HK Interpretation 5, following which certain of the Group’s term loans were reclassified in total as current liabilities. This in turn has impacted on the amount of net current assets presented in the consolidated statement of financial position. Further details about the effect on the financial statements and the directors’ assessment of the impact on the Group’s liquidity arising from this change are included in notes 24 and 39 to the financial statements, respectively. In addition, the Group has also changed voluntarily its accounting policy regarding the current/non-current asset classification for properties held for sale under development, further details of which are set out in note 2.2 below.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

Basis of consolidation from 1 April 2010

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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

- (b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

- (c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

This interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loans were classified in the statement of financial position as non-current liabilities based on the maturity dates of repayment. This interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a statement of financial position as at 1 April 2009. Further details of the Group's bank loans are disclosed in note 24 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	196,000	–	22,500
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	(196,000)	–	(22,500)

There was no impact on the net assets of the Group.

In addition, the Group has changed voluntarily its accounting policy regarding the current/non-current assets classification for properties held for sale under development. In prior years, the Group classified the properties held for sale under development as properties under development in non-current assets in the statement of financial position which would be transferred to properties held for sale in current assets when the construction of properties was substantially completed or the pre-sale program of respective properties was established. Under the revised accounting policy, properties held for sale under development are classified as current assets. On completion, the properties are transferred to completed properties held for sale. In the opinion of the directors, the financial statements according to the revised policy will provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the real estate industry. This change in policy has been applied retrospectively by restating the opening balances at 1 April 2009, with consequential adjustments to comparatives for the year ended 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
NON-CURRENT ASSETS			
Decrease in properties under development	(1,412,616)	(1,407,522)	(904,417)
CURRENT ASSETS			
Increase in properties held for sale under development and properties held for sale	1,412,616	1,407,522	904,417

There was no impact on the net assets of the Group.

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 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ³
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ³
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosure</i> ²
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ²
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ¹

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

- ¹ Effective for annual periods beginning on or after 1 July 2010
- ² Effective for annual periods beginning on or after 1 January 2011
- ³ Effective for annual periods beginning on or after 1 July 2011
- ⁴ Effective for annual periods beginning on or after 1 January 2012
- ⁵ Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 should always be measured on a sale basis. As a result of the amendments, HK(SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets* will be superseded once the amendments become effective. The Group expects to adopt the Amendments to HKAS 12 retrospectively from 1 April 2012.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- (a) **HKFRS 3 *Business Combinations***: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (b) **HKAS 1 *Presentation of Financial Statements***: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) **HKAS 27 *Consolidated and Separate Financial Statements***: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 investments 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 and the basis on which the assets are to be realised upon its dissolution. The profits or 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 investments 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 investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 April 2010 (Continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

Business combinations prior to 1 April 2010 but after 1 April 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations prior to 1 April 2010 but after 1 April 2005 (Continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, investment properties under construction and properties held for sale under development 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale under development and properties held for sale

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Properties held for sale under development

Properties held for sale under development are intended to be held for sale after completion. Properties held for sale under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

On completion of construction, the properties are transferred to completed properties held for sale. Properties held for sale under development are classified as current assets.

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 net of any incentives received from the lessor 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 investments, 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 by 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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 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.

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 or a shorter period, when appropriate, 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 a 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 4.25% has been applied to the expenditure on the individual assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 or investment properties.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

Estimation uncertainty *(Continued)*

Estimation of recoverable amounts of properties held for sale under development and properties held for sale

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 held for sale under development and properties held for sale of the Group are set out in note 19 to the financial statements.

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

Total budgeted costs for properties held for sale 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 held for sale 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.

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

Estimation uncertainty *(Continued)*

Current income taxes and deferred income taxes

The Group is subject to income taxes in a number of 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.

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 certain of 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 the Group’s 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 investments in jointly-controlled entities, amounts due from jointly-controlled entities, and other unallocated head office and corporate assets, including tax recoverable, pledged deposits and cash and cash equivalents, 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	28,318	738,767	83,880	40,317	33,336	33,500	145,534	812,584
Segment results	3,650	151,504	681,261	337,999	(10,085)	(45)	674,826	489,458
Reconciliation:								
Interest income							3,658	1,579
Unallocated gains							-	96,230
Unallocated expenses							(44,721)	(52,360)
Finance costs							(41,651)	(23,068)
Share of profits and losses of jointly-controlled entities							194	(473)
Profit before tax							592,306	511,366
Segment assets	1,881,536	1,620,256	5,118,093	4,008,743	1,713,348	1,916,882	8,712,977	7,545,881
Reconciliation:								
Elimination of intersegment receivables							(2,014,480)	(2,141,293)
Investments in jointly-controlled entities							257	63
Amounts due from jointly-controlled entities							31	25
Corporate and other unallocated assets							1,121,575	634,892
Total assets							7,820,360	6,039,568
Segment liabilities	1,789,186	1,166,643	664,562	898,929	325,325	286,413	2,779,073	2,351,985
Reconciliation:								
Elimination of intersegment payables							(2,014,480)	(2,141,293)
Corporate and other unallocated liabilities							2,881,127	2,184,898
Total liabilities							3,645,720	2,395,590

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)					(Restated)	

Other segment information:

Fair value gains on investment properties, net	-	-	630,385	309,650	-	-	630,385	309,650
Depreciation	2,105	2,118	363	117	1,695	1,007	4,163	3,242
Capital expenditure	1,495	17,718	134,361	111,231	9,601	1,037	145,457*	129,986*

