



China Motor Bus Co. Ltd.

Annual Report 2012

Stock Code 026

Contents

	Page
Corporate Information.....	2
Notice of Ordinary Yearly Meeting	3-5
Report of The Directors.....	6-11
Corporate Governance Report.....	12-15
Chairman’s Statement	16-17
Information on Directors and Senior Management	18
Independent Auditor’s Report	19
Consolidated Income Statement	20
Consolidated Statement of Comprehensive Income.....	21
Consolidated Balance Sheet.....	22
Balance Sheet	23
Consolidated Statement of Changes in Equity	24
Consolidated Cash Flow Statement.....	25-26
Notes on The Financial Statements	27-58
Financial Summary	59
Group Properties	60

Corporate Information

BOARD OF DIRECTORS

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

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

Dr. Henry NGAN

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

Fritz HELMREICH

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

*TSE Yiu-wah

(*Independent Non-Executive Director)

SECRETARY

KWOK Pun Tak

REGISTERED OFFICE

391 Chai Wan Road, Chai Wan, Hong Kong

BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank

SOLICITORS

MAYER BROWN JSM
Linklaters
Ngan & Co.

AUDITORS

KPMG

REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

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

STOCK CODE

026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Seventy Fourth Ordinary Yearly Meeting of the Members of the Company will be held at its registered office at 391 Chai Wan Road, Chai Wan, Hong Kong on Friday, 23rd November, 2012 at 12:00 noon for the following purposes:-

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2012.
2. To declare a final dividend for the year ended 30th June, 2012.
3. To elect Directors and fix their fees.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“THAT:

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

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

6. To transact any other competent business.

By Order of the Board

Kwok Pun Tak
Secretary

Hong Kong, 17th September, 2012

Notice of Ordinary Yearly Meeting (Continued)

Explanatory Note on Resolution 3

In relation to Resolution 3 above, Dr. Henry Ngan, Dr. Liu Lit-mo, Messrs. Fritz Helmreich, Anthony Grahame Stott and Tse Yiu-wah retire from the Board pursuant to Article 122 of the Company's Articles of Association and, being eligible, offer themselves for re-election. The biographical details and interests in the shares of the Company of all the Directors to be re-elected at the Ordinary Yearly Meeting are provided in the explanatory statement for the re-election of Directors and general mandate for repurchase of own shares which accompanies this Annual Report.

Explanatory Note on Resolution 5

Resolution 5 relates to the grant of a general mandate to the Directors to repurchase shares of the Company up to a maximum of 2% of the issued share capital of the Company at the date of the resolution (the "Repurchase Mandate"). The authority conferred on the Directors by the Repurchase Mandate would continue in force until the earlier of the conclusion of the next Ordinary Yearly Meeting of the Company, the expiration of the period within which the next Ordinary Yearly Meeting is required by law to be held, or until revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next Ordinary Yearly Meeting. An explanatory statement providing details for the re-election of Directors and general mandate for repurchase of own shares accompanies this Annual Report.

Notice of Ordinary Yearly Meeting (Continued)

Notes:

- (1) A shareholder entitled to attend and vote at the above Meeting may appoint a proxy or proxies (not exceeding 2 in number) to attend and vote in his place and such proxy need not be a shareholder of the Company.
- (2) To be valid, forms of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for holding the Meeting or adjourned Meeting.
- (3) Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, unless a poll is required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
 - (i) the chairman of the meeting; or
 - (ii) at least four shareholders; or
 - (iii) a shareholder or shareholders holding or representing by proxy or entitled to vote in respect of at least one-tenth part of the capital represented at the meeting.
- (4) For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 23rd November, 2012, the Register of Members of the Company will be closed from Tuesday, 20th November, 2012 to Thursday, 22nd November, 2012, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 19th November, 2012.
- (5) For ascertaining the shareholders' entitlement to the proposed final dividend and the special dividend, the Register of Members of the Company will be closed from Wednesday, 5th December, 2012 to Friday, 7th December, 2012, both days inclusive. To qualify for the proposed final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 4th December, 2012.
- (6) As at the date of this Notice, the Directors of the Company are:-
Ngan Kit-ling, Dr. Ngan Kit-keung, Dr. Henry Ngan, Dr. Liu Lit-mo*, Fritz Helmreich, Anthony Grahame Stott* and Tse Yiu-wah*.
- (7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.

