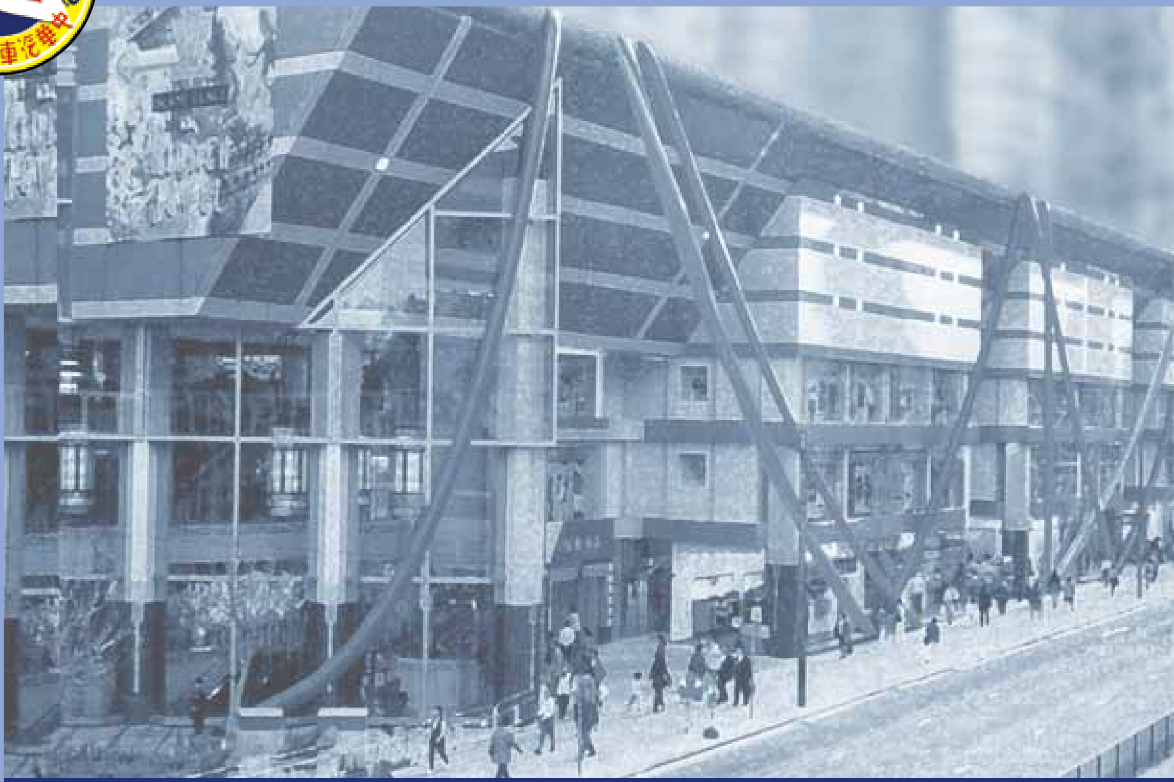
China Motor Bus Co. Ltd.



Annual Report

Stock Code 026

2011

Contents

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Corporate Information

BOARD OF DIRECTORS

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

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

Dr. Henry NGAN

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

Fritz HELMREICH

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

*TSE Yiu-wah

(*Independent Non-Executive Director)

SECRETARY
KWOK Pun Tak

REGISTERED OFFICE
391 Chai Wan Road, Chai Wan, Hong Kong

BANKERS
The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank

SOLICITORS
MAYER.BROWN JSM
Linklaters
Ngan & Co.

AUDITORS
KPMG

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

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

STOCK CODE
026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Seventy Third Ordinary Yearly Meeting of the Members of the Company will be held at its registered office at 391 Chai Wan Road, Chai Wan, Hong Kong on Thursday, 24th November, 2011 at 12:00 noon for the following purposes:-

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2011 and to declare a final dividend.

2. To elect Directors and fix their fees.

3. To appoint Auditors and authorise the Directors to fix their remuneration.

4. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "THAT:

   (A) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, "Relevant Period" being the period from the passing of this Resolution until the earlier of the conclusion of the next Ordinary Yearly Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved; and

   (B) the total number of shares of the Company purchased by the Company pursuant to paragraph (A) during the Relevant Period shall be no more than 2% of the existing issued share capital of the Company at the date of this meeting, and the authority pursuant to paragraph (A) shall be limited accordingly."

5. To transact any other competent business.

By Order of the Board

Kwok Pun Tak
Secretary

Hong Kong, 23rd September, 2011

Explanatory Note on Resolution 2

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

Explanatory Note on Resolution 4

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

Notes:

(1) A shareholder entitled to attend and vote at the above Meeting may appoint a proxy or proxies (not exceeding 2 in number) to attend and vote in his place and such proxy need not be a shareholder of the Company.

(2) To be valid, forms of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for holding the Meeting or adjourned Meeting.

(3) Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, unless a poll is required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
- *(i) the chairman of the meeting; or*
- *(ii) at least four shareholders; or*
- *(iii) a shareholder or shareholders holding or representing by proxy or entitled to vote in respect of at least one-tenth part of the capital represented at the meeting.*

(4) For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Thursday, 24th November, 2011, the Register of Members of the Company will be closed from Monday, 21st November, 2011 to Wednesday, 23rd November, 2011, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 18th November, 2011.

(5) For ascertaining the shareholders' entitlement to the proposed final dividend and the special dividend, the Register of Members of the Company will be closed from Wednesday, 30th November, 2011 to Friday, 2nd December, 2011, both days inclusive. To qualify for the proposed final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 29th November, 2011.

(6) As at the date of this Notice, the Directors of the Company are:-
Ngan Kit-ling, Dr. Ngan Kit-keung, Dr. Henry Ngan, Dr. Liu Lit-mo, Fritz Helmreich, Anthony Grahame Stott* and Tse Yiu-wah*.*

(7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.

**Independent Non-executive Director*

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June, 2011.

PRINCIPAL PLACE OF BUSINESS

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

GROUP'S ACTIVITIES AND OPERATIONS

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

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

JOINTLY CONTROLLED ENTITIES

Particulars of jointly controlled entities at 30th June, 2011 are set out in note 15 on the financial statements.

FINANCIAL STATEMENTS

The profit of the group for the year ended 30th June, 2011 and the state of affairs of the company and of the group at that date are set out in the financial statements on pages 20 to 58.

A first interim dividend of HK$0.10 per share and a special dividend of HK$0.50 per share were paid on 14th June, 2011. A second interim dividend of HK$0.30 per share is payable on 1st November, 2011. The directors now recommend that a final dividend of HK$0.10 per share and a special dividend of HK$1.30 per share be paid in respect of the year ended 30th June, 2011 and that HK$10,000,000 be transferred to general reserve.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 31st January, 2012.

FIXED ASSETS

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

DIRECTORS

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

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

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

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2011, the interests and short positions of the directors and chief executive of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of listed companies were as follows:

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

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

All the interests disclosed above represent long positions as at 30th June, 2011.

Save as disclosed above, as at 30th June, 2011, none of the directors or chief executive of the company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

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

The company has been notified of the following interests in the company's issued shares at 30th June, 2011, amounting to 5% or more of the shares in issue:

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

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

All the interests disclosed above represent long positions as at 30th June, 2011.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2011, none of the above shareholders had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, as at 30th June, 2011, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTEREST IN CONTRACTS

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

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

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

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

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

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

SHARE CAPITAL

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

EMPLOYEES' RETIREMENT SCHEMES

During the year, the company operated two separate non-contributory defined benefit retirement schemes, namely, "China Motor Bus General Monthly Rated Staff Retirement Scheme" and "China Motor Bus Senior Executive Retirement Scheme" for its monthly rated staff and senior executives respectively. The China Motor Bus General Monthly Rated Staff Retirement Scheme has been dissolved with effect from 1st May, 2011 with the accrued benefit of the scheme member transferred to a mandatory provident fund scheme.