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

Geographical information

(a) Revenue

	2011	2010
	HK\$'000	HK\$'000
Hong Kong	78,499	133,240
Mainland China	66,435	677,818
Canada	600	1,526
	<u>145,534</u>	<u>812,584</u>

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

(b) Non-current assets

	2011	2010
	HK\$'000	HK\$'000
Hong Kong	2,115,416	1,716,313
Mainland China	2,711,821	2,072,677
	<u>4,827,237</u>	<u>3,788,990</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of properties	28,318	738,767
Gross rental income	115,045	71,560
Property management income	2,171	2,257
	<u>145,534</u>	<u>812,584</u>
Other income and gains		
Bank interest income	3,658	1,579
Gain on bargain purchase <i>(note 30)</i>	1,246	–
Project consultancy service income	–	2,500
Foreign exchange differences, net	–	4,317
Others	3,542	4,742
	<u>8,446</u>	<u>13,138</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	62,939	52,036
Interest on bank loans wholly repayable after five years	2,308	–
Less: Interest capitalised under property development projects	<u>(23,596)</u>	<u>(28,968)</u>
	<u>41,651</u>	<u>23,068</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

7. PROFIT BEFORE TAX

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of properties sold	17,898	574,458
Depreciation	4,163	3,242
Minimum lease payments under operating leases on land and buildings [#]	25,759	27,102
Auditors' remuneration	1,833	1,767
Employee benefit expense (including directors' remuneration (<i>note 8</i>)):		
Wages, salaries, allowances and benefits in kind	30,502	31,477
Pension scheme contributions	1,020	1,153
	<u>31,522</u>	<u>32,630</u>
Less: Amounts capitalised under property development projects	<u>(6,200)</u>	<u>(5,300)</u>
	<u>25,322</u>	<u>27,330</u>
Gross rental income	(115,045)	(71,560)
Less: Outgoing expenses*	<u>64,659</u>	<u>45,562</u>
	<u>(50,386)</u>	<u>(25,998)</u>
Rental income on investment properties less direct operating expenses of HK\$28,415,000 (2010: HK\$16,969,000)	(55,465)	(23,348)
Foreign exchange differences, net	81	(4,317)
Fair value gains on investment properties, net	(630,385)	(309,650)
Gain on disposal of investment properties	(1,130)	(7,285)
Gain on repurchase of convertible bonds	–	(19,199)
Gain on disposal of a jointly-controlled entity	–	(76,922)
Interest income	(3,658)	(1,579)
Gain on bargain purchase	(1,246)	–
Loss on disposal of items of property, plant and equipment	342	24

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 (2010: Nil).

Included in the amount is rental expenses for carpark operations of HK\$16,099,000 (2010: HK\$16,240,000) which are included in "Cost of sales" in the consolidated income statement.

* *The outgoing expenses for the year are included in "Cost of sales" in 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	
	2011	2010
	HK\$'000	HK\$'000
Fees	<u>225</u>	<u>225</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,971	4,245
Discretionary performance related bonuses*	2,557	4,166
Pension scheme contributions	<u>37</u>	<u>156</u>
	<u>7,565</u>	<u>8,567</u>
	<u>7,790</u>	<u>8,792</u>

* *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:

	2011	2010
	HK\$'000	HK\$'000
Daniel Chi-Wai Tse	75	75
Kenneth Kin-Hing Lam	75	75
Hsin-Kang Chang	<u>75</u>	<u>75</u>
	<u>225</u>	<u>225</u>

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2011

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary performance related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2011					
Executive directors:					
James Sai-Wing Wong	-	-	-	-	-
Dennis Kwok-Wing Cheung	-	1,260	-	13	1,273
Zuric Yuen-Keung Chan	-	2,017	1,801	12	3,830
Xiao-Ping Li	-	1,694	756	12	2,462
	<u>-</u>	<u>4,971</u>	<u>2,557</u>	<u>37</u>	<u>7,565</u>
Non-executive directors:					
Madeline May-Lung Wong	-	-	-	-	-
Herman Man-Hei Fung	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,971</u>	<u>2,557</u>	<u>37</u>	<u>7,565</u>
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
	<u>-</u>	<u>4,245</u>	<u>4,166</u>	<u>156</u>	<u>8,567</u>
Non-executive directors:					
Madeline May-Lung Wong	-	-	-	-	-
Herman Man-Hei Fung	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,245</u>	<u>4,166</u>	<u>156</u>	<u>8,567</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2010: two) non-director, highest paid employees for the year are set out below:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,949	2,608
Pension scheme contributions	228	144
	4,177	2,752

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

	Number of employees	
	2011	2010
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
	3	2

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 (2010: 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

10. INCOME TAX *(Continued)*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Group:		
Current – Elsewhere	3,460	47,757
LAT in Mainland China	568	6,680
Deferred (<i>note 27</i>)	<u>122,874</u>	<u>52,872</u>
Total tax charge for the year	<u><u>126,902</u></u>	<u><u>107,309</u></u>

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	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before tax	<u><u>592,306</u></u>	<u><u>511,366</u></u>
Tax at the statutory rate of 16.5% (2010: 16.5%)	97,730	84,375
Effect on different rates for companies operating in other jurisdictions	20,067	12,966
Income not subject to tax	(387)	(16,633)
Expenses not deductible for tax	3,497	11,279
Tax losses utilised from previous periods	(710)	(1,345)
Tax losses not recognised	11,117	10,357
Profits and losses attributable to jointly-controlled entities	(32)	78
LAT	568	6,680
Others	<u>(4,948)</u>	<u>(448)</u>
Tax charge at the Group's effective rate of 21.4% (2010: 21.0%)	<u><u>126,902</u></u>	<u><u>107,309</u></u>

Certain subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the corporate income tax rates of 22% from 1 April 2010 to 31 December 2010 and 24% from 1 January 2011 to 31 March 2011.