*Independent Non-executive Director

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June, 2012.

PRINCIPAL PLACE OF BUSINESS

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

GROUP'S ACTIVITIES AND OPERATIONS

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

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

JOINTLY CONTROLLED ENTITIES

Particulars of jointly controlled entities at 30th June, 2012 are set out in note 15 on the financial statements.

FINANCIAL STATEMENTS

The profit of the group for the year ended 30th June, 2012 and the state of affairs of the company and of the group at that date are set out in the financial statements on pages 20 to 58.

A first interim dividend of HK\$0.10 (2011: HK\$0.10) per share and a special dividend of HK\$0.50 (2011: HK\$0.50) per share were paid on 13th June, 2012. A second interim dividend of HK\$0.30 (2011: HK\$0.30) per share is payable on 1st November, 2012. The directors now recommend that a final dividend of HK\$0.10 (2011: HK\$0.10) per share and a special dividend of HK\$1.30 (2011: HK\$1.30) per share be paid in respect of the year ended 30th June, 2012 and that HK\$10,000,000 (2011: HK\$10,000,000) be transferred to general reserve.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 30th January, 2013.

FIXED ASSETS

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

DIRECTORS

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

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

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

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2012, the interests and short positions of the directors and chief executive of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of listed companies were as follows:

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

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

All the interests disclosed above represent long positions as at 30th June, 2012.

Save as disclosed above, as at 30th June, 2012, none of the directors or chief executive of the company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

Report of the Directors (Continued)

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

The company has been notified of the following interests in the company's issued shares at 30th June, 2012, amounting to 5% or more of the shares in issue:

<u>Substantial shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares</u>
NGAN Kit-ling	4,881,813 (Note)	10.71%
Dr. NGAN Kit-keung	6,975,731 (Note)	15.30%
Dr. Henry NGAN	7,206,843 (Note)	15.81%
CHAN Kwan Shat & WONG Wai Gin	5,553,200	12.18%
<u>Other person</u>		
CHING Yung Yu	2,496,200	5.47%

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

All the interests disclosed above represent long positions as at 30th June, 2012.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2012, none of the above shareholders had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, as at 30th June, 2012, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTEREST IN CONTRACTS

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

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

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

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

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

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

SHARE CAPITAL

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

Report of the Directors (Continued)

EMPLOYEES' RETIREMENT SCHEME

During the year, the company operated a separate non-contributory defined benefit retirement scheme, namely, "China Motor Bus Senior Executives Retirement Scheme" for its senior executives. The China Motor Bus Senior Executives Retirement Scheme was established under trust and has been registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited. The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the scheme are made in accordance with the recommendations of an independent actuarial firm who carries out actuarial valuations of the scheme at regular intervals, currently annually.

The actuarial valuation of the China Motor Bus Senior Executives Retirement Scheme as at 30th June, 2012 showed that there were sufficient assets to cover the on-going liabilities of the scheme. The actuary of the scheme is Towers Watson Hong Kong Limited. In the actuarial valuation, the aggregate cost valuation method was used. The major assumptions used in the valuation were: Investment Return at 0.25% per annum; and Salary Escalation at 3.0% per annum. Other relevant information extracted from the valuations pertaining to the scheme is set out below:-

- (i) The market value of the scheme assets as at 30th June, 2012 was HK\$10,421,000 (2011: HK\$10,514,000).
- (ii) The on-going funding level of the scheme was 102% (2011: 103%).
- (iii) The on-going basis funding surplus of the scheme was HK\$213,000 (2011: HK\$332,000).

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

As from 1st December, 2000, the group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement schemes. The MPF scheme is a defined contribution retirement scheme administered by an independent trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 until 31st May, 2012 and HK\$25,000 with effect from 1st June, 2012.

For the MPF scheme, the contributions are expensed as incurred. There are no forfeitures available to reduce company contributions from those employees who have left the scheme as they are fully entitled to their contributions upon leaving employment.

