Hon Kwok Land Investment Company, Limited

Stock Code: 160

Annual Report 2011/12

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Cover Photos:
Left: Partial view of town houses under Phase 1 of Metropolitan Oasis, Da Li District, Nanhai
Right: The Bauhinia Hotel (Central) and the serviced apartments upstairs

封面圖片：
左：南海大瀝鎮雅瑤綠洲第一期之聯排別墅之部份景觀
右：寶軒酒店（中環）及位於上層之服務式住宅

CORPORATE INFORMATION

DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SECRETARY

Thomas Hang-Cheong Ma

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

REGISTRARS

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

REGISTERED OFFICE

23rd Floor
Wing On Centre
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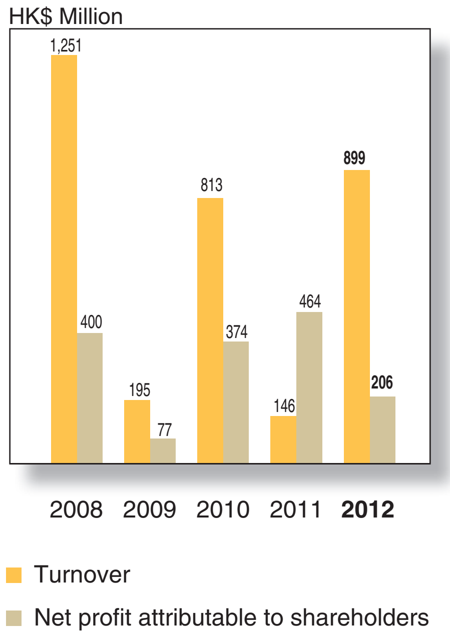
STOCK CODE

SEHK 160

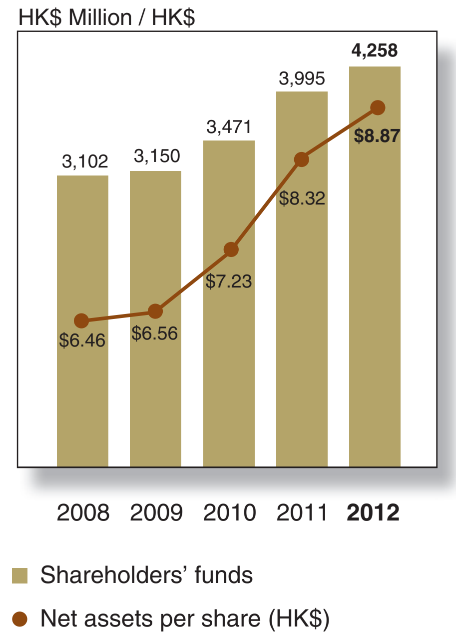
WEBSITE

http://www.honkwok.com.hk

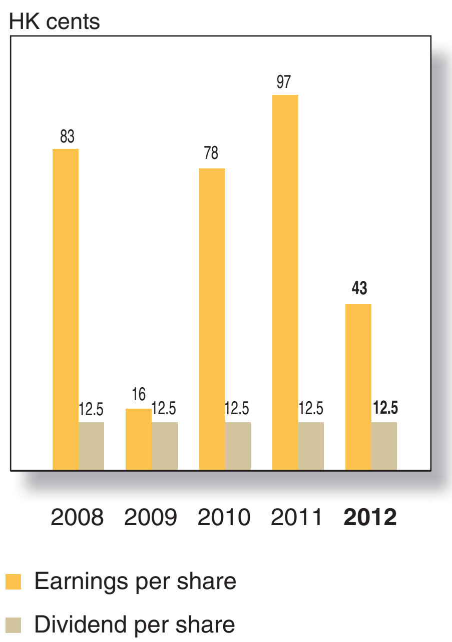
Turnover / Net Profit



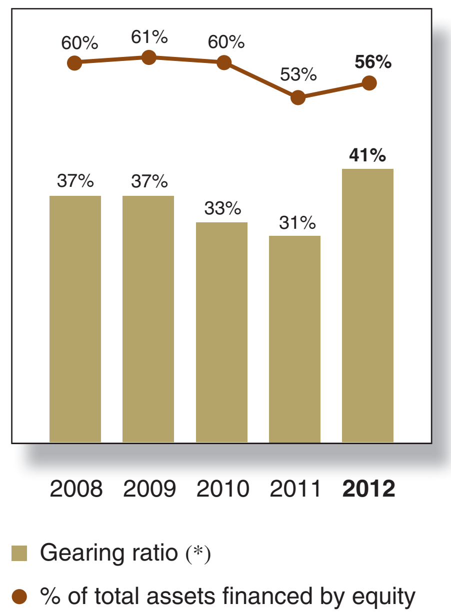
Shareholders' Funds / Net Assets per Share



Earnings / Dividend per Share



Gearing / Equity Funding



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

LOCATION OF PROPERTY PROJECTS IN MAINLAND CHINA

Projects under Development

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

Completed Projects

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

Hotel/Serviced Apartments

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

Acquired Property

15 Ganghui Dasha 港滙大廈, held as investment property

FINANCIAL RESULTS

For the year ended 31 March 2012, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK$899 million (2011: HK$146 million) and HK$206 million (2011: HK$464 million), respectively. Basic earnings per share were 43 Hong Kong cents (2011: 97 Hong Kong cents). As at 31 March 2012, the shareholders' equity amounted to HK$4,258 million (2011: HK$3,995 million) and net assets per share attributable to shareholders were HK$8.87 (2011: HK$8.32).

The increase in turnover was mainly due to the recognition of sales of the Group's development project in Guangzhou resulted from the delivery of units to purchasers whereas property revaluation gain, net of deferred tax, of HK$136 million only was being recognised in the income statement during the year against last year's HK$510 million that led to the decrease in net profit for the year. In fact, recognition of property sales coupled with the enhanced income from investment properties and hospitality contributed to the increase of the Group's core profit during the year under review.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2012 (2011: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 31 August 2012. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 14 September 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 23 August 2012. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 20 August 2012 to 23 August 2012 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 August 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2012 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 30 August 2012 and 31 August 2012, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 27 August 2012. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 29 August 2012.

BUSINESS REVIEW

Syndicated Loans

Subsequent to year end, in June 2012, the Group had arranged with a syndicate of banks for a loan facility of HK$600 million for a term of three years to refinance the existing syndicated loans with outstanding balance of HK$272 million and in connection therewith, the financial position of the Group has been further strengthened.

Property Development and Sales

Botanica Phase 2 寶翠園二期, Guangzhou, PRC

The **Botanica** 寶翠園, with total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It comprises 39 blocks of high-rise residential building and is scheduled for development and pre-sale by phases. **Botanica Phase 1** 寶翠園一期 with eight blocks totalled 332 units had been delivered to individual purchasers in the financial year 2009/10.

Botanica Phase 2 寶翠園二期 also comprises eight blocks of 420 units and over 99% have been sold out. Delivery of all these units to individual purchasers have been completed and the profits derived therefrom have been recognised in the income statement during the year under review. Foundation works of **Botanica Phase 3** 寶翠園三期, comprises 12 blocks of about 550 units, are expected to be commenced in the third quarter of this year.

Partial view of Botanica Phase 2, Tian He District, Guangzhou

BUSINESS REVIEW *(Continued)*

Property Development and Sales *(Continued)*

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

This project, situated in Da Li District, Nanhai, is scheduled for development by phases. Out of the total gross floor area of approximately 273,000 sq.m. (excluding car parking spaces) to be developed under the project, about 139,000 sq.m. is attributable to Phase I. Construction of 71 town houses of about 18,000 sq.m. under Phase I has been finished and such units are expected to be launched to the market for sale in the second half of this year. Construction works of the high-rise apartments of about 121,000 sq.m. under the same phase have also been commenced and are expected to be completed by stages in the financial year 2013/14.

Partial view of town houses under Phase 1 of Metropolitan Oasis, Da Li District, Nanhai

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

The planning for the project sites at Dong Guan Zhuan Road, Tian He District is in progress whilst the development sites at 45-107 Beijing Nan Road, Yue Xiu District is under the design stage.

Property Investment

Shenzhen, PRC

Substructure works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District with total gross floor area of 128,000 sq.m., are in progress. Construction of this 80-storey commercial/residential tower is expected to be completed two years later and thereafter, the Group intends to hold this signature building for recurrent rental income.

The ground level's retail shops and level 2 of the commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, have been fully leased out. **The Bauhinia Hotel (Shenzhen)** 寶軒酒店（深圳）, a 158-room hotel at levels 3 to 5 of the commercial podium and **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the above podium, both maintain average occupancy and room rates at a satisfactory level.

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Guangzhou, PRC

The current occupancy rate of **Ganghui Dasha** 港滙大廈, a 20-storey commercial and office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is over 99%. The average occupancy and room rates of **The Bauhinia Hotel (Guangzhou)** 寶軒酒店（廣州）, a 166-room hotel leased by the Group and situated at Jie Fang Nan Road, Yue Xiu District, are encouraging.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, a complete 21-storey twin-tower office building atop of a 4-storey retail/commercial podium, is situated in Bei Bu Xin Qu with occupancy rate presently approximates 95%.

Chongqing International Finance Centre 重慶國際金融中心, with total gross floor area of 133,502 sq.m., is also situated in Bei Bu Xin Qu and adjacent to the above complete property. Substructure works have been commenced and superstructure construction is expected to be completed by the end of 2013. This twin-tower project is scheduled to be developed into a grade A office tower and a 5-star hotel plus serviced apartments building with respective retail/commercial podium and is being held by the Group as investment property for future rental income.

Hong Kong

The retail areas at ground floor of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central enjoy full occupancy while the average occupancy and room rates for both **The Bauhinia Hotel (Central)** 寶軒酒店（中環）, a 42-room boutique hotel at the podium floors, and **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, are encouraging.