There was no share of tax attributable to jointly-controlled entities during the year ended 31 March 2011 (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2011 includes a profit of HK\$61,676,000 (2010: HK\$62,541,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDEND

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Proposed final - 12.5 HK cents (2010: 12.5 HK cents) per ordinary share	<u>60,036</u>	<u>60,036</u>

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	464,285	373,866
Interest on convertible bonds, net of tax and interest capitalisation	<u>2,033</u>	<u>—</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	<u>466,318</u>	<u>373,866</u>
	Number of shares	
	2011	2010
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	<u>23,466,666</u>	<u>48,611,318</u>
	<u>503,752,867</u>	<u>528,897,519</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2011					
At 31 March 2010 and at 1 April 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	<u>18,933</u>	<u>15,922</u>	<u>2,493</u>	<u>4,647</u>	<u>41,995</u>
At 1 April 2010, net of accumulated depreciation					
	18,933	15,922	2,493	4,647	41,995
Additions	–	5,236	5,804	1,263	12,303
Acquisition of subsidiaries (<i>note 30</i>)	–	–	55	–	55
Disposals	–	–	(1)	(1,187)	(1,188)
Depreciation provided during the year	(1,146)	(770)	(1,253)	(994)	(4,163)
Exchange realignment	668	544	47	125	1,384
At 31 March 2011, net of accumulated depreciation	<u>18,455</u>	<u>20,932</u>	<u>7,145</u>	<u>3,854</u>	<u>50,386</u>
At 31 March 2011:					
Cost	25,461	23,230	16,044	7,509	72,244
Accumulated depreciation	(7,006)	(2,298)	(8,899)	(3,655)	(21,858)
Net carrying amount	<u>18,455</u>	<u>20,932</u>	<u>7,145</u>	<u>3,854</u>	<u>50,386</u>
31 March 2010					
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	<u>20,039</u>	<u>854</u>	<u>2,057</u>	<u>3,390</u>	<u>26,340</u>
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	<u>18,933</u>	<u>15,922</u>	<u>2,493</u>	<u>4,647</u>	<u>41,995</u>
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	<u>18,933</u>	<u>15,922</u>	<u>2,493</u>	<u>4,647</u>	<u>41,995</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

Company

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2011			
At 31 March 2010 and at 1 April 2010:			
Cost	1,520	2,959	4,479
Accumulated depreciation	(1,038)	(2,542)	(3,580)
Net carrying amount	<u>482</u>	<u>417</u>	<u>899</u>
At 1 April 2010, net of accumulated depreciation			
	482	417	899
Additions	–	6	6
Depreciation provided during the year	(304)	(174)	(478)
At 31 March 2011, net of accumulated depreciation	<u>178</u>	<u>249</u>	<u>427</u>
At 31 March 2011:			
Cost	1,520	2,965	4,485
Accumulated depreciation	(1,342)	(2,716)	(4,058)
Net carrying amount	<u>178</u>	<u>249</u>	<u>427</u>
31 March 2010			
At 1 April 2009:			
Cost	1,520	2,758	4,278
Accumulated depreciation	(734)	(2,374)	(3,108)
Net carrying amount	<u>786</u>	<u>384</u>	<u>1,170</u>
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	<u>482</u>	<u>417</u>	<u>899</u>
At 31 March 2010:			
Cost	1,520	2,959	4,479
Accumulated depreciation	(1,038)	(2,542)	(3,580)
Net carrying amount	<u>482</u>	<u>417</u>	<u>899</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

15. PROPERTIES UNDER DEVELOPMENT

Group

	2011	2010
	HK\$'000	HK\$'000
		<i>(Restated)</i>
At beginning of year	–	807,841
Transfer to investment properties under construction		
– upon adoption of <i>Improvements to HKFRSs</i>		
issued in October 2008 (<i>note 16</i>)	–	(807,841)
At end of year	–	–

The balance as at 1 April 2009 represented properties under development situated in Mainland China held under medium term leases. They were subsequently transferred to investment properties during 2010.

16. INVESTMENT PROPERTIES

Group

	Completed investment properties at fair value	2011 Investment properties under construction at cost	Total
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	2,905,509	841,486	3,746,995
Additions	68,744	64,410	133,154
Acquisition of subsidiaries (<i>note 30</i>)	210,227	–	210,227
Disposals	(20,428)	–	(20,428)
Net gains from fair value adjustments	630,385	–	630,385
Exchange realignment	49,451	27,067	76,518
At end of year	3,843,888	932,963	4,776,851

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2011

16. INVESTMENT PROPERTIES (Continued)

Group	Completed investment properties at fair value <i>HK\$'000</i>	2010 Investment properties under construction at cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 <i>Improvements to HKFRSs</i> issued in October 2008 (<i>note 15</i>)	–	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	<u>2,905,509</u>	<u>841,486</u>	<u>3,746,995</u>
		2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Analysis by type and location:			
Long term leasehold land and buildings in Hong Kong		1,178,500	957,000
Medium term leasehold land and buildings in Hong Kong		934,800	757,600
Medium term leasehold land and buildings in Mainland China		2,663,551	2,032,395
		<u>4,776,851</u>	<u>3,746,995</u>

16. INVESTMENT PROPERTIES *(Continued)*

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 34(a) to the financial statements.