Report of the Directors (Continued)

COMMENTARY ON ANNUAL RESULTS

Revenue and Operating Profit

Turnover of the group for the year under review comprising rental income from its investment properties and income from sale of properties amounted to HK\$84 million (2011: HK\$261 million). Operating profit of the group of HK\$68 million compares to HK\$178 million in the previous year and reflects the fall in income from the sale of completed property held for sale. The profit after taxation attributable to shareholders of HK\$359 million (2011: HK\$664 million) reflects the fall in income from sales of units in Island Lodge and decrease in the share of results of jointly controlled entities. Share of results of jointly controlled entities decreased compared with last year as a result of the smaller revaluation gains on investment properties held by the jointly controlled entities.

Liquidity and Financial Resources

At 30th June, 2012, the group had no bank borrowings (2011: HK\$Nil) and had cash and cash equivalents of HK\$680 million (2011: HK\$1,377 million) which were held in the form of short term deposits or cash at banks and in hand. Deposits with banks with maturity more than three months amounted to HK\$1,843 million (2011: HK\$1,211 million).

For the year under review, net cash inflow from operating activities was HK\$8 million (2011: HK\$85 million). Repayment of loans by and dividends from jointly controlled entities amounted to HK\$24 million and HK\$12 million respectively (2011: HK\$29 million and HK\$12 million respectively). The consolidated cash flow statement for the group for the year ended 30th June, 2012 is set out on pages 25 and 26 of this annual report.

Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK\$75,000 (2011: HK\$33,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

	<i>Percentage of the group's total</i>	
	<i>Turnover</i>	<i>Purchases</i>
The largest customer	35%	
Five largest customers in aggregate	64%	
The largest supplier		16%
Five largest suppliers in aggregate		61%

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

Report of the Directors (Continued)

DISCLOSURE PURSUANT TO LISTING RULE 13.22

At 30th June, 2012, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Note	Amount HK\$000's	Type	Tenure
Island Land Development Ltd		389,850	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd		205,407	Interest free, unsecured loan	No fixed terms of repayment
	15	<u>595,257</u>		

Combined balance sheet of the above affiliated companies at 30th June, 2012 is as follows:

	HK\$000's
Fixed assets	1,707,056
Property held for development	<u>417,991</u>
	<u>2,125,047</u>
Current assets	30,686
Current liabilities	<u>(30,314)</u>
	<u>372</u>
Non-current liabilities	<u>(47,717)</u>
	<u>2,077,702</u>

Attributable interest to the group at 30th June, 2012 in the above affiliated companies amounted to HK\$1,038,851,000 (2011: HK\$1,008,582,000).

SUMMARY OF FINANCIAL DATA

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

PROPERTIES

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

PUBLIC FLOAT

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

AUDITORS

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

By order of the board

NGAN Kit-ling
Chairman

Hong Kong, 17th September, 2012

Corporate Governance Report

(A) CORPORATE GOVERNANCE CODE

During the year ended 30th June, 2012, all those principles as set out in the Corporate Governance Code (formerly "Code on Corporate Governance Practices") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions, including those which became effective on 1st April, 2012, in the Code were met by the Company, with the exception of the deviations as set out in this report.

The Company supports high standards of corporate governance. The Board of Directors will review and develop the corporate governance policy from time to time to ensure the Company continues to follow the up-to-date Listing Rules.

(B) BASIS ON WHICH THE GROUP GENERATES LONG TERM VALUE

The Group generates value through long term capital appreciation and income from rentals arising from the investment properties of the Company, its subsidiaries and from jointly controlled entities. In addition, profits are also generated from property development for sale. The Group continues to look for favourable investment opportunities with prudence so as to enhance shareholders value.

(C) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2012.

(D) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four board meetings were held during the financial year ended 30th June, 2012. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	4
Dr. NGAN Kit-keung (Assistant Managing Director)	4
Dr. Henry NGAN	4
Non-executive director	
Fritz HELMREICH	4
Independent non-executive directors	
Dr. LIU Lit-mo	1
Anthony Grahame STOTT	4
TSE Yiu-wah	2

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

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

Corporate Governance Report (Continued)

(D) BOARD OF DIRECTORS (Continued)

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interest of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities, where there are changes to the Company's or directors' disclosure obligations.

Newly appointed directors receive briefings and orientation on their legal and other responsibilities as a director and the role of the Board. The Company has also provided appropriate information in a timely manner to the directors to enable them to make informed decisions and to discharge their duties and responsibilities as directors of the Company.