The Bauhinia Hotel (Central) and the serviced apartments upstairs

Knutsford Place 諾士佛廣場, a 23-storey commercial and office building, is situated at Observatory Court, Tsim Sha Tsui. In prior years, nine upper floors had been converted into a 44-room boutique hotel, **The Bauhinia Hotel (TST)** 寶軒酒店（尖沙咀）, and maintains a satisfactory average occupancy and room rates. The Group is in the process of converting an additional ten lower floors into 45 hotel rooms. Renovation works are expected to be commenced in the next quarter upon obtaining approval from the relevant authorities. Thereafter, the whole building will comprise a total of 89-room boutique hotel with the remaining floors being retained for retail use and aim to cater for the increasing demand from overnight visitor arrivals.

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Hong Kong *(Continued)*

Hon Kwok Jordan Centre 漢國佐敦中心, a 23-storey commercial and office building situated at Hillwood Road, Tsim Sha Tsui, is currently being occupied by approximately 85%.

Recurrent rental income

During the year under review, with contribution from the full operation of the aforesaid 645 guest rooms under the brand name of "**The Bauhinia** 寶軒" in Hong Kong, Shenzhen and Guangzhou as well as our enlarged investment property portfolios in Mainland China, the Group's recurrent rental income has been significantly enhanced.

OUTLOOK

The outlook for the global economic environment in the second half of 2012 continues to be uncertain. The persistent political and economic instabilities still encompass the Euro Zone countries whilst the economic recovery remains sluggish in the U.S.

In Mainland China, consumer inflation rate dropped to 3% in May. On the other hand, its GDP growth eased to 8.1% in the first quarter, the slowest in three years and is expected to soften further in the second quarter. To boost the flagging economy, a reduction of 0.5% on the reserve requirement ratio to 20% for large banks was effected in last month followed by the latest cut of benchmark lending rate by 0.25% for the first time in three and a half years.

The selling prices and transaction volumes of mainland residential units decline in major cities year-on-year. However, in order to further adjust the property prices to a reasonable level and to curb speculative demand, the Central Government is expected not to relax the existing restrictive measures being implemented on the residential property market throughout the year, but probably with fine-tune adjustments only. In the medium to long term, given the strong end-user demand to upgrade housing standards, the Board is prudently optimistic about the property market in Mainland China.

Finally, I would like to thank my fellow directors for their contributions and all staff members for their loyalty and efforts during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 19 June 2012

DIRECTORS

James Sai-Wing Wong

Aged 74, was appointed as the Managing Director of the Company in 1985 and became the Chairman in 1990. He is the Chairman of Chinney Investments, Limited ("Chinney Investments"), a director of Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), all being substantial shareholders of the Company. He is also the Chairman of Chinney Alliance Group Limited ("Chinney Alliance"). Except Chinney Holdings and Lucky Year, all the other companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 72, was appointed as a director of the Company in 1985. She is a director of Chinney Investments, Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of HKR International Limited and United Nigeria Textile PLC. Chinney Investments and HKR International Limited are both listed on the Main Board of the Stock Exchange and United Nigeria Textile PLC is listed on the Nigerian Stock Exchange.

Herman Man-Hei Fung

Aged 74, was appointed as the General Manager of the Company in 1986, a director of the Company in 1988 and Managing Director in 1991. Mr. Fung stepped down from the executive post of Managing Director on 31 October 2002 and became Vice-Chairman of the Company since 1 November 2002. He is the Managing Director of Chinney Investments and a director of Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. He is also a non-executive director of Chinney Alliance. Both Chinney Investments and Chinney Alliance are listed on the Main Board of the Stock Exchange. He has actively participated in the property investment and development business for the past 41 years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Mr. Fung was appointed a member of the Hong Kong Inland Revenue Board of Review from November 1996 to June 2005.

DIRECTORS *(Continued)*

Zuric Yuen-Keung Chan

Aged 57, was appointed as a director of the Company in December 2003 and re-designated as an Executive Director of the Company in January 2007. He is also the Vice-Chairman and Managing Director of Chinney Alliance, which is listed on the Main Board of the Stock Exchange. He has 38 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Xiao-Ping Li

Aged 60, joined the Group in 1999 and was appointed as an Executive Director of the Company in December 2009. He has over 33 years of experience in economics and management in the People's Republic of China ("PRC"). He has obtained a senior economist qualification certificate of PRC. He is a member of the Plant Maintenance Association of Chinese Mechanical Engineering Society.

Emily Yen Wong

Aged 46, was appointed as alternate director to Madam Madeline May-Lung Wong, non-executive director of the Company, in November 2011. Dr. Wong holds a Doctor of Medicine degree, an Executive Masters of Health Administration degree from University of Washington and is a diplomate of the American Board of Internal Medicine.

Dr. Wong serves as Vice Chair for Qiu Shi Science & Technologies Foundation. She is currently an Honorary Associate Professor of Department of Family Medicine and Primary Care in The University of Hong Kong Faculty of Medicine and is the Immediate Past Chief of Staff at the University of Washington Medical Center.

Dr. Wong is a director of Lucky Year and Chinney Holdings, both of which are substantial shareholders of the Company. She is the daughter of Dr. James Sai-Wing Wong, Chairman and substantial shareholder of the Company, and Madam Madeline May-Lung Wong, non-executive director and substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Chi-Wai Tse

Aged 77, was appointed as an independent non-executive director of the Company in 1993. He is the Council Chairman of the University of Macau and the President Emeritus of the Hong Kong Baptist University. He was the President and Vice-Chancellor of the Hong Kong Baptist University for 30 years and retired in June 2001. He holds a Ph.D. in Physics from the University of Pittsburgh, USA. He was appointed a Justice of the Peace for Hong Kong in 1977 and was awarded Gold Bauhinia Star in 1998.

Kenneth Kin-Hing Lam

Aged 58, was appointed as an independent non-executive director of the Company in 2004. He is the Deputy Chairman and Chief Executive of Quam Limited, which is listed on the Main Board of the Stock Exchange. He is a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand, and has previously held directorship in other publicly listed companies in Thailand. Mr. Lam was also the Chairman of The Institute of Securities Dealers Limited and still currently acts as the Vice-Chairman of the association. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 30 years of experience in corporate finance and banking. Mr. Lam holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada, a Master's Degree in Business Administration from the Chinese University of Hong Kong, Honorary Doctor of Laws LL.D. from the Lincoln University, USA and Honorary Fellowship Hon. FMBA from the Canadian Chartered Institute of Business Administration.

Hsin-Kang Chang

Aged 72, was appointed as an independent non-executive director of the Company in 2007. He is also an independent non-executive director of Brightoil Petroleum (Holdings) Limited and HKT Trust and HKT Limited, which are both listed on the Main Board of the Stock Exchange. He became an Honorary Professor of Tsinghua University and Wei Lun Senior Visiting Scholar in September 2007 and Yeh-Lu Xun Chair Professor in Social Sciences at Peking University in November 2007. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he served as Dean of the School of Engineering of the University of Pittsburgh, USA, Founding Dean of the School of Engineering of the Hong Kong University of Science and Technology and the Chairman of Department of Biomedical Engineering of University of Southern California, USA. Professor Chang taught at several major universities in North America and served in a number of science and technology organisations and public advisory bodies in the United States and Hong Kong.

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

SENIOR MANAGEMENT

Jason Chi-Kit Tso

Aged 47, joined the Company in 1998 and is the Executive Director of Hon Kwok Land Investment (China) Limited. He has 24 years of experience in the field of architecture, project management and property development. He is an Authorised Person under the list of architects. He holds a Bachelor's Degree in Architecture from The University of Hong Kong and is a member of the Hong Kong Institute of Architects.

Thomas Hang-Cheong Ma

Aged 46, joined the Company in 1994 and is the Director of Finance and Company Secretary of the Company. He has 23 years of experience in the accounting field. He holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Calvin Ming-Yui Ng

Aged 40, joined the Company in 2009 and is the Corporate Finance – Senior Manager of the Company. He has 17 years of experience in investment banking and accounting sectors. He graduated from The University of Hong Kong with a Bachelor of Business Administration degree and obtained a Master of Science (Financial Management) degree from the University of London. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Chi-Kin Lam

Aged 57, joined the Company in 2003 and is the Assistant General Manager – Asset Management of the Company. He has 27 years of experience in large scale parking facilities and property services management. He is a chartered member of the Chartered Institute of Logistics and Transport.

Stephen Chun-Piu Lee

Aged 45, joined the Company in 1990 and is the Senior Property Manager of the Company in charge of investment properties in Hong Kong. He has 22 years of experience in property investment and development.

CORPORATE GOVERNANCE REPORT

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

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices which was in effect before 1 April 2012 (the "CG Code") as set out in former Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year under review, except for the deviations as disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31 March 2012 were:

Executive Directors

James Sai-Wing Wong *(Chairman)*
Zuric Yuen-Keung Chan
Xiao-Ping Li

Non-Executive Directors

Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*
Emily Yen Wong *(appointed on 29 November 2011 as alternate director to Madeline May-Lung Wong)*

Independent Non-Executive Directors

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

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 13 of this report.

BOARD OF DIRECTORS *(Continued)*

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

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

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

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

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

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31 March 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

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

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

At the forthcoming annual general meeting, in accordance with article 104 of the Articles of Association, Herman Man-Hei Fung and Kenneth Kin-Hing Lam shall retire by rotation and, being eligible, offer themselves for re-election.

REMUNERATION OF DIRECTORS

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

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code provisions as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management). On 30 March 2012, the Company had adopted the revised terms of reference of the Remuneration Committee in order to comply with the revised Appendix 14 of the Listing Rules.