Investment properties under construction included interest expense of HK\$13,555,000 (2010: HK\$19,600,000) 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\$4,691,585,000 (2010: HK\$2,882,509,000) 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)(iii).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 123 to 126.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	1	1
Due from subsidiaries	<u>3,151,541</u>	<u>3,103,824</u>
	3,151,542	3,103,825
Impairment on amounts due from subsidiaries [#]	<u>(889,377)</u>	<u>(881,876)</u>
	<u>2,262,165</u>	<u>2,221,949</u>

[#] 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		Principal activities
			Direct	Indirect	
Champion Fine International Investments Inc.*	Canada	Canadian dollars ("CAD") 1	–	100	Investment holding
Chinney Property Management Limited	Hong Kong	HK\$100	–	100	Property management
CP Parking Limited	Hong Kong	HK\$760,000 (2010: 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\$300,000,000 (2010: HK\$129,480,000)	–	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

17. INVESTMENTS 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		Principal activities
			Direct	Indirect	
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 Tungfu Property Management Co., Ltd.**	PRC/ Mainland China	RMB44,400,000	–	100 (2010: Nil)	Property holding and letting
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	–	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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

17. INVESTMENTS 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		Principal activities
			Direct	Indirect	
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	CAD100	–	75	Property development
Prime Best Development Limited	Hong Kong	HK\$2	–	100	Investment holding
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB600,000,000 (2010: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	Hong Kong	HK\$2	–	100	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK\$2	–	100	Property letting
Vast Champ Investment (Chongqing) Co., Ltd*#	PRC/ Mainland China	US\$10,000,000	–	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 another 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

17. INVESTMENTS 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. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Share of net assets	<u>257</u>	<u>63</u>

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.

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

Name	Particulars of issued share capital	Place of incorporation	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

All of the above investments 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.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	2,910	2,599
Total current assets	582	348
Total current liabilities	<u>(3,235)</u>	<u>(2,884)</u>
Net assets	<u>257</u>	<u>63</u>
Share of the jointly-controlled entities' results:		
Total revenue	263	169
Total expenses	<u>(69)</u>	<u>(642)</u>
Profit/(loss) for the year	<u>194</u>	<u>(473)</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

19. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

Group

	31 March 2011 HK\$'000	31 March 2010 HK\$'000 <i>(Restated)</i>	1 April 2009 HK\$'000 <i>(Restated)</i>
Completed properties held for sale	77,190	148,273	57,425
Properties held for sale under development	<u>1,717,558</u>	<u>1,407,522</u>	<u>1,380,600</u>
	<u>1,794,748</u>	<u>1,555,795</u>	<u>1,438,025</u>

	31 March 2011 HK\$'000	31 March 2010 HK\$'000 <i>(Restated)</i>	1 April 2009 HK\$'000 <i>(Restated)</i>
Properties held for sale under development			
– expected to be recovered:			
Within one year	304,942	–	476,183
After one year	647,789	333,876	187,716
– pending construction expected to be recovered after one year	<u>764,827</u>	<u>1,073,646</u>	<u>716,701</u>
	<u>1,717,558</u>	<u>1,407,522</u>	<u>1,380,600</u>

Properties held for sale under development and properties held for sale included interest expense of HK\$10,041,000 (2010: HK\$9,368,000) 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 under development and properties held for sale with an aggregate carrying value of HK\$263,045,000 (2010: HK\$535,827,000) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 24(a)(ii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

19. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

(Continued)

The Group is subject to a risk that certain land relating to the properties held for sale under development situated in the PRC, with a carrying amount of HK\$384,744,000 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 works 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, and the construction works on the land have already commenced.

The land use right of a portion of an unencumbered development site with an area of 24,067 square metres located in the PRC was subject to a freeze order by a court in the PRC for a value equivalent to approximately HK\$65 million, following a legal action taken by one of the previous interested parties of the land. In this connection, a written legal opinion was obtained from a PRC law firm which opined that the claim filed by the said previous interested party has no legal basis and is not valid. In view of such legal opinion, the directors believe that the freeze order does not have any material impact to the development of the project.

Details of the properties held for sale under development and properties held for sale are as follows:

	31 March 2011 HK\$'000	31 March 2010 HK\$'000 <i>(Restated)</i>	1 April 2009 HK\$'000 <i>(Restated)</i>
Medium term leases:			
Hong Kong	4,437	4,037	56,681
Mainland China	269,885	240,992	229,980
Long term leases:			
Mainland China	1,520,426	1,310,766	1,150,139
Canada	–	–	1,225
	<u>1,794,748</u>	<u>1,555,795</u>	<u>1,438,025</u>

Further particulars of the Group's properties held for sale under development and properties held for sale are included in "Particulars of Properties" on pages 123 to 126.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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	
	2011	2010
	HK\$'000	HK\$'000
Within 30 days	1,752	18,154
31 to 60 days	431	420
61 to 90 days	206	311
Over 90 days	—	14
	<u>2,389</u>	<u>18,899</u>

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 cases 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	
	2011	2010
	HK\$'000	HK\$'000
Neither past due nor impaired	—	17,384
Within 30 days past due	1,752	770
31 to 90 days past due	637	731
Over 90 days past due	—	14
	<u>2,389</u>	<u>18,899</u>

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 to be 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 (2010: Nil).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	38,524	3,966	313	344
Deposits	13,371	23,286	1,244	1,300
Other receivables	32,752	24,176	–	–
Impairment	(10,524)	(10,524)	–	–
	<u>74,123</u>	<u>40,904</u>	<u>1,557</u>	<u>1,644</u>