During the year to 30th June, 2012, all directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external auditors have facilitated directors' training by the provision of presentations, briefings and materials for the directors primarily relating to the roles, functions and duties of a listed company director.

Tse Yiu-wah, Anthony Grahame Stott, Fritz Helmreich, Dr. Henry Ngan and Dr. Ngan Kit-keung all received this training. Ngan Kit-ling also received such briefings and materials and in addition attended relevant external professional courses. Dr. Liu Lit-mo, besides from receiving such briefings and materials, also attended seminars on relevant subjects.

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

(E) CHAIRMAN AND CHIEF EXECUTIVE

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

(F) ROTATION OF DIRECTORS

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

(G) NOMINATION OF DIRECTORS

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and taxation services during the period provided by KPMG, the external auditors of the Company, amounted to HK\$3.15 million and HK\$0.51 million respectively.

Corporate Governance Report (Continued)

(I) AUDIT COMMITTEE

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

The Audit Committee met three times in the year ended 30th June, 2012. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2012 are set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	3
Fritz HELMREICH	3
TSE Yiu-wah	1

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

The work performed by the Audit Committee during the financial year ended 30th June, 2012 included the review of the effectiveness of the group's internal control systems and the review of the interim report and annual report before submission to the Board.

The Audit Committee's terms of reference can be found on the Company's website and the Stock Exchange website.

(J) REMUNERATION COMMITTEE

The Remuneration Committee was established on 17th February, 2012, and is chaired by Mr. Anthony Grahame Stott, an independent non-executive director and chairman of Audit Committee. Other members of the Committee are Mr. Fritz Helmreich, a non-executive director, and Mr. Tse Yiu-wah, an independent non-executive director. Before that date, the full Board annually reviewed the remuneration of the executive directors. The first meeting of the Remuneration Committee will take place after 30th June, 2012.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board. The Committee will perform in an advisory role to the Board with the Board retaining the final authority to approve the Company's executive directors', non-executive directors' and senior management's remuneration.

The Remuneration Committee's terms of reference can be found on the Company's website and the Stock Exchange website.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the Group's financial statements. A statement by the auditors of their reporting responsibilities for the year ended 30th June, 2012 is set out in the Independent Auditor's Report on page 19 of this Annual Report.

(L) DIRECTORS' INSURANCE

Historically, the Company has not effected insurance cover in respect of legal action, if any, against its directors. As at 30th June, 2012, this matter was being further considered.

(M) DIRECTORS' TIME COMMITMENT

The Board reviews directors' contributions and time commitment to the Company from time to time.

Corporate Governance Report (Continued)

(N) ORDINARY YEARLY MEETING OF SHAREHOLDERS

The 73rd Ordinary Yearly Meeting of shareholders was held on 24th November, 2011. The composition of the Board and attendance of the directors are set out below:

Directors	Ordinary Yearly Meeting Attendance
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	1
Dr. NGAN Kit-keung (Assistant Managing Director)	1
Dr. Henry NGAN	1
Non-executive director	
Fritz HELMREICH (member of Audit Committee & Remuneration Committee)	1
Independent non-executive directors	
Anthony Grahame STOTT (Chairman of Audit Committee & Chairman of Remuneration Committee)	1
TSE Yiu-wah (member of Audit Committee & Remuneration Committee)	1
Dr. LIU Lit-mo	0

(O) SHAREHOLDERS RIGHTS

(i) The Way In Which Shareholders Can Convene An Extraordinary General Meeting of Shareholders

The Board may, at any time it thinks proper and it shall, in compliance with Section 113 of the Companies Ordinance, on the requisition in writing of the holders of not less than one-twentieth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary meeting of the Company, and in case of such requisition the following provisions shall have effect:-

- The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office and may consist of several documents in like form, each signed by one or more requisitionists. The meeting must be convened for the purposes specified in the requisition, and if convened otherwise than by the Board, for those purposes only.
- In case the Board, for twenty-one days after such deposit, fails to convene an extraordinary meeting, the requisitionists, or a majority of them in value, may themselves convene the meeting for the purpose so specified but not for any other purpose; but any meeting so convened shall not be held after three months from the date of the deposit.

(ii) Procedure for Sending Enquiries to the Board

Enquiries by shareholders to be put to the Board can be sent in writing to the Company Secretary at the Company's registered address.