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

AUDIT COMMITTEE

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

The Audit Committee's functions include:

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

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters for the year ended 31 March 2012.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES

	Number of meetings attended during the year ended 31 March 2012		
	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Number of meetings held during the year ended 31 March 2012	2	1	2
James Sai-Wing Wong	2	N/A	N/A
Madeline May-Lung Wong	1	N/A	N/A
Herman Man-Hei Fung	2	1	2
Zuric Yuen-Keung Chan	2	N/A	2
Xiao-Ping Li	2	N/A	N/A
Emily Yen Wong (appointed on 29 November 2011)	N/A	N/A	N/A
Daniel Chi-Wai Tse	0	1	2
Kenneth Kin-Hing Lam	0	1	2
Hsin-Kang Chang	1	N/A	1

NOMINATION OF DIRECTORS

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

AUDITORS' REMUNERATION

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

	Fees paid/payable *HK$'000*
Types of services	
Audit services	1,850
Non-audit services (tax compliance services and other services)	164
	2,014

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditors' Report on pages 31 and 32 of this report.

INTERNAL CONTROLS

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

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

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders and is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports, public announcements and other public circulars, all of which are available on the Company's website.

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

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development, property investment and property related activities. There have been no changes in the nature of the Group's principal activities during the year. Further details of the Company's principal subsidiaries are set out in note 16 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31 March 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 113.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,798 million as at 31 March 2012 (2011: HK$2,381 million), of which approximately 29% (2011: 35%) of the debts were classified as current liabilities. Included therein was HK$195 million (2011: HK$196 million) related to bank loans with repayable on demand clause. Based on the repayment schedules pursuant to the related loan agreements, the current portion of the total interest-bearing debts was approximately 22%. The increase in total debts was mainly due to the drawdown of additional bank loans for capital injection into mainland development projects and the refinancing of an investment property in Hong Kong with increased facility.

Total cash and bank balances including time deposits were approximately HK$949 million as at 31 March 2012 (2011: HK$1,089 million). The Group had a total of approximately HK$534 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2012 were approximately HK$4,258 million (2011: HK$3,995 million). The increase was mainly due to current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,849 million (2011: HK$1,292 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$4,506 million (2011: HK$4,175 million), was 41% as at 31 March 2012 (2011: 31%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Funding and treasury policies

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

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

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31 March 2012, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK$5,492 million as at 31 March 2012 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 30 to the financial statements.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 360 employees as at 31 March 2012. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2012 (2011: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 31 August 2012. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 14 September 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 23 August 2012. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 20 August 2012 to 23 August 2012 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 August 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2012 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 30 August 2012 and 31 August 2012, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 27 August 2012. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 29 August 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 114. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 115 to 118, which do not form part of the audited financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the convertible bonds issued by a subsidiary of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$646,245,000, of which HK$60,036,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$396,352,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

James Sai-Wing Wong
Madeline May-Lung Wong
Herman Man-Hei Fung
Zuric Yuen-Keung Chan
Xiao-Ping Li
Emily Yen Wong (appointed on 29 November 2011 as alternate director to Madeline May-Lung Wong)
Daniel Chi-Wai Tse*
Kenneth Kin-Hing Lam*
Hsin-Kang Chang*

* *Independent non-executive directors*

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

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

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) Herman Man-Hei Fung

Aged 74, was appointed as a director of the Company in 1988 and is currently the Vice-Chairman of the Company. Mr. Fung was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Fung has actively participated in the property investment and development business for the past 41 years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Mr. Fung is the Managing Director of Chinney Investments and a director of Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. He is also a non-executive director of Chinney Alliance. Both Chinney Investments and Chinney Alliance are listed on the Main Board of the Stock Exchange. Mr. Fung was appointed a member of the Hong Kong Inland Revenue Board of Review from November 1996 to June 2005.

At the date of this report, Mr. Fung was interested in 220,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He also acts as director of various subsidiaries and associates of the Company and Chinney Investments. Save as disclosed above, Mr. Fung does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Fung and no remuneration has been paid to Mr. Fung during the year.

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

(b) Kenneth Kin-Hing Lam

Aged 58, was appointed as an independent non-executive director of the Company in 2004. Mr. Lam was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Lam is the Deputy Chairman and Chief Executive of Quam Limited, which is listed on the Main Board of the Stock Exchange. He is a director of Seamico Securities Public Company Limited, a publicly listed company in Thailand, and has previously held directorship in other publicly listed companies in Thailand. Mr. Lam was also the Chairman of The Institute of Securities Dealers Limited and still currently acts as the Vice-Chairman of the association. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 30 years of experience in corporate finance and banking. Mr. Lam holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada, a Master's Degree in Business Administration from the Chinese University of Hong Kong, Honorary Doctor of Laws LL.D. from the Lincoln University, USA and Honorary Fellowship Hon. FMBA from the Canadian Chartered Institute of Business Administration.

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

(b) Kenneth Kin-Hing Lam *(Continued)*

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 13 of this report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, the interests and short positions of the directors of the Company in the share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of director	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
James Sai-Wing Wong	*1 & 2*	Through controlled corporation	266,640,553	55.52
Madeline May-Lung Wong	*1 & 2*	Through controlled corporation	266,640,553	55.52
Herman Man-Hei Fung	*1*	Beneficially owned	220,000	0.05

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

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

Name of director	*Notes*	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued share capital/paid-up registered capital
James Sai-Wing Wong	*1 & 3*	Chinney Investments	Through controlled corporation	319,655,324	57.97
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year	Beneficially owned	10,000	50.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
Madeline May-Lung Wong	*1 & 3*	Chinney Investments	Through controlled corporation	319,655,324	57.97
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00

Notes:

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

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

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

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

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

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

Save as disclosed herein, as at 31 March 2012, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 34 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

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

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

MANAGEMENT CONTRACTS

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

During the year, the Company paid a management fee of HK$9,000,000 to Chinney Investments (2011: HK$9,000,000). James Sai-Wing Wong, Madeline May-Lung Wong and Herman Man-Hei Fung, directors of the Company, are also the directors of Chinney Investments.

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

As at 31 March 2012, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	*1 & 2*	Directly beneficially owned	266,640,553	55.52
Chinney Holdings	*1 & 2*	Through controlled corporation	266,640,553	55.52
Lucky Year	*1 & 2*	Through controlled corporation	266,640,553	55.52

Notes:

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

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

Save as disclosed herein, as at 31 March 2012, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2012.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

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

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

(b) In June 2012, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "HK$600 million Facility Agreement") relating to a HK$600 million transferable term and revolving loan facilities (the "HK$600 million Loan Facilities") with a syndicate of banks. The HK$600 million Loan Facilities have a term of 36 months commencing from the date of the HK$600 million Facility Agreement and will be used to refinance the HK$400 million Loan Facilities with outstanding balance of HK$272 million and as general working capital of the Group.

Pursuant to the HK$600 million Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to be the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, Chairman of both the Company and Chinney Investments, ceases to be the major beneficial ultimate shareholder of Chinney Investments.

If an event of default under the HK$600 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$600 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$600 million Loan Facilities to be immediately due and payable.

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 15%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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

AUDITORS

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

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

Hong Kong, 19 June 2012

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

We have audited the consolidated financial statements of Hon Kwok Land Investment Company, Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 113, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

19 June 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**899,422**	145,534
Cost of sales		**(587,277)**	(82,557)
Gross profit		**312,145**	62,977
Other income and gains	5	**11,319**	8,446
Fair value gains on investment properties, net		**177,734**	630,385
Gain on disposal of investment properties, net		**–**	1,130
Administrative expenses		**(63,162)**	(60,866)
Other operating expenses, net		**(19,115)**	(8,309)
Finance costs	6	**(48,412)**	(41,651)
Share of profits and losses of jointly-controlled entities		**1,824**	194
PROFIT BEFORE TAX	7	**372,333**	592,306
Income tax expense	10	**(102,851)**	(126,902)
PROFIT FOR THE YEAR		**269,482**	465,404
Attributable to:			
Owners of the Company	11	**206,487**	464,285
Non-controlling interests		**62,995**	1,119
		269,482	465,404
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**43.0 HK cents**	96.7 HK cents
Diluted		**42.6 HK cents**	92.6 HK cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
PROFIT FOR THE YEAR		**269,482**	465,404
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**122,269**	126,094
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**122,269**	126,094
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**391,751**	591,498
Attributable to:			
Owners of the Company	*11*	**322,313**	584,411
Non-controlling interests		**69,438**	7,087
		391,751	591,498

		Group		Company	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	**51,371**	50,386	**152**	427
Investment properties	*15*	**5,226,846**	4,776,851	**–**	–
Investments in subsidiaries	*16*	**–**	–	**1**	1
Investments in jointly-controlled entities	*17*	**199**	257	**–**	–
Amounts due from subsidiaries	*16*	**–**	–	**402,385**	–
Total non-current assets		**5,278,416**	4,827,494	**402,538**	428
CURRENT ASSETS					
Amounts due from subsidiaries	*16*	**–**	–	**1,927,187**	2,262,164
Amounts due from jointly-controlled entities	*17*	**–**	31	**–**	6
Tax recoverable		**387**	32,198	**–**	–
Properties held for sale under development and properties held for sale	*18*	**1,775,360**	1,794,748	**–**	–
Trade receivables	*19*	**3,076**	2,389	**–**	–
Prepayments, deposits and other receivables	*20*	**41,760**	74,123	**1,520**	1,557
Pledged deposits	*21*	**120,371**	96,974	**–**	–
Cash and cash equivalents	*21*	**828,734**	992,403	**21,461**	17,817
Total current assets		**2,769,688**	2,992,866	**1,950,168**	2,281,544
CURRENT LIABILITIES					
Amounts due to subsidiaries	*16*	**–**	–	**735,514**	724,158
Trade payables and accrued liabilities	*22*	**145,375**	94,160	**5,652**	5,851
Interest-bearing bank borrowings	*23*	**817,265**	730,802	**88,000**	30,000
Customer deposits		**23,612**	670,433	**–**	–
Convertible bonds	*24*	**–**	108,355	**–**	–
Tax payable		**79,485**	59,676	**–**	–
Total current liabilities		**1,065,737**	1,663,426	**829,166**	760,009
NET CURRENT ASSETS		**1,703,951**	1,329,440	**1,121,002**	1,521,535
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,982,367**	6,156,934	**1,523,540**	1,521,963