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 (2010: HK\$10,524,000) with a carrying amount of HK\$10,524,000 (2010: HK\$10,524,000). The Group does not hold any collateral or other credit enhancements 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	Group		Company	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances		784,291	516,340	17,817	76,368
Time deposits		305,086	117,564	–	–
		1,089,377	633,904	17,817	76,368
Less: Pledged time deposits					
Pledged deposits for a short term bank loan	24(a)(v)	(96,974)	(91,200)	–	–
Cash and cash equivalents		992,403	542,704	17,817	76,368

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK\$634,375,000 (2010: HK\$429,958,000). 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 six 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\$13,320,000 (2010: HK\$29,689,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within 30 days	13,320	29,689

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 (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2011

24. INTEREST-BEARING BANK BORROWINGS

Group	31 March 2011			31 March 2010			1 April 2009		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
(Restated)									
Current									
Bank loans – unsecured	2.1	2011	82,000	1.8-2.1	2011 or on demand	38,000	1.2	2009	56,000
Bank loans – secured	1.0-5.9	2011-2012 or on demand	648,802	0.8-5.0	2010-2011 or on demand	175,655	1.0-5.4	2009-2010 or on demand	345,591
			<u>730,802</u>			<u>213,655</u>			<u>401,591</u>
Non-current									
Bank loans – unsecured	2.1	2013	220,000	2.1	2011-2013	202,000	1.2	2010	210,000
Bank loans – secured	0.9-6.5	2012-2020	1,321,687	0.8-5.8	2011-2015	1,313,409	1.0-5.4	2010-2012	639,727
			<u>1,541,687</u>			<u>1,515,409</u>			<u>849,727</u>
			<u>2,272,489</u>			<u>1,729,064</u>			<u>1,251,318</u>

Company	2011			2010		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loan – unsecured			–	1.8	On demand	20,000
Bank loan – secured	1.2	On demand	30,000	1.1	On demand	60,000
			<u>30,000</u>			<u>80,000</u>

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Analysed into:

Bank loans repayable:

Within one year or on demand	730,802	213,655	30,000	80,000
In the second year	450,313	543,000	–	–
In the third to fifth years, inclusive	1,068,680	972,409	–	–
Beyond five years	22,694	–	–	–
	<u>2,272,489</u>	<u>1,729,064</u>	<u>30,000</u>	<u>80,000</u>

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\$4,691,585,000 (2010: HK\$2,882,509,000);*
 - (ii) *mortgages over certain of the Group's properties held for sale under development and properties held for sale, which had an aggregate carrying value at the end of the reporting period of HK\$263,045,000 (2010: HK\$535,827,000);*
 - (iii) *assignments of rental income from the leases of certain of the Group's investment properties;*
 - (iv) *charge over the shares of certain subsidiaries of the Group; and*
 - (v) *the pledge of certain of the Group's time deposits amounting to HK\$96,974,000 (2010: HK\$91,200,000).*
- (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\$400,969,000 (2010: HK\$386,364,000), all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.*

As further explained in notes 2.2(c) and 39 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's interest-bearing bank borrowings in the amount of HK\$196,000,000 (2010: Nil) containing on-demand clauses have been reclassified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: within one year or on demand HK\$534,802,000 (2010: HK\$213,655,000); in the second year HK\$456,313,000 (2010: HK\$543,000,000); in the third to fifth years, inclusive HK\$1,090,680,000 (2010: HK\$972,409,000) and beyond five years HK\$190,694,000 (2010: Nil).

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

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

25. PROMISSORY NOTE PAYABLE

The promissory note payable was unsecured, interest-free and was fully repaid on 4 January 2011 upon maturity. The fair value of the promissory note payable amounted to HK\$18,879,000 as at 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 was adjusted from HK\$4.00 per share to HK\$3.90 per share on 3 October 2008 and from HK\$3.90 per share to HK\$3.80 per share with effect from 6 October 2009. The conversion price of the Bonds had been further adjusted from HK\$3.80 per share to HK\$3.75 per share with effect from 20 September 2010. 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 had 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 in the prior year. 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 during the year ended 31 March 2010.

As at 31 March 2011, 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 23,466,666 ordinary shares of the Company.

Subsequent to the end of the reporting period, the outstanding principal of the Bonds in the amount of HK\$88,000,000 was redeemed in full together with the redemption premium upon maturity on 27 June 2011. The aggregate redemption amount was HK\$109,602,000.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

26. CONVERTIBLE BONDS *(Continued)*

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

Group

	Liability component of the Bonds <i>HK\$'000</i>	2011 Equity component of the Bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	100,900	7,802	108,702
Interest expense	10,535	–	10,535
Interest paid	(3,080)	–	(3,080)
At 31 March 2011	108,355	7,802	116,157

Group

	Liability component of the Bonds <i>HK\$'000</i>	2010 Equity component of the Bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

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\$110 million (2010: HK\$103 million) at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

27. DEFERRED TAX

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

Group

	2011		
	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2010	189	283,227	283,416
Acquisition of subsidiaries (<i>note 30</i>)	–	29,473	29,473
Deferred tax charged to the income statement during the year (<i>note 10</i>)	–	122,874	122,874
Exchange realignment	–	4,844	4,844
At 31 March 2011	189	440,418	440,607

Group

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

27. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK\$208,000 (2010: HK\$220,000) and unrecognised tax losses of HK\$1,126,889,000 (2010: HK\$1,074,502,000) 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 2011, 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 HK\$227,109,000 at 31 March 2011 (2010: HK\$188,334,000) and the amounts, net of non-controlling interests, amounted to HK\$198,934,000 (2010: HK\$164,650,000).