(iii) Procedures for Nominating a Person for Election as Director in General Meeting of Shareholders

No person not being a Director retiring at a meeting shall, unless recommended by the Board for election, be eligible for election for the office of Director at any general meeting unless no earlier than the day after the despatch of the notice of the meeting appointed for such election and not less than seven clear days before the day appointed for the meeting there has been left at the head office notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for election, and also notice in writing signed by the person to be proposed of his willingness to be elected, and subject to such person being eligible under article 118.

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year amounted to HK\$359 million, compared with HK\$664 million for the previous year, which reflects the fall in income from sales of units in Island Lodge and decrease in the share of results of jointly controlled entities. Share of results of jointly controlled entities decreased compared with last year as a result of the smaller revaluation gains on investment properties held by the jointly controlled entities. The operating profit of the Group for the year ended 30th June, 2012 amounted to HK\$68 million, compared with HK\$178 million for the previous year, which reflects the fall in income from the sale of completed property held for sale.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 23rd November, 2012 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.30 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share payable on 1st November, 2012, will make a total dividend for the year of HK\$2.30 per share, compared with HK\$2.30 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

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

This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 sq. ft. to 2,265 sq. ft. in a single 45-storey block with a tastefully decorated clubhouse, 50 car parking spaces and retail facilities on the ground floor. The occupation permit was issued on 17th December, 2008 and the Certificate of Compliance was issued on 19th March, 2009. Five residential units, all the retail units and 8 car parking spaces in the development are now held by the Group, through a subsidiary company, as a long term investment to generate rental income. All other units in the development, save 2 car parking spaces, have now been sold.

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

The property, which is wholly-owned by the Company, continues to be held for investment purposes and at present derives rental income. The property has a site area of approximately 102,420 sq. ft. and is zoned and designated as a Comprehensive Development Area under the Draft Chai Wan Outline Zoning Plan No. S/H20/20. The Company has conducted lengthy discussions with government to clarify certain outstanding planning issues in connection with its application to the Town Planning Board for redevelopment of the site. On 20th January 2012, amendments to the Draft Chai Wan Outline Zoning Plan No. S/H20/20 were published by the Town Planning Board under the Town Planning Ordinance (Chapter 131). The Company is currently seeking permission from the Town Planning Board under Section 16 of the Town Planning Ordinance to redevelop the site and certain adjoining space into a residential and commercial complex in accordance with a scheme which complies with the new zoning amendments and the Sustainable Building Design Guidelines and the scheme will have a more environmentally friendly architectural design.

Chairman's Statement (Continued)

U.K. PROPERTIES

The Group's freehold commercial properties in central London remain fully let.

OUTLOOK

The European economic problems remain unresolved. Interest rates continue to stay low with consequential impact on our finance income. In Hong Kong, capital values in residential and commercial properties have begun to stabilize but the future trend is somewhat uncertain. The Group will continue to look for good investment opportunities with prudence and caution.

NGAN Kit-ling
Chairman

Hong Kong, 17th September, 2012

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NGAN Kit-ling, J.P., (79), Chairman and Managing Director, Executive Director of CMB since 1968. Solicitor and Notary Public. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Spouse of Mr Fritz HELMREICH. Sister of Dr. Ngan Kit-Keung and Dr. Henry Ngan.

DR. NGAN Kit-keung, D.Sc, Ph.D., D.B.A., F.I.Mgt., F.C.I.D., F.I.T.L., F.A.A.S., P.Eng., (77), Assistant Managing Director. Director of CMB since 1961 and appointed as Assistant Managing Director since 1967. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. He is also a Non-Executive Director of Transport Business Services Ltd. in United Kingdom. Dr. Ngan was elected a Fellow of the Duke of Edinburgh's Award World Fellowship in 2002, He was awarded "Cavaliere di Gran Crose" by the Republic of San Marino in December 2009. Brother of NGAN Kit-ling and Dr. Henry NGAN. Brother-in-law of Fritz Helmreich.

DR. Henry NGAN, (74), Director of CMB since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling and Dr. NGAN Kit-keung. Brother-in-law of Fritz Helmreich.