		Group		Company	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*23*	**1,980,897**	1,541,687	**–**	–
Deferred tax liabilities	*25*	**495,661**	440,607	**–**	–
Total non-current liabilities		**2,476,558**	1,982,294	**–**	–
Net assets		**4,505,809**	4,174,640	**1,523,540**	1,521,963
EQUITY					
Equity attributable to owners of the Company					
Issued capital	*26*	**480,286**	480,286	**480,286**	480,286
Equity component of convertible bonds	*24*	**–**	7,802	**–**	–
Reserves	*27*	**3,717,421**	3,447,342	**983,218**	981,641
Proposed final dividend	*12*	**60,036**	60,036	**60,036**	60,036
		4,257,743	3,995,466	**1,523,540**	1,521,963
Non-controlling interests		**248,066**	179,174	**–**	–
Total equity		**4,505,809**	4,174,640	**1,523,540**	1,521,963

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

		Attributable to owners of the Company									
	Note	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Equity component of convertible bonds** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Proposed final dividend** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2010		480,286	396,352	10	7,802	314,828	2,211,777	60,036	3,471,091	172,887	3,643,978
Profit for the year		–	–	–	–	–	464,285	–	464,285	1,119	465,404
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	120,126	–	–	120,126	5,968	126,094
Total comprehensive income for the year		–	–	–	–	120,126	464,285	–	584,411	7,087	591,498
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(800)	(800)
Final 2010 dividend declared		–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
Proposed final 2011 dividend	*12*	–	–	–	–	–	(60,036)	60,036	–	–	–
At 31 March 2011 and 1 April 2011		480,286	396,352*	10*	7,802	434,954*	2,616,026*	60,036	3,995,466	179,174	4,174,640
Profit for the year		–	–	–	–	–	206,487	–	206,487	62,995	269,482
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	115,826	–	–	115,826	6,443	122,269
Total comprehensive income for the year		–	–	–	–	115,826	206,487	–	322,313	69,438	391,751
Redemption of convertible bonds		–	–	–	(7,802)	–	7,802	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(546)	(546)
Final 2011 dividend declared		–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
Proposed final 2012 dividend	*12*	–	–	–	–	–	(60,036)	60,036	–	–	–
At 31 March 2012		**480,286**	**396,352***	**10***	**–**	**550,780***	**2,770,279***	**60,036**	**4,257,743**	**248,066**	**4,505,809**

* *These reserve accounts comprise the consolidated reserves of HK$3,717,421,000 (2011: HK$3,447,342,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**372,333**	592,306
Adjustments for:			
Finance costs	*6*	**48,412**	41,651
Share of profits and losses of jointly-controlled entities		**(1,824)**	(194)
Interest income	*5*	**(7,065)**	(3,658)
Depreciation	*7*	**7,963**	4,163
Gain on disposal of investment properties, net	*7*	**–**	(1,130)
Loss/(gain) on disposal of items of property, plant and equipment	*7*	**(272)**	342
Fair value gains on investment properties, net	*7*	**(177,734)**	(630,385)
Gain on bargain purchase	*5*	**–**	(1,246)
		241,813	1,849
Decrease/(increase) in properties held for sale under development and properties held for sale		**149,239**	(178,761)
Decrease/(increase) in trade receivables		**(687)**	16,510
Decrease/(increase) in prepayments, deposits and other receivables		**31,334**	(32,494)
Decrease in trade payables and accrued liabilities		**(42,124)**	(93,485)
Increase/(decrease) in customer deposits		**(646,821)**	663,233
Cash generated from/(used in) operations		**(267,246)**	376,852
Overseas taxes paid		**(10,421)**	(49,728)
Net cash flows from/(used in) operating activities		**(277,667)**	327,124

	Notes	2012 HK$'000	2011 HK$'000
Net cash flows from/(used in) operating activities		**(277,667)**	327,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,065**	3,658
Purchases of items of property, plant and equipment	14	**(7,617)**	(12,303)
Proceeds from disposal of items of property, plant and equipment		**680**	846
Proceeds from disposal of investment properties		**13,722**	21,558
Additions to investment properties		**(177,490)**	(119,599)
Increase in pledged deposits		**(25,821)**	(974)
Dividends received from jointly-controlled entities		**1,882**	–
Decrease/(increase) in amounts due from jointly-controlled entities		**31**	(6)
Acquisition of subsidiaries	28	**–**	(132,649)
Net cash flows used in investing activities		**(187,548)**	(239,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(73,766)**	(57,792)
New bank loans		**654,980**	904,020
Repayment of bank loans		**(143,977)**	(419,360)
Redemption of convertible bonds		**(109,602)**	–
Dividend paid		**(60,036)**	(60,036)
Dividends paid to non-controlling shareholders		**(546)**	(800)
Decrease in promissory note payable		**–**	(20,000)
Net cash flows from financing activities		**267,053**	346,032
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(198,162)**	433,687
Cash and cash equivalents at beginning of year		**992,403**	542,704
Effect of foreign exchange rates changes, net		**34,493**	16,012
CASH AND CASH EQUIVALENTS AT END OF YEAR		**828,734**	992,403
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**609,173**	784,291
Non-pledged time deposits with original maturity of less than three months when acquired	21	**219,561**	208,112
Cash and cash equivalents as stated in the statement of financial position		**828,734**	992,403

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 34 to the consolidated financial statements.

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

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

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

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 (2011) and HKAS 28 (2011) from 1 April 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 April 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 April 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale under development and properties held for sale

Completed properties held for sale

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

Properties held for sale under development

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

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

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Convertible bonds

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Paid leave carried forward

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

Pension schemes

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 3.02% (2011: 4.25%) has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and properties held for sale

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

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

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

Estimation uncertainty

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

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

Estimation uncertainty *(Continued)*

Estimation of net realisable value of properties held for sale under development and properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties held for sale under development and properties held for sale of the Group are set out in note 18 to the financial statements.

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

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

Estimation of fair value of investment properties

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

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

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. Particulars of the investment properties held by the Group are set out in note 15 to the financial statements.

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

Estimation uncertainty *(Continued)*

Current income taxes and deferred income taxes

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the financial statements.

Land appreciation tax

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment assets exclude investments in jointly-controlled entities, amounts due from jointly-controlled entities, and other unallocated head office and corporate assets, including tax recoverable, pledged deposits, and cash and cash equivalents, as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**735,687**	28,318	**125,158**	83,880	**38,577**	33,336	**899,422**	145,534
Segment results	**211,183**	3,650	**252,701**	681,261	**(9,219)**	(10,085)	**454,665**	674,826
Reconciliation:								
Interest income							**7,065**	3,658
Unallocated expenses							**(42,809)**	(44,721)
Finance costs							**(48,412)**	(41,651)
Share of profits and losses of jointly-controlled entities							**1,824**	194
Profit before tax							**372,333**	592,306
Segment assets	**1,841,417**	1,881,536	**5,631,837**	5,118,093	**1,527,101**	1,713,348	**9,000,355**	8,712,977
Reconciliation:								
Elimination of intersegment receivables							**(1,901,942)**	(2,014,480)
Investments in jointly-controlled entities							**199**	257
Amounts due from jointly-controlled entities							**–**	31
Corporate and other unallocated assets							**949,492**	1,121,575
Total assets							**8,048,104**	7,820,360
Segment liabilities	**1,216,258**	1,789,186	**453,471**	664,562	**401,200**	325,325	**2,070,929**	2,779,073
Reconciliation:								
Elimination of intersegment payables							**(1,901,942)**	(2,014,480)
Corporate and other unallocated liabilities							**3,373,308**	2,881,127
Total liabilities							**3,542,295**	3,645,720

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Property development		Property investment		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Fair value gains on investment properties, net	**–**	–	**177,734**	630,385	**–**	–	**177,734**	630,385
Depreciation	**2,148**	2,105	**544**	363	**5,271**	1,695	**7,963**	4,163
Capital expenditure	**300**	1,495	**192,610**	134,361	**6,533**	9,601	**199,443***	145,457*

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

Geographical information

(a) Revenue

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**85,795**	78,499
Mainland China	**813,627**	66,435
Canada	**–**	600
	899,422	145,534

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

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**2,173,090**	2,115,416
Mainland China	**3,105,127**	2,711,821
	5,278,217	4,827,237

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

5. REVENUE AND OTHER INCOME AND GAINS

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**735,687**	28,318
Gross rental income	**161,504**	115,045
Property management income	**2,231**	2,171
	899,422	145,534
Other income and gains		
Bank interest income	**7,065**	3,658
Gain on bargain purchase *(note 28)*	**–**	1,246
Others	**4,254**	3,542
	11,319	8,446

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**72,371**	62,939
Interest on bank loans wholly repayable after five years	**2,642**	2,308
Less: Interest capitalised under property development projects	**(26,601)**	(23,596)
	48,412	41,651

7. PROFIT BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Cost of properties sold	**510,853**	17,898
Depreciation	**7,963**	4,163
Minimum lease payments under operating leases on land and buildings#	**20,878**	25,759
Auditors' remuneration	**1,850**	1,833
Employee benefit expense (including directors' remuneration *(note 8)*):		
Wages, salaries, allowances and benefits in kind	**30,383**	30,502
Pension scheme contributions	**1,037**	1,020
	31,420	31,522
Less: Amounts capitalised under property development projects	**(5,135)**	(6,200)
	26,285	25,322
Gross rental income	**(161,504)**	(115,045)
Less: Outgoing expenses*	**76,424**	64,659
	(85,080)	(50,386)
Rental income on investment properties less direct operating expenses of HK$40,045,000 (2011: HK$28,415,000)	**(85,113)**	(55,465)
Foreign exchange differences, net	**3,388**	81
Fair value gains on investment properties, net	**(177,734)**	(630,385)
Gain on disposal of investment properties, net	**–**	(1,130)
Interest income	**(7,065)**	(3,658)
Gain on bargain purchase	**–**	(1,246)
Loss/(gain) on disposal of items of property, plant and equipment	**(272)**	342

7. PROFIT BEFORE TAX *(Continued)*

At the end of the reporting period, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant (2011: Nil).