The China Motor Bus Senior Executive Retirement Scheme is formally established under trust and registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited (replaced the previous trustee of HSBC International Trustee Limited as at 1st July, 2011). The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the scheme are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the scheme at regular intervals, currently annually.

The actuarial valuation of the China Motor Bus Senior Executive Retirement Scheme as at 30th June, 2011 showed that there were sufficient assets to cover the on-going liabilities of the scheme. The actuary of the scheme is Towers Watson Hong Kong Limited. In the actuarial valuation, the aggregate cost valuation method was used. The major assumptions used in the valuation were: Investment Return at 0.5% per annum; and Salary Escalation at 3.0% per annum. Other relevant information extracted from the valuations pertaining to the scheme is set out below:-

(i) The market value of the scheme assets as at 30th June, 2011 was HK$10,514,000 (2010: HK$10,614,000).
(ii) The on-going funding level of the scheme was 103% (2010: 114%).
(iii) The on-going basis funding surplus in the scheme was HK$332,000 (2010: HK$1,279,000).

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

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

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

COMMENTARY ON ANNUAL RESULTS

Revenue and Operating Profit

Turnover of the group for the year under review comprising rental income from its investment properties and income from sale of properties amounted to HK$261 million (2010: HK$513 million). Operating profit of the group of HK$178 million compares to HK$301 million in the previous year and reflects the fall in income from the sale of completed property held for sale. The profit after taxation attributable to shareholders of HK$664 million (2010: HK$529 million as restated) reflects the increase in the value of investment properties in Hong Kong. Share of results of jointly controlled entities increased compared with last year as a result of the increase in value of investment properties held by the jointly controlled entities.

Liquidity and Financial Resources

At 30th June, 2011, the group had no bank borrowings (2010: HK$Nil) and had cash and cash equivalents of HK$1,377 million (2010: HK$813 million) which were held in the form of short term deposits or cash at banks and in hand. Deposits with banks with maturity more than three months amounted to HK$1,211 million (2010: HK$1,722 million).

For the year under review, net cash inflow from operating activities was HK$85 million (2010: HK$583 million). Repayment of loans by and dividends from jointly controlled entities amounted to HK$29 million and HK$12 million respectively (2010: HK$29 million and HK$4 million respectively). The consolidated cash flow statement for the group for the year ended 30th June, 2011 is set out on pages 25 and 26 of this annual report.

Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK$33,000 (2010: HK$49,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the group's total	
	Turnover	*Purchases*
The largest customer	22%	
Five largest customers in aggregate	62%	
The largest supplier		15%
Five largest suppliers in aggregate		62%

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

DISCLOSURE PURSUANT TO LISTING RULE 13.22

At 30th June, 2011, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Note	*Amount HK$000's*	*Type*	*Tenure*
Island Land Development Ltd		413,850	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd		205,407	Interest free, unsecured loan	No fixed terms of repayment
	15	619,257		

Combined balance sheet of the above affiliated companies at 30th June, 2011 is as follows:

	HK$000's
Fixed assets	1,651,089
Property held for development	417,941
	2,069,030
Current assets	20,884
Current liabilities	(27,333)
	(6,449)
Non-current liabilities	(45,418)
	2,017,163

Attributable interest to the group at 30th June, 2011 in the above affiliated companies amounted to HK$1,008,582,000 (2010: HK$805,008,000 as restated).

SUMMARY OF FINANCIAL DATA

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

PROPERTIES

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

PUBLIC FLOAT

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

AUDITORS

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

By order of the board

NGAN Kit-ling
Chairman

Hong Kong, 23rd September, 2011

(A) CORPORATE GOVERNANCE PRACTICES

During the year ended 30th June, 2011, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of the deviations as set out in this report.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2011.

(C) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five board meetings were held during the financial year ended 30th June, 2011. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	5
Dr. NGAN Kit-keung (Assistant Managing Director)	5
Dr. Henry NGAN	5
Non-executive director	
Fritz HELMREICH	5
Independent non-executive directors	
Dr. LIU Lit-mo	3
Anthony Grahame STOTT	4
TSE Yiu-wah	5

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

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

(C) BOARD OF DIRECTORS (Continued)

(ii) Operation of the Board

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) ROTATION OF DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

(G) NOMINATION OF DIRECTORS

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit, taxation and other non-audit services provided by KPMG, the external auditors of the Company, amounted to HK$2.97 million, HK$0.89 million and HK$0.98 million respectively.

(I) AUDIT COMMITTEE

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

The Audit Committee met three times in the year ended 30th June, 2011. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2011 are set out below:

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

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

The work performed by the Audit Committee during the financial year ended 30th June, 2011 included the review of the effectiveness of the group's internal control systems and the review of the interim report and annual report before submission to the Board.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the Group's financial statements. A statement by the auditors of their reporting responsibilities for the year ended 30th June, 2011 is set out in the Independent Auditor's Report on page 19 of this Annual Report.

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2011 amounted to HK$664 million, compared with HK$529 million (restated) for the previous year, which reflects the increase in the value of investment properties in Hong Kong. Share of results of jointly controlled entities increased compared with last year also due to the increase in value of investment properties held by the jointly controlled entities. The operating profit of the Group for the year amounted to HK$178 million, compared with HK$301 million for the previous year, which reflects the fall in income from sale of completed property held for sale.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Thursday, 24th November, 2011 the payment of a final dividend of HK$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK$1.30 per share. These two dividends, together with the first interim dividend of HK$0.10 per share, a special dividend of HK$0.50 per share, and a second interim dividend of HK$0.30 per share payable on 1st November, 2011, will make a total dividend for the year of HK$2.30 per share, compared with HK$2.30 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

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

This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 sq. ft. to 2,265 sq. ft. in a single 45-storey block with a tastefully decorated clubhouse, 50 car parking spaces and retail facilities on the ground floor. The occupation permit was issued on 17th December, 2008 and the Certificate of Compliance was issued on 19th March, 2009. Apart from 5 residential units to be retained by the Group as a long-term investment, all residential units have now been sold.

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

The property, which is wholly-owned by the Company, continues to be held for investment purposes and derives rental income. The property has a site area of approximately 102,420 sq. ft. In May 2001, the site was rezoned and designated as a Comprehensive Development Area. After lengthy discussion with government, certain outstanding issues were clarified. The Company has engaged consultants to prepare for a new application under Section 16 of the Town Planning Ordinance to redevelop the site into a residential and commercial complex in compliance with "sustainable building design guidelines". The proposed development will have a more environmentally friendly design with wider separation between blocks, basement car parking spaces and an improved noise compliance rate.

UK PROPERTIES

The Group's freehold commercial properties are situated in prime locations in central London and remain fully let.

FUTURE OUTLOOK

The global financial markets, especially in USA and Europe, are once more adversely affected by economic uncertainties and an impending debt crisis. In Hong Kong, capital values in residential properties have started to ease, although the commercial and retail sectors still remain relatively strong. In the face of the present economic climate, the Group will continue to look with caution for favourable investment opportunities so as to further enhance shareholder value.

NGAN Kit-ling
Chairman

Hong Kong, 23rd September, 2011

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NGAN Kit-ling, J.P., (78), Chairman and Managing Director, Executive Director of CMB since 1968. Solicitor and Notary Public. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Spouse of Mr Fritz HELMREICH. Sister of Dr. Ngan Kit-Keung and Dr. Henry Ngan.