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 (2010: Nil).

28. SHARE CAPITAL

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Authorised:		
1,750,000,000 ordinary shares of HK\$1.00 each	<u>1,750,000</u>	<u>1,750,000</u>
Issued and fully paid:		
480,286,201 ordinary shares of HK\$1.00 each	<u>480,286</u>	<u>480,286</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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 <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>
At 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 (<i>note 12</i>)	–	–	–	(60,036)	(60,036)
At 31 March 2010 and 1 April 2010	396,352	647	10	582,992	980,001
Total comprehensive income for the year	–	–	–	61,676	61,676
Proposed final 2011 dividend (<i>note 12</i>)	–	–	–	(60,036)	(60,036)
At 31 March 2011	<u>396,352</u>	<u>647</u>	<u>10</u>	<u>584,632</u>	<u>981,641</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

30. BUSINESS COMBINATION

On 21 April 2010, the Group acquired a 100% interest in Guru Star Investments Limited and its subsidiaries (the “Guru Star Group”) from Enhancement Investments Limited (“Enhancement”). Guru Star Group is engaged in property investment. The acquisition was made as part of the Group’s strategy to expand its base of rental income in the PRC. The purchase consideration for the acquisition was in the form of cash amounting to HK\$144,211,000, with HK\$14,421,000 paid on 8 March 2010 and the remaining HK\$129,790,000 paid on 21 April 2010.

The fair values of the identifiable assets and liabilities of Guru Star Group as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>HK\$’000</i>
Net assets acquired:		
Property, plant and equipment	14	55
Investment properties	16	210,227
Prepayments, deposits, and other receivables		246
Cash and cash equivalents		11,562
Trade payables and accrued liabilities		(3,570)
Interest-bearing bank borrowings		(43,590)
Deferred tax liabilities	27	(29,473)
Shareholder’s loan		<u>(43,126)</u>
Total identifiable net assets at fair value		102,331
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(1,246)
Assignment of shareholder’s loan		<u>43,126</u>
Satisfied by cash		<u><u>144,211</u></u>

The fair values of other receivables as at the date of acquisition amounted to HK\$213,000. The gross contractual amounts of other receivables were HK\$213,000, of which none is expected to be uncollectible.

The Group incurred transaction costs of HK\$236,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

30. BUSINESS COMBINATION *(Continued)*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<i>HK\$'000</i>
Cash consideration	(144,211)
Cash and bank balances acquired	<u>11,562</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(132,649)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(236)</u>
	<u><u>(132,885)</u></u>

Since its acquisition, Guru Star Group contributed HK\$8,771,000 to the Group's turnover and HK\$2,708,000 to the consolidated profit for the year ended 31 March 2011.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$146,644,000 and HK\$465,967,000, respectively.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) During the year ended 31 March 2010, the Group acquired properties held for sale 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

(a) The net assets acquired in the acquisition of Floralmist Group were as follows:

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

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

	<i>HK\$'000</i>
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) Major non-cash transactions

In the prior year, certain additions of properties held for sale under development and properties held for sale of HK\$36,281,000 were not paid at the end of the reporting period and were recorded as accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

32. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to its subsidiaries	–	–	2,901,989	2,500,620
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	–	–	88,000	88,000
	<u>–</u>	<u>–</u>	<u>2,989,989</u>	<u>2,588,620</u>

As at 31 March 2011, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company, were utilised to the extent of HK\$2,118,207,000 (2010: HK\$1,491,984,000).

- (b) As at 31 March 2011, the Group has given guarantees of HK\$306,671,000 (2010: HK\$251,634,000) 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 guarantees 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 2011 and 2010 for the guarantees.

33. 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

34. 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within one year	60,272	32,523
In the second to fifth years, inclusive	161,035	102,331
After five years	433,934	419,040
	655,241	553,894

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)(iii).

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

(b) As lessee

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

At 31 March 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	11,832	17,159	3,660	3,660
In the second to fifth years, inclusive	8,855	12,210	1,362	5,022
	20,687	29,369	5,022	8,682

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Contracted but not provided for:		
Property development expenditure	524,445	44,616
Acquisition of subsidiaries	—	129,790
	524,445	174,406

36. 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)

	<i>Notes</i>	Group	
		2011	2010
		HK\$'000	HK\$'000
Management fees paid to the immediate holding company	<i>(i)</i>	9,000	9,000
Rental income received from a related company	<i>(ii)</i>	1,811	—

Notes:

- (i) *The management fees were charged based on the underlying costs incurred by the immediate holding company in which James Sai-Wing Wong and Madeline May-Lung Wong, directors of the Company, have beneficial interests.*
- (ii) *The rental income received was based on the open market rates prevailing at the time when the tenancy agreement was entered into with the related company where there is a common director of the Company and the related company.*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) 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"). 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. The Acquisition was completed on 21 April 2010. Further details of the transaction are disclosed in note 30 to the financial statements.