Included in the amount is rental expenses for carpark operations of HK$10,846,000 (2011: HK$16,099,000) which are included in "Cost of sales" in the consolidated income statement.

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

8. DIRECTORS' REMUNERATION

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Fees	**225**	225
Other emoluments:		
Salaries, allowances and benefits in kind	**4,135**	4,971
Discretionary performance related bonuses*	**3,734**	2,557
Pension scheme contributions	**24**	37
	7,893	7,565
	8,118	7,790

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

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	*HK$'000*
Daniel Chi-Wai Tse	**75**	75
Kenneth Kin-Hing Lam	**75**	75
Hsin-Kang Chang	**75**	75
	225	225

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
Executive directors:					
James Sai-Wing Wong	**–**	**–**	**–**	**–**	**–**
Zuric Yuen-Keung Chan	**–**	**2,305**	**2,182**	**12**	**4,499**
Xiao-Ping Li	**–**	**1,830**	**1,552**	**12**	**3,394**
	–	**4,135**	**3,734**	**24**	**7,893**
Non-executive directors:					
Madeline May-Lung Wong	**–**	**–**	**–**	**–**	**–**
Herman Man-Hei Fung	**–**	**–**	**–**	**–**	**–**
Emily Yen Wong (alternate director to Madeline May-Lung Wong)	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**
	–	**4,135**	**3,734**	**24**	**7,893**
2011					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Zuric Yuen-Keung Chan	–	2,017	1,801	12	3,830
Xiao-Ping Li	–	1,694	756	12	2,462
Dennis Kwok-Wing Cheung	–	1,260	–	13	1,273
	–	4,971	2,557	37	7,565
Non-executive directors:					
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
	–	–	–	–	–
	–	4,971	2,557	37	7,565

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2011: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2011: three) non-director, highest paid employees for the year are set out below:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,594**	3,949
Pension scheme contributions	**254**	228
	4,848	4,177

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

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	1
	3	3

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

10. INCOME TAX *(Continued)*

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Elsewhere	**45,833**	3,460
LAT in Mainland China	**15,105**	568
Deferred *(note 25)*	**41,913**	122,874
Total tax charge for the year	**102,851**	126,902

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Profit before tax	**372,333**	592,306
Tax at the statutory rate of 16.5% (2011: 16.5%)	**61,435**	97,730
Effect on different rates for companies operating in other jurisdictions	**26,782**	20,067
Income not subject to tax	**(159)**	(387)
Expenses not deductible for tax	**3,091**	3,497
Tax losses utilised from previous periods	**(10)**	(710)
Tax losses not recognised	**4,871**	11,117
Profits and losses attributable to jointly-controlled entities	**(301)**	(32)
LAT	**15,105**	568
Others	**(7,963)**	(4,948)
Tax charge at the Group's effective rate of 27.6% (2011: 21.4%)	**102,851**	126,902

Certain subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the corporate income tax rates of 24% from 1 April 2011 to 31 December 2011 and 25% from 1 January 2012 to 31 March 2012.

There was no share of tax attributable to jointly-controlled entities during the year ended 31 March 2012 (2011: Nil).

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2012 includes a profit of HK$79,072,000 (2011: HK$61,676,000) which has been dealt with in the financial statements of the Company).

12. DIVIDEND

	2012	2011
	HK$'000	*HK$'000*
Proposed final – 12.5 HK cents (2011: 12.5 HK cents) per ordinary share	**60,036**	60,036

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

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

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

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**206,487**	464,285
Interest on convertible bonds, net of tax and interest capitalisation	**–**	2,033
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**206,487**	466,318

	Number of shares	
	2012	2011
Shares		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	**480,286,201**	480,286,201
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**4,872,860**	23,466,666
	485,159,061	503,752,867

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2012					
At 31 March 2011 and at 1 April 2011:					
Cost	25,461	23,230	16,044	7,509	72,244
Accumulated depreciation	(7,006)	(2,298)	(8,899)	(3,655)	(21,858)
Net carrying amount	18,455	20,932	7,145	3,854	50,386
At 1 April 2011, net of accumulated depreciation	18,455	20,932	7,145	3,854	50,386
Additions	–	4,088	2,157	1,372	7,617
Disposals	–	–	(199)	(209)	(408)
Depreciation provided during the year	(1,188)	(3,509)	(2,225)	(1,041)	(7,963)
Exchange realignment	675	759	192	113	1,739
At 31 March 2012, net of accumulated depreciation	**17,942**	**22,270**	**7,070**	**4,089**	**51,371**
At 31 March 2012:					
Cost	26,392	28,161	17,963	8,151	80,667
Accumulated depreciation	(8,450)	(5,891)	(10,893)	(4,062)	(29,296)
Net carrying amount	**17,942**	**22,270**	**7,070**	**4,089**	**51,371**
31 March 2011					
At 1 April 2010:					
Cost	24,593	17,450	9,970	7,627	59,640
Accumulated depreciation	(5,660)	(1,528)	(7,477)	(2,980)	(17,645)
Net carrying amount	18,933	15,922	2,493	4,647	41,995
At 1 April 2010, net of accumulated depreciation	18,933	15,922	2,493	4,647	41,995
Additions	–	5,236	5,804	1,263	12,303
Acquisition of subsidiaries *(note 28)*	–	–	55	–	55
Disposals	–	–	(1)	(1,187)	(1,188)
Depreciation provided during the year	(1,146)	(770)	(1,253)	(994)	(4,163)
Exchange realignment	668	544	47	125	1,384
At 31 March 2011, net of accumulated depreciation	18,455	20,932	7,145	3,854	50,386
At 31 March 2011:					
Cost	25,461	23,230	16,044	7,509	72,244
Accumulated depreciation	(7,006)	(2,298)	(8,899)	(3,655)	(21,858)
Net carrying amount	18,455	20,932	7,145	3,854	50,386

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

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

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
31 March 2012			
At 31 March 2011 and at 1 April 2011:			
Cost	1,520	2,965	4,485
Accumulated depreciation	(1,342)	(2,716)	(4,058)
Net carrying amount	178	249	427
At 1 April 2011, net of accumulated depreciation	178	249	427
Additions	–	34	34
Depreciation provided during the year	(178)	(131)	(309)
At 31 March 2012, net of accumulated depreciation	**–**	**152**	**152**
At 31 March 2012:			
Cost	1,520	2,999	4,519
Accumulated depreciation	(1,520)	(2,847)	(4,367)
Net carrying amount	**–**	**152**	**152**
31 March 2011			
At 1 April 2010:			
Cost	1,520	2,959	4,479
Accumulated depreciation	(1,038)	(2,542)	(3,580)
Net carrying amount	482	417	899
At 1 April 2010, net of accumulated depreciation	482	417	899
Additions	–	6	6
Depreciation provided during the year	(304)	(174)	(478)
At 31 March 2011, net of accumulated depreciation	178	249	427
At 31 March 2011:			
Cost	1,520	2,965	4,485
Accumulated depreciation	(1,342)	(2,716)	(4,058)
Net carrying amount	178	249	427

15. INVESTMENT PROPERTIES

Group

	2012		
	Completed investment properties at fair value	**Investment properties under construction at cost**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At beginning of year	**3,843,888**	**932,963**	**4,776,851**
Additions	**27,015**	**164,811**	**191,826**
Disposals	**(13,722)**	**–**	**(13,722)**
Net gains from fair value adjustments	**177,734**	**–**	**177,734**
Exchange realignment	**63,314**	**30,843**	**94,157**
At end of year	**4,098,229**	**1,128,617**	**5,226,846**

	2011		
	Completed investment properties at fair value	Investment properties under construction at cost	Total
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	2,905,509	841,486	3,746,995
Additions	68,744	64,410	133,154
Acquisition of subsidiaries *(note 28)*	210,227	–	210,227
Disposals	(20,428)	–	(20,428)
Net gains from fair value adjustments	630,385	–	630,385
Exchange realignment	49,451	27,067	76,518
At end of year	3,843,888	932,963	4,776,851

15. INVESTMENT PROPERTIES *(Continued)*

	2012	2011
	HK$'000	*HK$'000*
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	**1,191,100**	1,178,500
Medium term leasehold land and buildings in Hong Kong	**980,300**	934,800
Medium term leasehold land and buildings in Mainland China	**3,055,446**	2,663,551
	5,226,846	4,776,851

At the end of the reporting period, all of the completed investment properties were revalued on an open market, existing use basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers. Certain completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

Investment properties under construction included interest expense of HK$14,336,000 (2011: HK$13,555,000) that was incurred and capitalised during the year.