DR. NGAN Kit-keung, D.Sc, Ph.D., D.B.A., F.I.Mgt., F.C.I.D., F.I.T.L., F.A.A.S., P.Eng., (76), Assistant Managing Director. Director of CMB since 1961 and appointed as Assistant Managing Director since 1967. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. He is also a Non-Executive Director of Transport Business Services Ltd. in United Kingdom. Dr. Ngan was elected a Fellow of the Duke of Edinburgh's Award World Fellowship in 2002. He was awarded "Cavaliere di Gran Crose" by the Republic of San Marino in December 2009. Brother of NGAN Kit-ling and Dr. Henry NGAN. Brother-in-law of Fritz Helmreich.

DR. Henry NGAN, (73), Director of CMB since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling and Dr. NGAN Kit-keung. Brother-in-law of Frtiz Helmreich.

*Dr. LIU Lit Mo, L.L.D., M.B.E., J.P., (73), Director of CMB since 1981. Chairman and Managing Director of Liu Chong Hing Investment Ltd., Chairman and Executive Director of Chong Hing Bank Ltd. Also Member of Advisory Board of Tung Wah Group of Hospitals, Board of Trustees of the Chinese University of Hong Kong, United College and Director of Liu Po Shan Memorial College. He was also the Past District Governor of Rotary International District 3450 (Hong Kong, Macau and Mongolia), Past Chairman of Tung Wah Group of Hospitals, Past Chairman of Hong Kong Football Association, Past President of Hong Kong Chiu Chow Chamber of Commerce and Past Member of Board of Trustees of the Lord Wilson Heritage Trust. Awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. He was conferred an Honorary Doctor's Degree in Laws by Lingnan University in 2005.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (81), Director of CMB since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Republic of Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. Ngan Kit-Keung and Dr. Henry Ngan.

*Anthony Grahame STOTT, B.Sc., F.F.A., (57) Director of CMB since 2002. Director of Jelf Group plc, since 1st December 2010, a UK company listed on the AIM Market of the London Stock Exchange. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees.

*TSE Yiu Wah, (64), Director of CMB since 2004. He is also director of Auzakia Company Limited and Sing Shun Properties Limited. Mr. Tse had over 28 years of experience in the property investment field in Hong Kong.

(Independent Non-Executive Director)*

Senior Management

Victor WONG, ACIS, (66), Personnel & Administration Manager. Was Company Secretary of CMB from 1982 to 1989 and rejoined CMB in 1993. Has 41 years experience in administration, personnel management and company secretary fields with 33 years in Senior Management post.

Y.T. YUEN, BBA(Hons), FCCA, CPA, (49), Chief Accountant. Joined CMB in 1999. Has 26 years experience in accounting field.

KWOK Pun Tak, FCIS, FCS, (58), Company Secretary. Joined CMB in 2002. Has 30 years company secretarial experience.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Motor Bus Company, Limited (the "company") and its subsidiaries (together "the group") set out on pages 20 to 58, which comprise the consolidated and company balance sheets as at 30th June, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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.

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation of the 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th June, 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.

KPMG

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

Hong Kong, 23rd September, 2011

Consolidated Income Statement for the Year Ended 30th June, 2011

(Expressed in Hong Kong dollars)

	NOTE	2011	2010
		$000's	$000's (restated)
TURNOVER	3	260,547	513,483
COST OF SALES		(97,766)	(179,487)
GROSS PROFIT		162,781	333,996
FINANCE INCOME/(EXPENSES)	4	35,326	(12,757)
OTHER INCOME	5	3,156	1,753
STAFF COSTS	6(a)	(8,196)	(8,278)
DEPRECIATION		(225)	(373)
OTHER OPERATING EXPENSES		(15,078)	(13,079)
OPERATING PROFIT	3, 6	177,764	301,262
SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES		281,838	100,861
NET VALUATION GAINS ON INVESTMENT PROPERTIES		232,512	172,505
PROFIT BEFORE TAXATION		692,114	574,628
TAXATION	8(a)	(27,905)	(45,472)
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS	10	664,209	529,156
EARNINGS PER SHARE	11		
BASIC AND DILUTED		$14.57	$11.61

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

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2011

(Expressed in Hong Kong dollars)

	2011	2010
	$000's	$000's (restated)
PROFIT FOR THE YEAR	664,209	529,156
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
EXCHANGE DIFFERENCES ARISING ON CONSOLIDATION	45,662	(73,461)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	709,871	455,695

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

Consolidated Balance Sheet at 30th June, 2011

(Expressed in Hong Kong dollars)

	NOTE	2011 $000's	2010 $000's (restated)	2009 $000's (restated)
NON-CURRENT ASSETS				
FIXED ASSETS	13	2,178,732	1,900,750	1,802,030
INTEREST IN JOINTLY CONTROLLED ENTITIES	15	1,324,882	1,083,844	1,015,783
OTHER INVESTMENTS	16	11,915	9,806	8,823
DEFINED BENEFIT ASSET	17	485	637	881
		3,516,014	2,995,037	2,827,517
CURRENT ASSETS				
COMPLETED PROPERTY HELD FOR SALE	18	86,815	175,099	347,570
DEBTORS, DEPOSITS AND PREPAYMENTS	19	99,022	118,770	558,874
DEPOSITS WITH BANKS		2,543,415	2,513,399	2,024,153
CASH AT BANKS AND IN HAND		44,388	21,605	15,756
		2,773,640	2,828,873	2,946,353
CURRENT LIABILITIES				
CREDITORS AND ACCRUALS	20	120,000	183,291	516,948
TAXATION	22(a)	23,363	102,156	68,784
		143,363	285,447	585,732
NET CURRENT ASSETS		2,630,277	2,543,426	2,360,621
TOTAL ASSETS LESS CURRENT LIABILITIES		6,146,291	5,538,463	5,188,138
NON-CURRENT LIABILITIES				
DEFERRED TAXATION	22(b)	29,854	27,030	22,973
		6,116,437	5,511,433	5,165,165
CAPITAL AND RESERVES				
Representing:–				
SHARE CAPITAL	24	91,189	91,189	91,189
RESERVES		5,584,051	4,979,047	4,632,779
		5,675,240	5,070,236	4,723,968
DEFERRED PROFITS	23	441,197	441,197	441,197
		6,116,437	5,511,433	5,165,165

Approved and authorised for issue by the board of directors on 23rd September, 2011.

NGAN Kit-ling) Director

Dr. NGAN Kit-keung) Director

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

Balance Sheet at 30th June, 2011

(Expressed in Hong Kong dollars)

	NOTE	2011	2010	2009
		$000's	$000's	$000's
			(restated)	(restated)
NON-CURRENT ASSETS				
FIXED ASSETS	13	495,021	435,167	345,317
INTEREST IN SUBSIDIARIES	14	1,018,356	1,018,356	1,018,356
DEFINED BENEFIT ASSET	17	485	637	881
		1,513,862	1,454,160	1,364,554
CURRENT ASSETS				
DEBTORS, DEPOSITS AND PREPAYMENTS	19	719	527	714
AMOUNTS DUE FROM SUBSIDIARIES	21	60	24,072	446,762
DEPOSITS WITH BANKS		539,925	567,299	240,711
CASH AT BANKS AND IN HAND		1,929	3,922	6,526
		542,633	595,820	694,713
CURRENT LIABILITIES				
CREDITORS AND ACCRUALS	20	8,766	8,944	8,307
AMOUNTS DUE TO SUBSIDIARIES	21	763,377	701,135	681,964
		772,143	710,079	690,271
NET CURRENT (LIABILITIES)/ASSETS		(229,510)	(114,259)	4,442
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284,352	1,339,901	1,368,996
NON-CURRENT LIABILITIES				
DEFERRED TAXATION	22(b)	2,827	2,246	2,196
		1,281,525	1,337,655	1,366,800
CAPITAL AND RESERVES				
Representing:–				
SHARE CAPITAL	24	91,189	91,189	91,189
RESERVES	25	960,204	1,016,334	1,045,479
		1,051,393	1,107,523	1,136,668
DEFERRED PROFITS	23	230,132	230,132	230,132
		1,281,525	1,337,655	1,366,800

Approved and authorised for issue by the board of directors on 23rd September, 2011.