(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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Short term employee benefits	14,365	16,003
Post-employment benefits	<u>507</u>	<u>554</u>
	<u><u>14,872</u></u>	<u><u>16,557</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

37. 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	
	2011	2010
	HK\$'000	HK\$'000
Amounts due from jointly-controlled entities	31	25
Trade receivables	2,389	18,899
Financial assets included in prepayments, deposits and other receivables (<i>note 21</i>)	35,599	36,938
Pledged deposits	96,974	91,200
Cash and cash equivalents	992,403	542,704
	<u>1,127,396</u>	<u>689,766</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK\$'000	HK\$'000
Financial liabilities included in trade payables and accrued liabilities	87,234	175,974
Interest-bearing bank borrowings	2,272,489	1,729,064
Financial liabilities included in customer deposits	16,414	6,373
Promissory note payable	–	20,000
Convertible bonds	108,355	100,900
	<u>2,484,492</u>	<u>2,032,311</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK\$'000	HK\$'000
Amounts due from subsidiaries	2,262,164	2,221,948
Amounts due from jointly-controlled entities	6	–
Financial assets included in prepayments, deposits and other receivables (<i>note 21</i>)	1,244	1,300
Cash and cash equivalents	17,817	76,368
	<u>2,281,231</u>	<u>2,299,616</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK\$'000	HK\$'000
Amounts due to subsidiaries	724,158	694,029
Financial liabilities included in trade payables and accrued liabilities	5,150	5,761
Interest-bearing bank borrowings	30,000	80,000
	<u>759,308</u>	<u>779,790</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

38. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Amounts due from jointly-controlled entities	31	25	31	25
Trade receivables	2,389	18,899	2,389	18,899
Financial assets included in prepayments, deposits and other receivables	35,599	36,938	35,599	36,938
Pledged deposits	96,974	91,200	96,974	91,200
Cash and cash equivalents	992,403	542,704	992,403	542,704
	<u>1,127,396</u>	<u>689,766</u>	<u>1,127,396</u>	<u>689,766</u>
Financial liabilities				
Financial liabilities included in trade payables and accrued liabilities	87,234	175,974	87,234	175,974
Interest-bearing bank borrowings	2,272,489	1,729,064	2,272,489	1,729,064
Financial liabilities included in customer deposits	16,414	6,373	16,414	6,373
Promissory note payable	–	20,000	–	18,879
Convertible bonds	108,355	100,900	109,615	102,878
	<u>2,484,492</u>	<u>2,032,311</u>	<u>2,485,752</u>	<u>2,033,168</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

38. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

Company

	Carrying amounts		Fair values	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Amounts due from subsidiaries	2,262,164	2,221,948	2,262,164	2,221,948
Amounts due from jointly-controlled entities	6	–	6	–
Financial assets included in prepayments, deposits and other receivables	1,244	1,300	1,244	1,300
Cash and cash equivalents	<u>17,817</u>	<u>76,368</u>	<u>17,817</u>	<u>76,368</u>
	<u>2,281,231</u>	<u>2,299,616</u>	<u>2,281,231</u>	<u>2,299,616</u>
Financial liabilities				
Amounts due to subsidiaries	724,158	694,029	724,158	694,029
Financial liabilities included in trade payables and accrued liabilities	5,150	5,761	5,150	5,761
Interest-bearing bank borrowings	<u>30,000</u>	<u>80,000</u>	<u>30,000</u>	<u>80,000</u>
	<u>759,308</u>	<u>779,790</u>	<u>759,308</u>	<u>779,790</u>

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 March 2011 (2010: Nil).

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customer deposits, trade payables and accrued liabilities and amounts due from/to subsidiaries and jointly-controlled entities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings and promissory note payable have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar convertible bond.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

39. 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 policies 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 46% (2010: 84%) 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).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

Group

	Change in exchange rate %	Increase/ (decrease) in profit after tax and equity HK\$'000
2011		
If Hong Kong dollar weakens against RMB	5	(10,041)
If Hong Kong dollar strengthens against RMB	5	10,041
If Hong Kong dollar weakens against CAD	5	19
If Hong Kong dollar strengthens against CAD	5	(19)
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)

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 exposures 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\$463,000 (2010: HK\$597,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax and equity <i>HK\$'000</i>
2011		
Hong Kong dollar	100	(14,783)
RMB	50	(263)
Hong Kong dollar	(100)	14,783
RMB	(50)	263
2010		
Hong Kong dollar	100	(9,909)
RMB	50	(784)
Hong Kong dollar	(100)	9,909
RMB	(50)	784

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 32(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

39. 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. 35% 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 2011 (2010: 12%) based on the carrying value of borrowings reflected in the financial statements. If based on the maturity dates as set out in the loan agreements, 27% of the Group's debts would mature in less than one year.

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

	2011				
	On demand	Less than	1 to 2	Over	Total
	HK\$'000	12 months	years	2 years	HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in trade payables and accrued liabilities	3,618	83,616	–	–	87,234
Interest-bearing bank borrowings	245,000	535,223	488,025	1,132,373	2,400,621
Customer deposits	16,414	–	–	–	16,414
Convertible bonds	–	109,602	–	–	109,602
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	306,671	–	–	–	306,671
	<u>571,703</u>	<u>728,441</u>	<u>488,025</u>	<u>1,132,373</u>	<u>2,920,542</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2011

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group

	2010			Total HK\$'000 (Restated)	
	On demand HK\$'000 (Restated)	Less than 12 months HK\$'000 (Restated)	1 to 2 years HK\$'000		Over 2 years HK\$'000
Financial liabilities included in trade payables and accrued liabilities	3,582	172,392	–	–	175,974
Interest-bearing bank borrowings	110,700	141,229	579,120	1,023,310	1,854,359
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
	<u>372,289</u>	<u>333,621</u>	<u>688,722</u>	<u>1,023,310</u>	<u>2,417,942</u>