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

The Group's investment properties with an aggregate carrying value of HK$5,052,451,000 (2011: HK$4,691,585,000) at the end of the reporting period were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 23(a)(i) to the financial statements. In addition, certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's investment properties as detailed in note 23(a)(iii).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 115 to 118.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**3,218,987**	3,151,541
	3,218,988	3,151,542
Impairment on amounts due from subsidiaries#	**(889,415)**	(889,377)
	2,329,573	2,262,165

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

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free, and repayable on demand. The amounts due from subsidiaries included in non-current assets are unsecured, interest-free and repayable on demand, but in the opinion of directors, these amounts are not expected to be repaid within one year. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Champion Fine International Investments Inc.*	Canada	Canadian dollar ("CAD") 1	–	100	Investment holding
Chinney Property Management Limited	Hong Kong	HK$100	–	100	Property management
CP Parking Limited	Hong Kong	HK$760,000	–	100	Carpark management
Crown Honour Developments Limited	Hong Kong	HK$2	100	–	Nominee services
Full Yip Development Limited	BVI/Hong Kong	US$1	–	100	Property holding and letting
Foshan Nanhai XinDa Land Development Ltd.*#	PRC/ Mainland China	HK$300,000,000	–	100	Property development

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/ Mainland China	Renminbi ("RMB") 185,000,000	–	60	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/ Mainland China	RMB220,000,000	–	75	Property development
Guangzhou Hua Yin Land Development Co., Ltd.*#	PRC/ Mainland China	RMB80,000,000	–	100	Property development
Guangzhou Sheng Jin Real Estate Co., Ltd.*#	PRC/ Mainland China	RMB40,000,000	–	100	Property development
Guangzhou Tungfu Property Management Co., Ltd.*#	PRC/ Mainland China	RMB44,400,000	–	100	Property holding and letting
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd.*#	PRC/ Mainland China	RMB90,000,000	–	100	Property development
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/ Mainland China	HK$30,000,000	–	100	Property development
Hon Kwok Land Treasury IV Limited	BVI	US$1	100	–	Financing
Hon Kwok Project Management Limited	Hong Kong	HK$2	–	100	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	–	100	Financing
Honour Well Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
Hotfield Land Investment (Chongqing) Co., Ltd.*#	PRC/ Mainland China	US$14,300,000	–	100	Property holding and letting

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Island Parking Limited	BVI/Hong Kong	US$10	–	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	–	100	Property holding and letting
Lido Parking Limited	BVI/Hong Kong	US$1	–	100	Property holding and letting
Prime Best Development Limited	Hong Kong	HK$2	–	100	Investment holding
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB600,000,000	–	100	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/ Mainland China	RMB50,000,000	–	100	Property holding and letting
The Bauhinia Hotel Management Limited	Hong Kong	HK$2	–	100	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK$2	–	100	Property letting
Vast Champ Investment (Chongqing) Co., Ltd.*#	PRC/ Mainland China	US$30,000,000 (2011: US$10,000,000)	–	100	Property development
Wide Fame Investment Limited	Hong Kong	HK$2	–	100	Investment holding
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	100	Money lending

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

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

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Share of net assets	**199**	257

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

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

			Percentage of			
Name	**Particular of issued share capital**	**Place of incorporation**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
Two City Hall Place Limited*	Common share capital of CAD100	Canada	50	50	50	Property development

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

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

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

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

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

	2012	2011
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	**589**	2,910
Total current assets	**666**	582
Total current liabilities	**(1,056)**	(3,235)
Net assets	**199**	257
Share of the jointly-controlled entities' results:		
Total revenue	**2,336**	263
Total expenses	**(512)**	(69)
Profit for the year	**1,824**	194

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

Group

	2012	2011
	HK$'000	*HK$'000*
Completed properties held for sale	**196,083**	77,190
Properties held for sale under development	**1,579,277**	1,717,558
	1,775,360	1,794,748

	2012	2011
	HK$'000	*HK$'000*
Properties held for sale under development		
– expected to be recovered:		
Within one year	**227,284**	304,942
After one year	**550,118**	647,789
– pending construction expected to be recovered after one year	**801,875**	764,827
	1,579,277	1,717,558

Properties held for sale under development and properties held for sale included interest expense of HK$12,265,000 (2011: HK$10,041,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

Certain of the Group's properties held for sale under development and properties held for sale with an aggregate carrying value of HK$319,001,000 (2011: HK$263,045,000) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 23(a)(ii) to the financial statements.

18. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE *(Continued)*

The Group is subject to a risk that certain land relating to the properties held for sale under development and properties held for sale situated in the PRC, with a carrying amount of HK$576,652,000 (2011: HK$384,744,000) at the end of the reporting period, could be appropriated by the relevant government authorities in the PRC as a result of the non-compliance with the requirement to complete the construction works on the land in prior years. In the opinion of the directors, the chance that the land administration bureau will appropriate the property without paying compensation is remote because the Group had fully paid the land premium in prior years and was granted approval from the relevant government authorities for the modification and application for extension of several Construction Works Planning Permits and Construction Works Commencement Permits. In addition, the construction works on the land have already commenced and the construction of certain property units has been completed.

The land use right of a portion of an unencumbranced development site with an area of 24,067 square metres located in the PRC was subject to a freeze order by a court in the PRC for a value equivalent to approximately HK$68 million (2011: HK$65 million), following legal action taken by one of the previous interested parties of the land. In this connection, a written legal opinion was obtained from a PRC law firm which opined that the claim filed by the said previous interested party has no legal basis and is not valid. In view of such legal opinion, the directors believe that the freeze order does not have any material impact on the development of the project.

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

	2012	2011
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**4,437**	4,437
Mainland China	**274,899**	269,885
Long term leases:		
Mainland China	**1,496,024**	1,520,426
	1,775,360	1,794,748

Further particulars of the Group's properties held for sale under development and properties held for sale are included in "Particulars of Properties" on pages 115 to 118.

19. TRADE RECEIVABLES

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**2,850**	1,752
31 to 60 days	**220**	431
61 to 90 days	**6**	206
	3,076	2,389

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in cases of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**–**	–
Within 30 days past due	**2,850**	1,752
31 to 90 days past due	**226**	637
	3,076	2,389

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

19. TRADE RECEIVABLES *(Continued)*

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

The Company had no trade receivables at the end of the reporting period (2011: Nil).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**9,363**	38,524	**302**	313
Deposits	**10,555**	13,371	**1,218**	1,244
Other receivables	**32,366**	32,752	**–**	–
Impairment	**(10,524)**	(10,524)	**–**	–
	41,760	74,123	**1,520**	1,557

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

Included in the above provision for impairment of other receivables is a provision for an impaired other receivable of HK$10,524,000 (2011: HK$10,524,000) with a carrying amount before provision of HK$10,524,000 (2011: HK$10,524,000). The Group does not hold any collateral or other credit enhancements over this balance.

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2012	2011	**2012**	2011
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**609,173**	784,291	**21,461**	17,817
Time deposits		**339,932**	305,086	**–**	–
		949,105	1,089,377	**21,461**	17,817
Less: Pledged time deposits:					
Pledged for a short term bank loan	*23(a)(v)*	**(120,371)**	(96,974)	**–**	–
Cash and cash equivalents		**828,734**	992,403	**21,461**	17,817

Included in cash and cash equivalents are restricted bank deposits of HK$205,531,000 (2011: HK$424,674,000) which can only be applied in the designated property development project prior to its completion of construction.

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK$461,993,000 (2011: HK$634,375,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

22. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$30,194,000 (2011: HK$13,320,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**30,194**	13,320

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

The Company had no trade payables at the end of the reporting period (2011: Nil).

23. INTEREST-BEARING BANK BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loan – unsecured	**2.3**	**2013**	**300,000**	2.1	2011	82,000
Bank loans – secured	**1.1-7.2**	**2012-2013 or on demand**	**517,265**	1.0-5.9	2011-2012 or on demand	648,802
			817,265			730,802
Non-current						
Bank loans – unsecured			**–**	2.1	2013	220,000
Bank loans – secured	**1.8-7.2**	**2013-2020**	**1,980,897**	0.9-6.5	2012-2020	1,321,687
			1,980,897			1,541,687
			2,798,162			2,272,489

Company

	2012			2011		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans – secured	**2.1-2.4**	**On demand**	**88,000**	1.2	On demand	30,000
			88,000			30,000

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**817,265**	730,802	**88,000**	30,000
In the second year	**806,864**	450,313	**–**	–
In the third to fifth years, inclusive	**1,154,799**	1,068,680	**–**	–
Beyond five years	**19,234**	22,694	**–**	–
	2,798,162	2,272,489	**88,000**	30,000

Notes:

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

(i) *mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK$5,052,451,000 (2011: HK$4,691,585,000);*

(ii) *mortgages over certain of the Group's properties held for sale under development and properties held for sale, which had an aggregate carrying value at the end of the reporting period of HK$319,001,000 (2011: HK$263,045,000);*

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

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

(v) *the pledge of certain of the Group's time deposits amounting to HK$120,371,000 (2011: HK$96,974,000).*

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

(c) *Except for certain bank loans denominated in RMB and US$ equivalent to HK$367,062,000 (2011: HK$400,969,000) and HK$117,000,000 (2011: Nil), respectively, all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.*

As further explained in note 37 to the financial statements, the Group's interest-bearing bank borrowings in the amount of HK$194,500,000 (2011: HK$196,000,000) containing on-demand clauses have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

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

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: within one year or on demand HK$622,765,000 (2011: HK$534,802,000); in the second year HK$817,364,000 (2011: HK$456,313,000); in the third to fifth years, inclusive HK$1,180,799,000 (2011: HK$1,090,680,000) and beyond five years HK$177,234,000 (2011: HK$190,694,000).

All bank loans of the Group and the Company bear interest at floating rates.

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

24. CONVERTIBLE BONDS

On 27 June 2006, the Group issued convertible bonds due June 2011 at par for a principal sum of HK$280,000,000 (the "Bonds"). The Bonds are guaranteed by the Company and bore interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders had the right, at any time on or after 27 July 2006 up to and including the seventh business date prior to 27 June 2011, to convert the Bonds into equity shares of the Company with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. The conversion price of the Bonds was adjusted from HK$4.00 per share to HK$3.90 per share on 3 October 2008 and from HK$3.90 per share to HK$3.80 per share with effect from 6 October 2009. The conversion price of the Bonds had been further adjusted from HK$3.80 per share to HK$3.75 per share with effect from 20 September 2010. Any Bonds not converted would be redeemed at 124.5481% of their principal amount upon maturity on 27 June 2011. When the Bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the Bonds were issued.