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

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

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2011

(Expressed in Hong Kong dollars)

	Share capital	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	$000's	$000's	$000's	$000's	$000's	$000's
At 1st July, 2009	91,189	1,348	5,752	320,000	4,185,288	4,603,577
Impact of change in accounting policy (note 2)	–	–	–	–	120,391	120,391
Restated at 1st July, 2009	91,189	1,348	5,752	320,000	4,305,679	4,723,968
Dividends declared/ approved in respect of the previous year (note 9(b))	–	–	–	–	(82,070)	(82,070)
Realisation of other properties revaluation reserve	–	–	(28)	–	28	–
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
	–	–	(28)	10,000	(119,399)	(109,427)
Profit for the year (restated)	–	–	–	–	529,156	529,156
Other comprehensive income for the year - Exchange differences arising on consolidation	–	–	–	–	(73,461)	(73,461)
Total comprehensive income for the year	–	–	–	–	455,695	455,695
Restated at 30th June, 2010	91,189	1,348	5,724	330,000	4,641,975	5,070,236
Restated at 1st July, 2010	91,189	1,348	5,724	330,000	4,641,975	5,070,236
Dividends declared/ approved in respect of the previous year (note 9(b))	–	–	–	–	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	–	(27)	–	27	–
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
	–	–	(27)	10,000	(114,840)	(104,867)
Profit for the year	–	–	–	–	664,209	664,209
Other comprehensive income for the year - Exchange differences arising on consolidation	–	–	–	–	45,662	45,662
Total comprehensive income for the year	–	–	–	–	709,871	709,871
At 30th June, 2011	91,189	1,348	5,697	340,000	5,237,006	5,675,240

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

Consolidated Cash Flow Statement for the Year Ended 30th June, 2011

(Expressed in Hong Kong dollars)

	2011	2010
	$000's	$000's
OPERATING ACTIVITIES		
Operating profit	177,764	301,262
Adjustments for:		
– Depreciation	225	373
– Dividend income from other investments	(350)	(340)
– Interest income	(11,590)	(12,722)
– Net unrealised gains on other investments	(2,251)	(983)
– Gain on disposal of other investments	(2)	–
– Foreign exchange (gains)/losses	(20,816)	25,087
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	142,980	312,677
Decrease in defined benefit asset	152	244
Decrease in debtors, deposits and prepayments	20,567	439,744
Decrease in completed property held for sale	88,284	172,471
Decrease in creditors and accruals	(63,291)	(333,657)
CASH GENERATED FROM OPERATIONS	188,692	591,479
Tax paid		
– Hong Kong Profits Tax paid	(95,411)	(2,087)
– Overseas tax paid	(8,463)	(5,956)
NET CASH GENERATED FROM OPERATING ACTIVITIES	84,818	583,436
INVESTING ACTIVITIES		
Purchase of fixed assets	(33)	(49)
Purchase of other investments	(326)	–
Proceeds from sale of other investments	470	–
Decrease/(increase) in deposits with banks with maturity more than three months	511,544	(1,570,994)
Dividends from jointly controlled entities	12,000	3,800
Dividends from other investments	350	340
Interest received	10,771	13,082
Repayment of loans by jointly controlled entities	28,800	29,000
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	563,576	(1,524,821)

Consolidated Cash Flow Statement for the Year Ended 30th June, 2011 (Continued)

(Expressed in Hong Kong dollars)

	2011	2010
	$000's	$000's
FINANCING ACTIVITIES		
Dividends paid	(104,867)	(109,427)
NET CASH USED IN FINANCING ACTIVITIES	(104,867)	(109,427)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	543,527	(1,050,812)
EFFECT OF FOREIGN EXCHANGE RATES	20,816	(25,087)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	812,540	1,888,439
CASH AND CASH EQUIVALENTS AT 30TH JUNE	1,376,883	812,540
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with banks	2,543,415	2,513,399
Less: Deposits with banks with maturity more than three months	(1,210,920)	(1,722,464)
Cash at banks and in hand	44,388	21,605
	1,376,883	812,540

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 30th June, 2011 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in jointly controlled entities.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(c) Subsidiaries

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

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

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

(d) Jointly controlled entities

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in securities

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

(i) Investments in securities are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant unrealised gain or loss recognised in profit or loss.

(ii) Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in profit or loss as they arise.

(f) Fixed assets

(i) Investment properties

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

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

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

(ii) Other properties and fixed assets

Other properties are stated at valuation less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

All other fixed assets are stated at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

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

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

(g) Depreciation

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

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

(h) Leased assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (continued)

(i) Classification of assets leased to the group

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

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

(i) Impairment of assets

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

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

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets (other than properties carried at revalued amounts) may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(j) Inventories

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other receivables
Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(i)).

(l) Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits
(i) Short term employee benefits and contributions to defined contribution retirement plans
Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
(ii) Defined benefit retirement scheme obligations
The group's net obligations in respect of the defined benefit retirement scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of the scheme's assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.
When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.
In calculating the group's obligation in respect of a scheme, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.
Where the calculation of the group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(o) Income tax
(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(f)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

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

(p) Provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Income from sale of properties

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

(iii) Dividends

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

(iv) Interest income

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

(r) Translation of foreign currencies

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

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

(s) Related parties

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

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

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

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

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

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

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

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

(t) Segment reporting

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

– HKFRSs (Amendments) *Improvements to HKFRSs 2009*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31), with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1st January, 2012, but as permitted by the amendments, the group has decided to adopt the amendments early.

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no material impact on the group's financial statements.

(a) HKFRSs (Amendments) - ***Improvements to HKFRSs 2009***

The improvements to HKFRSs 2009 consist of further amendments to existing standards, including amendments to HKAS 17, *Leases*. The amendment to HKAS 17 requires the land element of long-term leases to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. It is not expected that these amendments will have a significant effect on the group's results or net assets.

(b) Amendments to HKAS 12 - *Income Taxes - Deferred tax: Recovery of underlying assets*

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold or freehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1st July, 2009 and 2010, with consequential adjustments to comparatives for the year ended 30th June, 2010. This has resulted in a reduction in the amount of deferred tax provided on valuation gains as follows:

The group

	As previously reported	*Effect of adoption of amendments to HKAS 12*	*As restated*
	$000's	$000's	$000's
Consolidated income statement for the year ended 30th June, 2010:			
- Share of results of jointly controlled entities	92,677	8,184	100,861
- Taxation	(73,813)	28,341	(45,472)
- Profit after taxation attributable to shareholders	492,631	36,525	529,156
- Earnings per share			
Basic and diluted	$10.80	$0.81	$11.61
Consolidated balance sheet as at 30th June, 2010:			
- Interest in jointly controlled entities	1,066,947	16,897	1,083,844
- Deferred taxation	(167,049)	140,019	(27,030)
- Reserves	4,822,131	156,916	4,979,047
Consolidated balance sheet as at 1st July, 2009:			
- Interest in jointly controlled entities	1,007,070	8,713	1,015,783
- Deferred taxation	(134,651)	111,678	(22,973)
- Reserves	4,512,388	120,391	4,632,779