Company

	2011		Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	
Amounts due to subsidiaries	724,158	–	724,158
Financial liabilities included in trade payables and accrued liabilities	957	4,193	5,150
Interest-bearing bank borrowings	30,000	–	30,000
Guarantees given to banks in connection with facilities granted to subsidiaries	2,118,207	–	2,118,207
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	88,000	–	88,000
	<u>2,961,322</u>	<u>4,193</u>	<u>2,965,515</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

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

Liquidity risk *(Continued)*

Company

	2010		
On demand	Less than	Total	
<i>HK\$'000</i>	12 months	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
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	80,000	–	80,000
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
	<u>2,354,941</u>	<u>4,833</u>	<u>2,359,774</u>

In respect of interest-bearing bank borrowings of HK\$245,000,000, the loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans, the contractual undiscounted payments at 31 March 2011 for the interest-bearing bank borrowings are HK\$587,545,000 within one year, HK\$496,788,000 in the second year, HK\$1,346,005,000 beyond two years.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

39. 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 2011, 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 2011 and 2010.

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 non-controlling 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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest-bearing bank borrowings	2,272,489	1,729,064
Convertible bonds, the liability component	108,355	100,900
Less: Cash and cash equivalents and pledged deposits	<u>(1,089,377)</u>	<u>(633,904)</u>
Net interest-bearing debts	<u>1,291,467</u>	<u>1,196,060</u>
Equity attributable to owners of the Company	3,995,466	3,471,091
Non-controlling interests	<u>179,174</u>	<u>172,887</u>
Total equity	<u>4,174,640</u>	<u>3,643,978</u>
Gearing ratio	<u>31%</u>	<u>33%</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2011

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outstanding principal of the 3.5% Convertible Bonds due June 2011 in the amount of HK\$88,000,000 was redeemed in full together with the redemption premium upon maturity on 27 June 2011. The aggregate redemption amount was HK\$109,602,000.

41. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs and the voluntary change in accounting policy during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling 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				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
RESULTS					
REVENUE	<u>145,534</u>	<u>812,584</u>	<u>194,858</u>	<u>1,250,745</u>	<u>392,218</u>
PROFIT FOR THE YEAR	<u>465,404</u>	<u>404,057</u>	<u>73,120</u>	<u>436,924</u>	<u>105,437</u>
Profit attributable to:					
Owners of the Company	<u>464,285</u>	<u>373,866</u>	<u>76,500</u>	<u>399,516</u>	<u>101,401</u>
Non-controlling interests	<u>1,119</u>	<u>30,191</u>	<u>(3,380)</u>	<u>37,408</u>	<u>4,036</u>
	<u>465,404</u>	<u>404,057</u>	<u>73,120</u>	<u>436,924</u>	<u>105,437</u>
	As at 31 March				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	<u>7,820,360</u>	<u>6,039,568</u>	<u>5,386,451</u>	<u>5,391,254</u>	<u>5,489,632</u>
TOTAL LIABILITIES	<u>(3,645,720)</u>	<u>(2,395,590)</u>	<u>(2,092,163)</u>	<u>(2,140,659)</u>	<u>(2,759,273)</u>
NET ASSETS	<u>4,174,640</u>	<u>3,643,978</u>	<u>3,294,288</u>	<u>3,250,595</u>	<u>2,730,359</u>
NON-CONTROLLING INTERESTS	<u>(179,174)</u>	<u>(172,887)</u>	<u>(144,103)</u>	<u>(148,321)</u>	<u>(131,283)</u>
SHAREHOLDERS' FUNDS	<u>3,995,466</u>	<u>3,471,091</u>	<u>3,150,185</u>	<u>3,102,274</u>	<u>2,599,076</u>

PARTICULARS OF PROPERTIES

31 March 2011

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 28 June 2011)	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 1 – Construction in progress	2012	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 1 with 46,305 sq.m. – Completed Phase 2 with ~ 46,000 sq.m. – Internal finishing 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.)	Foundation works in progress	2014	100

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

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2011

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 28 June 2011)	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.)	Foundation works to be commenced	–	100

HONG KONG

8. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	100
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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.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2011

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)/ The Bauhinia Hotel (Shenzhen) (寶軒酒店(深圳)) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	5-storey of commercial podium comprising hotel, commercial and shops	20,308 sq.m. (218,514 sq.ft.)	158 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	107,802 sq.m. (1,159,949 sq.ft.)	–	Medium term lease	100
13. Ganghui Dasha (港滙大廈) 3 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	13,053 sq.m. (140,450 sq.ft.)	–	Medium term lease	100
HONG KONG					
14. 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
15. The Bauhinia (寶軒)/ The Bauhinia Hotel (Central) (寶軒酒店(中環)) 119-121 Connaught Road Central & 237-241 Des Voeux Road Central Hong Kong	Serviced apartments/ Hotel/ Commercial	123,283 sq.ft.	112 apartment units and 42 hotel rooms with a total of 213 rooms	Long term lease	100
16. Knutsford Place (諾士佛廣場)/ The Bauhinia Hotel (TST) (寶軒酒店(尖沙咀)) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Hotel/ Office/ Commercial	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.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2011

GROUP IV – CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
HONG KONG			
17. Provident Centre (和富中心) 21-53 Wharf Road North Point Hong Kong	47	Long term lease	100
18. Lido Garden (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	47	Medium term lease	100
19. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	100

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hon Kwok Land Investment Company, Limited (the “Company”) will be held at Full Moon Shanghai Restaurant, Macau Jockey Club, 4th Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 18 August 2011 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 2011.
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) 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.

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

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, 26 July 2011

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.