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

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

24. CONVERTIBLE BONDS *(Continued)*

During the year, the outstanding principal of the Bonds in the amount of HK$88,000,000 was redeemed in full together with the redemption premium upon maturity on 27 June 2011. The aggregate redemption amount was HK$109,602,000.

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

Group

		2012	
	Liability component of the Bonds	**Equity component of the Bonds**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2011	**108,355**	**7,802**	**116,157**
Interest expense	**2,787**	**–**	**2,787**
Interest paid	**(1,540)**	**–**	**(1,540)**
Redemption of bonds	**(109,602)**	**–**	**(109,602)**
Transfer to retained profits	**–**	**(7,802)**	**(7,802)**
At 31 March 2012	**–**	**–**	**–**

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

The effective interest rate of the Bonds was 10.4% per annum. In the prior year, the fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair value of the outstanding Bonds was approximately HK$110 million at 31 March 2011. The outstanding Bonds were fully redeemed during the year.

25. DEFERRED TAX

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

Group

		2012	
	Depreciation allowance in excess of related depreciation	**Revaluation of investment properties**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2011	**189**	**440,418**	**440,607**
Deferred tax charged to the income statement during the year *(note 10)*	**–**	**41,913**	**41,913**
Exchange realignment	**–**	**13,141**	**13,141**
At 31 March 2012	**189**	**495,472**	**495,661**

		2011	
	Depreciation allowance in excess of related depreciation	Revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	189	283,227	283,416
Acquisition of subsidiaries *(note 28)*	–	29,473	29,473
Deferred tax charged to the income statement during the year *(note 10)*	–	122,874	122,874
Exchange realignment	–	4,844	4,844
At 31 March 2011	189	440,418	440,607

25. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK$1,277,000 (2011: HK$208,000) and unrecognised tax losses of HK$1,148,528,000 (2011: HK$1,126,889,000) available to offset against future taxable profits. The deductible temporary differences and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profits available against the utilisation of these temporary differences and tax losses.

At 31 March 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China and in Canada. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and Canada for which deferred tax liabilities have not been recognised totalled HK$371,828,000 at 31 March 2012 (2011: HK$227,109,000) and the amount, net of non-controlling interests, amounted to HK$286,565,000 (2011: HK$198,934,000).

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

The Company had no significant unrecognised deferred tax liability (2011: Nil).

26. SHARE CAPITAL

	2012 ***HK$'000***	2011 *HK$'000*
Authorised:		
1,750,000,000 ordinary shares of HK$1.00 each	**1,750,000**	1,750,000
Issued and fully paid:		
480,286,201 ordinary shares of HK$1.00 each	**480,286**	480,286

27. RESERVES

(a) Group

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

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000
At 1 April 2010	396,352	647	10	582,992	980,001
Total comprehensive income for the year	–	–	–	61,676	61,676
Proposed final 2011 dividend *(note 12)*	–	–	–	(60,036)	(60,036)
At 31 March 2011 and 1 April 2011	396,352	647	10	584,632	981,641
Total comprehensive income for the year	–	–	–	61,613	61,613
Proposed final 2012 dividend *(note 12)*	–	–	–	(60,036)	(60,036)
At 31 March 2012	**396,352**	**647**	**10**	**586,209**	**983,218**

28. BUSINESS COMBINATION

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

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

	Notes	**Fair value recognised on acquisition** *HK$'000*
Net assets acquired:		
Property, plant and equipment	*14*	55
Investment properties	*15*	210,227
Prepayments, deposits, and other receivables		246
Cash and bank balances		11,562
Trade payables and accrued liabilities		(3,570)
Interest-bearing bank borrowings		(43,590)
Deferred tax liabilities	*25*	(29,473)
Shareholder's loan		(43,126)
Total identifiable net assets at fair value		102,331
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	*5*	(1,246)
Assignment of shareholder's loan		43,126
Satisfied by cash		144,211

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

The Group incurred transaction costs of HK$236,000 for this acquisition. These transaction costs had been expensed and were included in administrative expenses in the consolidated income statement for the year ended 31 March 2011.

28. BUSINESS COMBINATION *(Continued)*

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

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

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

Had the combination taken place at the beginning of last year, the revenue of the Group and the profit of the Group for the year ended 31 March 2011 would have been HK$146,644,000 and HK$465,967,000, respectively.

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Certain additions of properties held for sale under development and properties held for sale of HK$57,188,000 (2011: Nil) were not paid at the end of the reporting period and were recorded as accrued liabilities.

30. CONTINGENT LIABILITIES

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to its subsidiaries	**–**	–	**3,149,492**	2,901,989
Guarantees given to bondholders in connection with convertible bonds issued by a subsidiary	**–**	–	**–**	88,000
	–	–	**3,149,492**	2,989,989

As at 31 March 2012, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company, were utilised to the extent of HK$2,625,102,000 (2011: HK$2,118,207,000).

(b) As at 31 March 2012, the Group has given guarantees of HK$153,169,000 (2011: HK$306,671,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

The fair value of the guarantees is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements for the years ended 31 March 2012 and 2011 for the guarantees.

31. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 23 to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Commitments from third parties:		
Within one year	**91,876**	55,926
In the second to fifth years, inclusive	**224,494**	153,397
After five years	**417,594**	433,934
	733,964	643,257
Commitments from a related company:		
Within one year	**10,881**	4,346
In the second to fifth years, inclusive	**2,634**	7,638
	13,515	11,984

Details of the lease arrangement with the related company are included in note 34(a)(ii) to the consolidated financial statements.

Certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's properties as detailed in note 23(a)(iii).

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

32. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

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

At 31 March 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Commitments to third parties:				
Within one year	**9,677**	11,832	**1,362**	3,660
In the second to fifth years, inclusive	**2,958**	8,855	**–**	1,362
	12,635	20,687	**1,362**	5,022

33. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property development expenditure	**863,837**	524,445

34. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year:

		Group	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Management fees paid to the immediate holding company	*(i)*	**9,000**	9,000
Rental income received from a related company	*(ii)*	**11,092**	1,811

Notes:

(i) The management fees were charged based on the underlying costs incurred by the immediate holding company in which James Sai-Wing Wong and Madeline May-Lung Wong, directors of the Company, have beneficial interests.

(ii) The rental income received was based on the open market rates prevailing at the time when the tenancy agreement was entered into with the related company where there is a common director of the Company and the related company.

(b) Outstanding balances with related parties

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

(c) Compensation of key management personnel of the Group

	2012	2011
	HK$'000	*HK$'000*
Short term employee benefits	**18,197**	14,365
Post-employment benefits	**619**	507
	18,816	14,872

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Loans and receivables	
	2012	2011
	HK$'000	*HK$'000*
Amounts due from jointly-controlled entities	**–**	31
Trade receivables	**3,076**	2,389
Financial assets included in prepayments, deposits and other receivables *(note 20)*	**32,397**	35,599
Pledged deposits	**120,371**	96,974
Cash and cash equivalents	**828,734**	992,403
	984,578	1,127,396

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	**144,551**	87,234
Interest-bearing bank borrowings	**2,798,162**	2,272,489
Financial liabilities included in customer deposits	**22,247**	16,414
Convertible bonds	**–**	108,355
	2,964,960	2,484,492

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	Loans and receivables	
	2012	2011
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**2,329,572**	2,262,164
Amounts due from jointly-controlled entities	**–**	6
Financial assets included in prepayments, deposits and other receivables *(note 20)*	**1,218**	1,244
Cash and cash equivalents	**21,461**	17,817
	2,352,251	2,281,231

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	*HK$'000*
Amounts due to subsidiaries	**735,514**	724,158
Financial liabilities included in trade payables and accrued liabilities	**4,933**	5,150
Interest-bearing bank borrowings	**88,000**	30,000
	828,447	759,308

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Amounts due from jointly-controlled entities	**–**	31	**–**	31
Trade receivables	**3,076**	2,389	**3,076**	2,389
Financial assets included in prepayments, deposits and other receivables	**32,397**	35,599	**32,397**	35,599
Pledged deposits	**120,371**	96,974	**120,371**	96,974
Cash and cash equivalents	**828,734**	992,403	**828,734**	992,403
	984,578	1,127,396	**984,578**	1,127,396
Financial liabilities				
Financial liabilities included in trade payables and accrued liabilities	**144,551**	87,234	**144,551**	87,234
Interest-bearing bank borrowings	**2,798,162**	2,272,489	**2,798,162**	2,272,489
Financial liabilities included in customer deposits	**22,247**	16,414	**22,247**	16,414
Convertible bonds	**–**	108,355	**–**	109,615
	2,964,960	2,484,492	**2,964,960**	2,485,752

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

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Amounts due from subsidiaries	**2,329,572**	2,262,164	**2,329,572**	2,262,164
Amounts due from jointly-controlled entities	**–**	6	**–**	6
Financial assets included in prepayments, deposits and other receivables	**1,218**	1,244	**1,218**	1,244
Cash and cash equivalents	**21,461**	17,817	**21,461**	17,817
	2,352,251	2,281,231	**2,352,251**	2,281,231
Financial liabilities				
Amounts due to subsidiaries	**735,514**	724,158	**735,514**	724,158
Financial liabilities included in trade payables and accrued liabilities	**4,933**	5,150	**4,933**	5,150
Interest-bearing bank borrowings	**88,000**	30,000	**88,000**	30,000
	828,447	759,308	**828,447**	759,308

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 March 2012 (2011: Nil).