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amendments to HKAS 12 - *Income Taxes - Deferred tax: Recovery of underlying assets (continued)*

The company

	As previously reported	*Effect of adoption of amendments to HKAS 12*	*As restated*
	$000's	$000's	$000's
Balance sheet as at 30th June, 2010:			
- Deferred taxation	(67,080)	64,834	(2,246)
- Reserves	951,500	64,834	1,016,334
Balance sheet as at 1st July, 2009:			
- Deferred taxation	(52,180)	49,984	(2,196)
- Reserves	995,495	49,984	1,045,479

3. TURNOVER

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

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

	2011	2010
	$000's	$000's
Income from sale of properties	181,667	436,334
Rentals from investment properties	78,880	77,149
	260,547	513,483

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

	Group turnover		Operating profit	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Geographical locations of operations				
Hong Kong	212,538	465,534	118,893	269,714
United Kingdom	48,009	47,949	58,871	31,548
	260,547	513,483	177,764	301,262

The turnover of the jointly controlled entities attributable to the group for the year amounted to $59,893,000 (2010: $58,298,000).

4. FINANCE INCOME/(EXPENSES)

	2011	2010
	$000's	$000's
Interest income	11,590	12,722
Dividend income from other investments	350	340
Exchange gains/(losses)	21,133	(26,802)
Net unrealised gains on other investments	2,251	983
Gain on disposal of other investments	2	–
	35,326	(12,757)

5. OTHER INCOME

	2011	2010
	$000's	$000's
Management fee	497	497
Unclaimed dividends forfeited	326	245
Sundry income	2,333	1,011
	3,156	1,753

6. OPERATING PROFIT

Operating profit is arrived at

	2011	2010
	$000's	$000's
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	114	111
Expenses recognised in respect of defined benefit retirement schemes (note 17)	152	244
Salaries, wages and other benefits	7,930	7,923
	8,196	8,278
(b) Other items:		
Auditor's remuneration		
– audit services (Note)	2,974	2,795
– tax services	892	814
– other services	975	–
Legal and professional fees	2,973	1,826
Property expenses	2,342	2,783
Cost of property sold	97,766	179,487
Note: including under-provision in respect of previous year		
and after crediting:-		
Rental income less outgoings	76,538	74,366
which includes		
– gross rental income from investment properties	78,880	77,149

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

(a) Directors

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

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

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

Name	Fees	Salaries, allowances and benefits in kind	Bonus in accordance with article 155	Group's contributions to retirement scheme	Total
	$000's	$000's	$000's	$000's	$000's
2011					
Ngan Kit-ling	125	2,349	–	–	2,474
Dr. Ngan Kit-keung	65	1,252	–	–	1,317
Dr. Henry Ngan	65	600	–	–	665
Fritz Helmreich	65	600	–	–	665
Dr. Liu Lit-mo	60	–	–	–	60
Anthony Grahame Stott	120	–	–	–	120
Tse Yiu-wah	60	–	–	–	60
	560	4,801	–	–	5,361
2010					
Ngan Kit-ling	125	2,288	–	–	2,413
Dr. Ngan Kit-keung	65	1,219	–	–	1,284
Dr. Henry Ngan	65	600	–	–	665
Fritz Helmreich	65	600	–	–	665
Dr. Liu Lit-mo	60	–	–	–	60
Anthony Grahame Stott	120	–	–	–	120
Tse Yiu-wah	60	–	–	–	60
	560	4,707	–	–	5,267

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2011 amounted to $240,000 (2010: $240,000).

(b) Employees

Set out below are analyses of the emoluments for the year ended 30th June, 2011 of one employee (2010: one) of the group who, not being directors of the company, is among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments

	2011	2010
	$000's	$000's
Basic salary, housing allowance and other benefits	740	728
Retirement scheme contribution	12	12
	752	740

(ii) Bandings

Bands (in HK$)	*Number*	*Number*
$Nil – $1,000,000	1	1

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year ended 30th June, 2011. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

(a) Taxation in the consolidated income statement represents:-

	2011 $000's	2010 $000's (restated)
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	17,100	33,868
Over-provision in respect of prior years	–	(1)
	17,100	33,867
Current tax – Overseas		
Tax for the year	8,045	7,994
Over-provision in respect of prior years	(64)	(446)
	7,981	7,548
Deferred tax		
Origination and reversal of temporary differences	2,824	4,057
	27,905	45,472

Share of taxation of jointly controlled entities for the year ended 30th June, 2011 amounting to tax charge of $7,127,000 (2010: $6,238,000 as restated) is included in share of results of jointly controlled entities in the consolidated income statement.

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

	2011 $000's	2010 $000's (restated)
Profit before taxation	692,114	574,628
Notional tax on profit before taxation calculated at applicable tax rates	115,962	96,847
Tax effect of non-deductible expenses	1,063	2,809
Tax effect of non-taxable revenue	(90,703)	(55,015)
Over-provision in respect of prior years	(64)	(447)
Tax effect of tax losses not recognised	1,647	1,278
Actual total tax expense	27,905	45,472

9. DIVIDENDS

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

	2011	2010
	$000's	$000's
First interim dividend declared and paid of $0.10 (2010: $0.10) per share	4,559	4,559
Special dividend declared and paid of $0.50 (2010: $0.50) per share	22,798	22,798
Second interim dividend declared after the balance sheet date of $0.30 (2010: $0.30) per share	13,678	13,678
Final dividend proposed after the balance sheet date of $0.10 (2010: $0.10) per share	4,559	4,559
Special dividend proposed after the balance sheet date of $1.30 (2010: $1.30) per share	59,273	59,273
	104,867	104,867

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

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

	2011	2010
	$000's	$000's
Second interim dividend declared in respect of previous financial year of $0.30 (2010: $0.30) per share	13,678	13,678
Final dividend approved in respect of previous financial year of $0.10 (2010: $0.10) per share	4,559	4,559
Special dividend approved in respect of previous financial year of $1.30 (2010: $1.40) per share	59,273	63,833
	77,510	82,070

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, a profit of $48,737,000 (2010: $80,282,000 as restated) is dealt with in the financial statements of the company.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of $664,209,000 (2010: $529,156,000 as restated) and the weighted average of 45,594,656 (2010: 45,594,656) shares in issue during the year.

12. SEGMENT REPORTING

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

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

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

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

12. SEGMENT REPORTING (Continued)

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

(a) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	$000's	$000's (restated)	$000's	$000's	$000's	$000's (restated)	$000's	$000's (restated)
Turnover	260,547	513,483	–	–	–	–	260,547	513,483
Finance income/(expenses)	–	–	35,326	(12,757)	–	–	35,326	(12,757)
Other income	–	–	–	–	3,156	1,753	3,156	1,753
Total revenue	260,547	513,483	35,326	(12,757)	3,156	1,753	299,029	502,479
Segment results	159,881	330,841	35,326	(12,757)			195,207	318,084
Unallocated expenses							(17,443)	(16,822)
Operating profit							177,764	301,262
Share of results of jointly controlled entities	281,838	100,861	–	–			281,838	100,861
Net valuation gains on investment properties	232,512	172,505	–	–			232,512	172,505
Taxation							(27,905)	(45,472)
Profit attributable to shareholders							664,209	529,156
Depreciation for the year	(72)	(202)	–	–	(153)	(171)	(225)	(373)
Fixed assets	2,158,835	1,880,707	–	–	19,897	20,043	2,178,732	1,900,750
Other investments	–	–	11,915	9,806	–	–	11,915	9,806
Defined benefit asset	–	–	–	–	485	637	485	637
Completed property held for sale	86,815	175,099	–	–	–	–	86,815	175,099
Debtors, deposits and prepayments	96,131	116,647	2,497	1,678	394	445	99,022	118,770
Deposits with banks with maturity more than three months	–	–	1,210,920	1,722,464	–	–	1,210,920	1,722,464
Cash balances	–	–	1,376,883	812,540	–	–	1,376,883	812,540
Segment assets	2,341,781	2,172,453	2,602,215	2,546,488	20,776	21,125	4,964,772	4,740,066
Interest in jointly controlled entities	1,324,882	1,083,844	–	–	–	–	1,324,882	1,083,844
Total assets							6,289,654	5,823,910
Creditors and accruals	110,019	174,016	–	–	9,981	9,275	120,000	183,291
Taxation	–	–	–	–	23,363	102,156	23,363	102,156
Deferred taxation	–	–	–	–	29,854	27,030	29,854	27,030
Segment liabilities	110,019	174,016	–	–	63,198	138,461	173,217	312,477
Additions to non-current assets other than other investments and defined benefit asset during the year	26	28	–	–	7	21	33	49