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

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

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB and CAD, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign currency risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required. Approximately 90% (2011: 46%) of the Group's sales are denominated in foreign currencies.

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

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

Foreign currency risk *(Continued)*

Group

	Change in exchange rate %	Increase/ (decrease) in profit after tax and equity HK$'000
2012		
If Hong Kong dollar weakens against RMB	**5**	**(4,518)**
If Hong Kong dollar strengthens against RMB	**5**	**4,518**
If Hong Kong dollar weakens against CAD	**5**	**1**
If Hong Kong dollar strengthens against CAD	**5**	**(1)**
2011		
If Hong Kong dollar weakens against RMB	5	(10,041)
If Hong Kong dollar strengthens against RMB	5	10,041
If Hong Kong dollar weakens against CAD	5	19
If Hong Kong dollar strengthens against CAD	5	(19)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 23 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposures should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates at the end of the reporting period, with all other variables held constant, of the Group's profit after tax and the Group's equity (through the impact on floating rate borrowings) and after the effect of interest being capitalised under property development projects of HK$320,000 (2011: HK$463,000).

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

Interest rate risk *(Continued)*

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax and equity *HK$'000*
2012		
Hong Kong dollar	**100**	**(19,497)**
RMB	**50**	**(181)**
Hong Kong dollar	**(100)**	**19,497**
RMB	**(50)**	**181**
2011		
Hong Kong dollar	100	(14,783)
RMB	50	(263)
Hong Kong dollar	(100)	14,783
RMB	(50)	263

Credit risk

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

The credit risk of the Group's other financial assets, which comprise amounts due from jointly-controlled entities, other receivables, and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 30(b) to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements. 29% of the Group's debts, which comprise interest-bearing bank borrowings and convertible bonds, would mature in less than one year as at 31 March 2012 (2011: 35%) based on the carrying value of borrowings reflected in the financial statements. If based on the maturity dates as set out in the loan agreements, 22% (2011: 27%) of the Group's debts would mature in less than one year.

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

Group

			2012		
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	3,643	140,908	–	–	144,551
Interest-bearing bank borrowings	301,400	581,510	855,294	1,197,706	2,935,910
Financial liabilities included in customer deposits	22,247	–	–	–	22,247
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	153,169	–	–	–	153,169
	480,459	722,418	855,294	1,197,706	3,255,877

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

Liquidity risk *(Continued)*

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

Company

	2012		
	On demand	**Less than 12 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Amounts due to subsidiaries	**735,514**	**–**	**735,514**
Financial liabilities included in trade payables and accrued liabilities	**980**	**3,953**	**4,933**
Interest-bearing bank borrowings	**88,000**	**–**	**88,000**
Guarantees given to banks in connection with facilities granted to subsidiaries	**2,625,102**	**–**	**2,625,102**
	3,449,596	**3,953**	**3,453,549**

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

Liquidity risk *(Continued)*

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

In respect of interest-bearing bank borrowings of HK$301,400,000 (2011: HK$245,000,000), the loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

In accordance with the terms of the loans, the contractual undiscounted payments at 31 March 2012 for the interest-bearing bank borrowings in respect of the Group are HK$698,209,000 (2011: HK$587,545,000) within one year, HK$864,213,000 (2011: HK$496,788,000) in the second year, and HK$1,402,682,000 (2011: HK$1,346,005,000) beyond two years.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2011.

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

Group

	2012	2011
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**2,798,162**	2,272,489
Convertible bonds, the liability component	**–**	108,355
Less: Cash and cash equivalents and pledged deposits	**(949,105)**	(1,089,377)
Net interest-bearing debts	**1,849,057**	1,291,467
Equity attributable to owners of the Company	**4,257,743**	3,995,466
Non-controlling interests	**248,066**	179,174
Total equity	**4,505,809**	4,174,640
Gearing ratio	**41%**	31%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 June 2012.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**899,422**	145,534	812,584	194,858	1,250,745
PROFIT FOR THE YEAR	**269,482**	465,404	404,057	73,120	436,924
Profit attributable to:					
Owners of the Company	**206,487**	464,285	373,866	76,500	399,516
Non-controlling interests	**62,995**	1,119	30,191	(3,380)	37,408
	269,482	465,404	404,057	73,120	436,924

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**8,048,104**	7,820,360	6,039,568	5,386,451	5,391,254
TOTAL LIABILITIES	**(3,542,295)**	(3,645,720)	(2,395,590)	(2,092,163)	(2,140,659)
NET ASSETS	**4,505,809**	4,174,640	3,643,978	3,294,288	3,250,595
NON-CONTROLLING INTERESTS	**(248,066)**	(179,174)	(172,887)	(144,103)	(148,321)
SHAREHOLDERS' FUNDS	**4,257,743**	3,995,466	3,471,091	3,150,185	3,102,274

GROUP I – PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area *(sq.m./sq.ft.)*	Gross floor area *(sq.m./sq.ft.)*	Development progress (up to 19 June 2012)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
1. Metropolitan Oasis (雅瑤綠洲) Da Li District Nanhai Guangdong Province	Low density residential	247,987 sq.m. (2,668,340 sq.ft.)	272,786 sq.m. (2,935,177 sq.ft.)	Phase 1 comprising (i) completed 71 town houses of ~18,000 sq.m. (ii) construction of high-rise apartments of ~121,000 sq.m. in progress	 – 2014	100
2. Dong Guan Zhuan Dong Guan Zhuan Road Tian He District Guangzhou Guangdong Province	Residential	95,382 sq.m. (1,026,310 sq.ft.)	265,768 sq.m. (2,859,663 sq.ft.)	Planning stage	–	75
3. Botanica (寶翠園) Long Dong Cun Guang Shan Road Western Tian He District Guangzhou Guangdong Province	Residential	113,796 sq.m. (1,224,444 sq.ft.)	228,646 sq.m. (2,460,230 sq.ft.)	Phases 1 & 2 totalling ~92,000 sq.m. – Completed Phase 3 of ~70,000 sq.m. – Foundation works to be commenced soon	– –	60
4. 45-65 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Residential	2,177 sq.m. (23,424 sq.ft.)	23,077 sq.m. (248,308 sq.ft.)	Planning stage	–	100
5. 67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial	2,781 sq.m. (29,923 sq.ft.)	38,568 sq.m. (414,991 sq.ft.)	Planning stage	–	100
6. Hon Kwok City Commercial Centre (漢國城市商業中心) Junction of Shen Nan Zhong Road and Fu Ming Road Fu Tian District Shenzhen Guangdong Province	Commercial/ Residential	7,845 sq.m. (84,412 sq.ft.)	128,000 sq.m. (1,377,280 sq.ft.)	Substructure works in progress	2014	100

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

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

Location	Use	Site area *(sq.m./sq.ft.)*	Gross floor area *(sq.m./sq.ft.)*	Development progress (up to 19 June 2012)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
7. Lot no. B-01-02 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office/Hotel	12,181 sq.m. (131,067 sq.ft.)	133,502 sq.m. (1,436,481 sq.ft.)	Substructure works in progress	2013	100
HONG KONG						
8. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	100

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area *(sq.m./sq.ft.)*	Car parking spaces	Attributable interest of the Group *(%)*
MAINLAND CHINA					
9. Ganghui Huating (港滙華庭) 5 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial	4-storey of commercial podium	4,157 sq.m. (44,729 sq.ft.)	71	100
10. Botanica Phases 1 & 2 (寶翠園一及二期) Tian He District Guangzhou Guangdong Province	Commercial	5 ground floor shops	257 sq.m. (2,765 sq.ft.)	124	60

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

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area *(sq.m./sq.ft.)*	No. of apartment/ hotel rooms	Ownership status	Attributable interest of the Group *(%)*
MAINLAND CHINA					
11. City Square (城市天地廣場)/ The Bauhinia Hotel (Shenzhen) (寶軒酒店(深圳)) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	5-storey of commercial podium comprising hotel and commercial	20,308 sq.m. (218,514 sq.ft.)	158 hotel rooms	Medium term lease	100
12. City Suites (寶軒公寓) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	Serviced apartments	3,692 sq.m. (39,725 sq.ft.)	64 units	Medium term lease	100
13. Chongqing Hon Kwok Centre (重慶漢國中心) Lot no. B-01-03 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office	107,802 sq.m. (1,159,949 sq.ft.)	–	Medium term lease	100
14. Ganghui Dasha (港滙大廈) 3 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	13,053 sq.m. (140,450 sq.ft.)	–	Medium term lease	100
HONG KONG					
15. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	62,127 sq.ft.	–	Medium term lease	100
16. The Bauhinia (寶軒)/ The Bauhinia Hotel (Central) (寶軒酒店(中環)) 119-121 Connaught Road Central & 237-241 Des Voeux Road Central Hong Kong	Serviced apartments/ Hotel/ Commercial	123,283 sq.ft.	112 apartment units and 42 hotel rooms with a total of 213 rooms	Long term lease	100
17. Knutsford Place (諾士佛廣場)/ The Bauhinia Hotel (TST) (寶軒酒店(尖沙咀)) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Hotel/ Office/ Commercial	60,893 sq.ft.	44 hotel rooms	Medium term lease	100

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

GROUP IV – CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group *(%)*
HONG KONG			
18. Provident Centre (和富中心) 21-53 Wharf Road North Point Hong Kong	32	Long term lease	100
19. Lido Garden (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	36	Medium term lease	100
20. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	100

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hon Kwok Land Investment Company, Limited (the "Company") will be held at Full Moon Shanghai Restaurant, Macau Jockey Club, 4th Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 23 August 2012 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditors' report for the year ended 31 March 2012.

2. To declare a final dividend for the year ended 31 March 2012.

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

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

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

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

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

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

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

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

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

Hong Kong, 27 July 2012

Notes:

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

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

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

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