(b) Geographical information

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

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

	Hong Kong		United Kingdom	
	2011	2010	2011	2010
	$000's	$000's (restated)	$000's	$000's
Turnover	212,538	465,534	48,009	47,949
Specified non-current assets	2,719,957	2,244,111	783,657	740,483

13. FIXED ASSETS

	Investment properties $000's	Other properties $000's	Motor buses $000's	Plant, fixtures and equipment $000's	Total $000's
(a) The group					
Cost or valuation:					
At 1st July, 2009	1,781,563	20,076	5,711	7,861	1,815,211
Exchange adjustment	(73,461)	–	–	–	(73,461)
Additions	–	–	–	49	49
Revaluation surplus	172,505	–	–	–	172,505
At 30th June, 2010	1,880,607	20,076	5,711	7,910	1,914,304
Representing:					
Cost	–	–	5,711	7,910	13,621
2002 valuation	–	20,076	–	–	20,076
2010 valuation	1,880,607	–	–	–	1,880,607
	1,880,607	20,076	5,711	7,910	1,914,304
Cost or valuation:					
At 1st July, 2010	1,880,607	20,076	5,711	7,910	1,914,304
Exchange adjustment	45,662	–	–	–	45,662
Additions	–	–	–	33	33
Revaluation surplus	232,512	–	–	–	232,512
At 30th June, 2011	2,158,781	20,076	5,711	7,943	2,192,511
Representing:					
Cost	–	–	5,711	7,943	13,654
2002 valuation	–	20,076	–	–	20,076
2011 valuation	2,158,781	–	–	–	2,158,781
	2,158,781	20,076	5,711	7,943	2,192,511
Accumulated depreciation:					
At 1st July, 2009	–	538	5,644	6,999	13,181
Charge for the year	–	66	–	307	373
At 30th June, 2010	–	604	5,644	7,306	13,554
At 1st July, 2010	–	604	5,644	7,306	13,554
Charge for the year	–	66	–	159	225
At 30th June, 2011	–	670	5,644	7,465	13,779
Net book value:					
At 30th June, 2011	2,158,781	19,406	67	478	2,178,732
At 30th June, 2010	1,880,607	19,472	67	604	1,900,750
Tenure of title to properties:					
2011					
Held in Hong Kong					
– Long leases	687,000	19,406	–	–	706,406
– Medium term leases	688,124	–	–	–	688,124
	1,375,124	19,406	–	–	1,394,530
Held outside Hong Kong					
– Freehold	783,657	–	–	–	783,657
	2,158,781	19,406	–	–	2,178,187
2010					
Held in Hong Kong					
– Long leases	575,000	19,472	–	–	594,472
– Medium term leases	565,124	–	–	–	565,124
	1,140,124	19,472	–	–	1,159,596
Held outside Hong Kong					
– Freehold	740,483	–	–	–	740,483
	1,880,607	19,472	–	–	1,900,079

13. FIXED ASSETS (Continued)

(b) The company

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	$000's	$000's	$000's	$000's	$000's
Cost or valuation:					
At 1st July, 2009	325,124	20,076	5,711	5,974	356,885
Additions	–	–	–	21	21
Revaluation surplus	90,000	–	–	–	90,000
At 30th June, 2010	415,124	20,076	5,711	5,995	446,906
Representing:					
Cost	–	–	5,711	5,995	11,706
2002 valuation	–	20,076	–	–	20,076
2010 valuation	415,124	–	–	–	415,124
	415,124	20,076	5,711	5,995	446,906
Cost or valuation:					
At 1st July, 2010	415,124	20,076	5,711	5,995	446,906
Additions	–	–	–	7	7
Revaluation surplus	60,000	–	–	–	60,000
At 30th June, 2011	475,124	20,076	5,711	6,002	506,913
Representing:					
Cost	–	–	5,711	6,002	11,713
2002 valuation	–	20,076	–	–	20,076
2011 valuation	475,124	–	–	–	475,124
	475,124	20,076	5,711	6,002	506,913
Accumulated depreciation:					
At 1st July, 2009	–	538	5,644	5,386	11,568
Charge for the year	–	66	–	105	171
At 30th June, 2010	–	604	5,644	5,491	11,739
At 1st July, 2010	–	604	5,644	5,491	11,739
Charge for the year	–	66	–	87	153
At 30th June, 2011	–	670	5,644	5,578	11,892
Net book value:					
At 30th June, 2011	475,124	19,406	67	424	495,021
At 30th June, 2010	415,124	19,472	67	504	435,167
Tenure of title to properties:					
2011					
Held in Hong Kong					
– Long leases	470,000	19,406	–	–	489,406
– Medium term leases	5,124	–	–	–	5,124
	475,124	19,406	–	–	494,530
2010					
Held in Hong Kong					
– Long leases	410,000	19,472	–	–	429,472
– Medium term leases	5,124	–	–	–	5,124
	415,124	19,472	–	–	434,596

(i) The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2011 by Professional Property Services Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for development potential or reversionary potential as appropriate.

(ii) The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2011 by SAVILLS Commercial Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for reversionary potential.

(iii) The gross carrying amounts of investment properties of the group held for use in operating leases were $2,158,781,000 (2010: $1,880,607,000). Further details of the leasing arrangements are contained in note 27(a).

(iv) The carrying amount of other properties of the group at 30th June, 2011 would have been $11,381,000 (2010: $11,420,000) had they been carried at cost less accumulated depreciation.

14. INTEREST IN SUBSIDIARIES

	The company	
	2011	2010
	$000's	$000's
Unlisted shares, at cost	1,018,356	1,018,356

Details of the subsidiaries are as follows:-

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

15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group		
	2011	2010	2009
	$000's	$000's (restated)	$000's (restated)
Share of net assets	705,625	435,787	338,726
Loans to jointly controlled entities	619,257	648,057	677,057
	1,324,882	1,083,844	1,015,783

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

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

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

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

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

(a) Swire and Island Communication Developments Limited

(i) Income statement

	2011 $000's	2010 $000's (restated)
Income (Note (a))	62,061	35,234
Expenses	(10,779)	(10,706)
Profit before taxation	51,282	24,528
Taxation	(1,872)	(1,776)
Profit after taxation	49,410	22,752

(ii) Balance sheet

	2011 $000's	2010 $000's (restated)	2009 $000's (restated)
Fixed assets	329,414	288,854	274,471
Current assets	13,415	14,687	7,313
Current liabilities	(9,436)	(8,585)	(8,245)
Deferred taxation	(17,308)	(16,281)	(15,216)
Net assets	316,085	278,675	258,323

(b) Island Land Development Limited

(i) Income statement

	2011 $000's	2010 $000's (restated)
Income (Note (a))	159,231	72,093
Expenses	(9,641)	(9,709)
Profit before taxation	149,590	62,384
Taxation	(4,553)	(4,437)
Profit after taxation	145,037	57,947

(ii) Balance sheet

	2011 $000's	2010 $000's (restated)	2009 $000's (restated)
Fixed assets	825,544	703,544	668,057
Retirement benefit assets	–	284	179
Current assets	9,496	12,937	17,590
Current liabilities	(426,660)	(454,581)	(482,756)
Deferred taxation	(22,709)	(21,550)	(20,383)
Net assets	385,671	240,634	182,687

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(c) Hareton Limited

	2011	2010
	$000's	$000's
(i) Income statement		
Income (Note (b))	88,110	20,070
Expenses	(81)	(75)
Profit before taxation	88,029	19,995
Taxation	(692)	–
Profit after taxation	87,337	19,995
(b) Balance sheet		
Property held for development	208,971	121,500
Current assets	946	2,679
Current liabilities	(206,263)	(207,862)
Net assets/(liabilities)	3,654	(83,683)

(d) Uttoxeter Limited

	2011	2010
	$000's	$000's
(i) Income statement		
Income	70	201
Expenses	(6)	(9)
Profit before taxation	64	192
Taxation	(10)	(25)
Profit after taxation	54	167
(ii) Balance sheet		
Current assets	326	365
Current liabilities	(111)	(204)
Net assets	215	161

Notes:
(a) Income includes revaluation gains on investment properties.
(b) Income includes a write-back of impairment loss on property held for development.

16. OTHER INVESTMENTS

	The group	
	2011	2010
	$000's	$000's
Equity securities listed in Hong Kong, at fair value	11,915	9,806

17. DEFINED BENEFIT RETIREMENT SCHEMES

During the year, the company operated two separate non-contributory defined benefit retirement schemes, namely, "China Motor Bus General Monthly Rated Staff Retirement Scheme" and "China Motor Bus Senior Executive Retirement Scheme" for its monthly rated staff and senior executives respectively. The China Motor Bus General Monthly Rated Staff Retirement Scheme has been dissolved with effect from 1st May, 2011 with the accrued benefits of the scheme member transferred to a mandatory provident fund scheme.

The China Motor Bus Senior Executive Retirement Scheme is formally established under trust and registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited (replaced the previous trustee of HSBC International Trustee Limited as at 1st July, 2011). The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the scheme are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the scheme at regular intervals, currently annually. The actuary of the scheme is Towers Watson Hong Kong Limited.

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

	2011	2010
	$000's	$000's
Present value of the funded obligations	10,218	9,375
Fair value of scheme assets	(10,514)	(10,741)
Net unrecognised actuarial (losses)/gains	(189)	729
	(485)	(637)

(b) Plan assets consist of deposits with banks and cash at banks of $10,514,000 (2010: $10,741,000).

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

	2011	2010
	$000's	$000's
Balance brought forward	9,375	9,972
Current service cost	–	13
Interest cost	47	20
Benefit payments	–	(626)
Transfer-out of members	(25)	–
Actuarial loss/(gain) on obligation	821	(4)
Balance carried forward	10,218	9,375

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

	2011	2010
	$000's	$000's
Balance brought forward	10,741	11,582
Expected return on scheme assets, after scheme administrative expenses of $214,000 (2010: $216,000)	1	15
Actuarial loss on scheme assets	(203)	(230)
Benefit payments	–	(626)
Transfer-out of members	(25)	–
Balance carried forward	10,514	10,741

17. DEFINED BENEFIT RETIREMENT SCHEMES (Continued)

(e) Expenses/(income) recognised in the consolidated income statement are as follows:

	2011	2010
	$000's	$000's
Current service cost	–	13
Interest cost	47	20
Expected return on scheme assets, after scheme administrative expenses of $214,000 (2010: $216,000)	(1)	(15)
Net actuarial loss recognised	3	226
Loss on curtailment and settlement	103	–
	152	244

The expenses/(income) are recognised in the line of staff costs in the consolidated income statement.

	2011	2010
	$000's	$000's
Actual return on scheme assets, after scheme administrative expenses	(202)	(215)

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

	2011	2010
Discount rate	0.15% p.a.	0.50% p.a.
Expected rate of return on scheme assets, excluding scheme administrative expenses	0.50% p.a.	2.00% p.a.
Future salary increases	3.00% p.a.	2.50% p.a.

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

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

	2011	2010	2009	2008	2007
	$000's	$000's	$000's	$000's	$000's
Present value of the funded obligation	10,218	9,375	9,972	9,935	9,690
Fair value of scheme assets	(10,514)	(10,741)	(11,582)	(11,775)	(11,566)
	(296)	(1,366)	(1,610)	(1,840)	(1,876)
Experience loss/(gain) on defined benefit obligation	775	(1)	(202)	(447)	(447)
Experience loss on scheme assets	200	230	281	80	36

18. COMPLETED PROPERTY HELD FOR SALE

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

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

19. DEBTORS, DEPOSITS AND PREPAYMENTS

(a) Ageing analysis

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

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Current	–	34,293	–	–
Less than one month past due	637	345	–	–
1-3 months past due	497	108	–	–
Over 3 months past due	196	–	–	–
Total trade debtors	1,330	34,746	–	–
Deposits, prepayment and other receivables	97,692	84,024	719	527
	99,022	118,770	719	527

A defined credit policy is maintained within the group.

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

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Debtors, deposits and prepayments	1,155	1,134	180	165

(b) Impairment of trade debtors

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

At 30th June, 2011, none of the group's trade debtors were individually determined to be impaired (2010: $Nil).

(c) Trade debtors that are not impaired

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Neither past due nor impaired	–	34,293	–	–
Less than 1 month past due	637	345	–	–
1 to 3 months past due	497	108	–	–
Over 3 months past due	196	–	–	–
	1,330	453	–	–
	1,330	34,746	–	–

20. CREDITORS AND ACCRUALS

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

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Due within 1 month	29	9	–	–
Due from 1 to 3 months	–	–	–	–
Due after 3 months	201	201	201	201
Total trade creditors	230	210	201	201
Other payables and accruals, including sales/pre-sales deposits	119,770	183,081	8,565	8,743
	120,000	183,291	8,766	8,944

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

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Creditors and accruals	6,293	5,178	3,139	3,091

21. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

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

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

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Provision for Hong Kong Profits Tax for the year	17,100	33,868	–	–
Provisional Profits Tax paid	(123)	(57)	–	–
	16,977	33,811	–	–
Balance of Profits Tax provision relating to prior years	190	61,667	–	–
	17,167	95,478	–	–
Overseas taxation	6,196	6,678	–	–
	23,363	102,156	–	–

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

(i) The group

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

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Other provisions	Total
	$000's	$000's	$000's	$000's
Balance at 1st July, 2009	23,478	111,678	(505)	134,651
Impact of change in accounting policy (note 2)	–	(111,678)	–	(111,678)
Restated balance at 1st July, 2009	23,478	–	(505)	22,973
Charged to profit or loss (restated)	4,042	–	15	4,057
Restated balance at 30th June, 2010	27,520	–	(490)	27,030
Restated balance at 1st July, 2010	27,520	–	(490)	27,030
Charged to profit or loss	2,809	–	15	2,824
Balance at 30th June, 2011	30,329	–	(475)	29,854

22. INCOME TAX IN THE BALANCE SHEET (Continued)

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

(ii) The company

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

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Other provisions	Total
	$000's	$000's	$000's	$000's
Balance at 1st July, 2009	2,701	49,984	(505)	52,180
Impact of change in accounting policy (note 2)	–	(49,984)	–	(49,984)
Restated balance at 1st July, 2009	2,701	–	(505)	2,196
Charged to profit or loss (restated)	35	–	15	50
Restated balance at 30th June, 2010	2,736	–	(490)	2,246
Restated balance at 1st July, 2010	2,736	–	(490)	2,246
Charged to profit or loss	566	–	15	581
Balance at 30th June, 2011	3,302	–	(475)	2,827

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of $55,612,000 (2010: $45,970,000). The tax losses do not expire under current tax legislation.

23. DEFERRED PROFITS

	The group		The company	
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
At 1st July and at 30th June	441,197	441,197	230,132	230,132

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

24. SHARE CAPITAL

	2011		2010	
	No. of shares	Amount	No. of shares	Amount
		$000's		$000's
Authorised:				
Ordinary shares of $2 each	50,000,000	100,000	50,000,000	100,000
Issued and fully paid:				
At 1st July and 30th June	45,594,656	91,189	45,594,656	91,189

25. RESERVES

(a) Movements in components of equity:

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

The company

	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	$000's	$000's	$000's	$000's	$000's
At 1st July, 2009	1,348	5,752	320,000	668,395	995,495
Impact of change in accounting policy (note 2)	–	–	–	49,984	49,984
Restated at 1st July, 2009	1,348	5,752	320,000	718,379	1,045,479
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	(82,070)	(82,070)
Realisation of other properties revaluation reserve	–	(28)	–	28	–
Transfer to general reserve	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	(27,357)	(27,357)
Profit and total comprehensive income for the year (restated)	–	–	–	80,282	80,282
Restated at 30th June, 2010	1,348	5,724	330,000	679,262	1,016,334
Restated at 1st July, 2010	1,348	5,724	330,000	679,262	1,016,334
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	(27)	–	27	–
Transfer to general reserve	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	(27,357)	(27,357)
Profit and total comprehensive income for the year	–	–	–	48,737	48,737
At 30th June, 2011	1,348	5,697	340,000	613,159	960,204

The directors consider that all of the general reserve and $116,441,000 (2010: $242,544,000) of the retained profits of the company, totalling $456,441,000 (2010: $572,544,000), are distributable.

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

(b) Capital management

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

The group currently does not have external loans and borrowings.

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

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

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

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

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

(b) Liquidity risk

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

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

	Carrying amount/ contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$000's	$000's	$000's	$000's
At 30th June, 2011				
Trade creditors	230	230	–	–
Other payables	119,770	113,477	4,003	2,290
	120,000	113,707	4,003	2,290
At 30th June, 2010				
Trade creditors	210	210	–	–
Other payables	183,081	177,903	5,091	87
	183,291	178,113	5,091	87

(c) Interest rate risk

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

	2011		2010	
	Effective interest rate (%)	$000's	Effective interest rate (%)	$000's
Deposits with banks	0.10–0.95	2,543,415	0.05–0.76	2,513,399

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2011, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $25.4 million (2010: $25.1 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's profit after tax and retained profits is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Currency risk

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

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

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

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

	Exposure to foreign currencies (expressed in HKD)			
	2011		2010	
	USD	GBP	USD	GBP
	$000's	$000's	$000's	$000's
Deposits with banks	1,086,099	179,666	1,081,594	163,227
Cash at banks and in hand	–	2,353	–	1,469
Debtors, deposits and prepayments	1,097	528	939	361
Net exposure arising from recognised assets and liabilities	1,087,196	182,547	1,082,533	165,057

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2011, it is estimated that an increase/decrease of 5% in foreign exchange rate of GBP against HKD, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $9.1 million (2010: $8.3 million).

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

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to the group's exposure to currency risk for financial instruments in existence at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2010.

(e) Equity price risk

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

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

At 30th June, 2011, it is estimated that an increase/decrease of 5% in the market value of the group's other investments, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $0.6 million (2010: $0.5 million) respectively. The analysis is performed on the same basis for 2010.

(f) Fair value

(i) Financial instruments carried at fair value

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

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

At 30th June, 2011, the only financial instruments of the group carried at fair value were other investments of $11,915,000 (2010: $9,806,000) listed on the Stock Exchange of Hong Kong (see note 16). These instruments fall into Level 1 of the fair value hierarchy described above.

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

All financial instruments are carried at amounts not materially different from their fair values as at 30th June, 2011 and 30th June, 2010. Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

27. OPERATING LEASES

(a) Significant leasing arrangements

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

$78,880,000 (2010: $77,149,000) was recognised as rental income in the consolidated income statement in respect of operating leases.

(b) Future operating lease income

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

	2011	2010
	$000's	$000's
Within one year	69,359	64,933
After one but within five years	198,678	190,902
After five years	257,909	279,226
	525,946	535,061

28. MATERIAL RELATED PARTY TRANSACTIONS

Loans to the jointly controlled entities at 30th June, 2011 are disclosed in note 15. The loans are unsecured, interest-free and have no fixed terms of repayment.

29. COMPARATIVE FIGURES

As a result of the adoption of the amendments to HKAS 12, *Income taxes*, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these developments are disclosed in note 2.

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Valuation of investment properties

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

(b) Completed property held for sale

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

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30TH JUNE, 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30th June, 2011 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1st January, 2011
HKFRS 9, *Financial instruments*	1st January, 2013

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

Financial Summary

(Expressed in Hong Kong dollars)

	2011	2010	2009	2008	2007
	$000's	$000's (restated)	$000's (restated)	$000's (restated)	$000's (restated)
CONSOLIDATED INCOME STATEMENT					
Turnover	260,547	513,483	1,483,762	83,225	76,819
Operating profit	177,764	301,262	574,587	122,911	154,352
Share of results of jointly controlled entities	281,838	100,861	(90,228)	214,735	132,958
Net valuation gains/(losses) on investment properties	232,512	172,505	(193,022)	18,032	227,947
Profit before taxation	692,114	574,628	291,337	355,678	515,257
Taxation	(27,905)	(45,472)	(66,678)	(10,655)	(7,785)
Profit after taxation and attributable to the group	664,209	529,156	224,659	345,023	507,472
CONSOLIDATED BALANCE SHEET					
Fixed assets	2,178,732	1,900,750	1,802,030	2,176,425	2,172,315
Interest in jointly controlled entities	1,324,882	1,083,844	1,015,783	1,137,211	951,876
Other investments	11,915	9,806	8,823	11,141	12,903
Defined benefit asset	485	637	881	724	656
Net current assets	2,630,277	2,543,426	2,360,621	1,921,738	1,871,599
Deferred taxation	(29,854)	(27,030)	(22,973)	(25,130)	(20,787)
	6,116,437	5,511,433	5,165,165	5,222,109	4,988,562
Representing:-					
Share capital	91,189	91,189	91,189	91,189	91,189
Reserves	5,584,051	4,979,047	4,632,779	4,689,723	4,456,176
	5,675,240	5,070,236	4,723,968	4,780,912	4,547,365
Deferred profits	441,197	441,197	441,197	441,197	441,197
	6,116,437	5,511,433	5,165,165	5,222,109	4,988,562
Earnings per share	$14.57	$11.61	$4.93	$7.57	$11.13
Dividends per share	$2.30	$2.40	$2.20	$2.20	$2.00

Note: These figures in 2010, 2009, 2008 and 2007 have been restated pursuant to the adoption of amendments to Hong Kong Accounting Standard 12, *Income taxes*.

Group Properties

Properties held for investment

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

Completed property held for sale

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