* Dr. LIU Lit Mo, L.L.D., M.B.E., J.P., (74), Director of CMB since 1981. Chairman and Managing Director of Liu Chong Hing Investment Ltd., Chairman and Executive Director of Chong Hing Bank Ltd. Also Member of Advisory Board of Tung Wah Group of Hospitals, Board of Trustees of the Chinese University of Hong Kong, United College and Director of Liu Po Shan Memorial College. He was also the Past District Governor of Rotary International District 3450 (Hong Kong, Macau and Mongolia), Past Chairman of Tung Wah Group of Hospitals, Past Chairman of Hong Kong Football Association, Past President of Hong Kong Chiu Chow Chamber of Commerce and Past Member of Board of Trustees of the Lord Wilson Heritage Trust. Awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. He was conferred an Honorary Degree of Doctor of Laws by Lingnan University in 2005.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (82), Director of CMB since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Republic of Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. Ngan Kit-Keung and Dr. Henry Ngan.

* Anthony Grahame STOTT, B.Sc., F.F.A., (58) Director of CMB since 2002. Director of Jelf Group plc since 1st December 2010, a UK company listed on the AIM Market of the London Stock Exchange. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees.

* TSE Yiu Wah, (65), Director of CMB since 2004. He is also director of Auzakia Company Limited and Sing Shun Properties Limited. Mr. Tse had over 29 years of experience in the property investment field in Hong Kong.

(Independent Non-Executive Director)*

Senior Management

Victor WONG, ACIS, ACSA,, (67), Personnel & Administration Manager. Was Company Secretary of CMB from 1982 to 1989 and rejoined CMB in 1993. Has 42 years experience in administration, personnel management and company secretary fields with 34 years in Senior Management post.

Y.T. YUEN, BBA(Hons), FCCA, CPA, (50), Chief Accountant, Joined CMB in 1999. Has 27 years experience in accounting field.

KWOK Pun Tak, FCIS, FCS, (59), Company Secretary. Joined CMB in 2002. Has 31 years company secretarial experience.

Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Motor Bus Company, Limited ("the company") and its subsidiaries (together "the group") set out on pages 20 to 58, which comprise the consolidated and company balance sheets as at 30th June, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

KPMG

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

Hong Kong, 17th September, 2012

Consolidated Income Statement for the Year Ended 30th June, 2012

(Expressed in Hong Kong dollars)

	NOTE	2012 \$000's	2011 \$000's
TURNOVER	3	83,757	260,547
COST OF SALES		—	(97,766)
GROSS PROFIT		83,757	162,781
FINANCE INCOME	4	4,886	35,326
OTHER INCOME	5	1,408	3,156
STAFF COSTS	6(a)	(8,482)	(8,196)
DEPRECIATION		(162)	(225)
OTHER OPERATING EXPENSES		(13,809)	(15,078)
OPERATING PROFIT	3, 6	67,598	177,764
SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES		67,325	281,838
NET VALUATION GAINS ON INVESTMENT PROPERTIES		247,318	232,512
PROFIT BEFORE TAXATION		382,241	692,114
INCOME TAX	8(a)	(23,359)	(27,905)
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS	10	358,882	664,209
EARNINGS PER SHARE	11		
BASIC AND DILUTED		\$7.87	\$14.57

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

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2012

(Expressed in Hong Kong dollars)

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
PROFIT FOR THE YEAR	358,882	664,209
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
EXCHANGE DIFFERENCES ARISING ON CONSOLIDATION	<u>(27,849)</u>	<u>45,662</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
ATTRIBUTABLE TO SHAREHOLDERS	<u><u>331,033</u></u>	<u><u>709,871</u></u>

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

Consolidated Balance Sheet at 30th June, 2012

(Expressed in Hong Kong dollars)

	NOTE	2012 \$000's	2011 \$000's
NON-CURRENT ASSETS			
FIXED ASSETS	13	2,497,688	2,178,732
INTEREST IN JOINTLY CONTROLLED ENTITIES	15	1,356,207	1,324,882
OTHER INVESTMENTS	16	11,911	11,915
DEFINED BENEFIT ASSET	17	403	485
		<u>3,866,209</u>	<u>3,516,014</u>
CURRENT ASSETS			
COMPLETED PROPERTY HELD FOR SALE	18	688	86,815
DEBTORS, DEPOSITS AND PREPAYMENTS	19	74,827	99,022
DEPOSITS WITH BANKS		2,496,955	2,543,415
CASH AT BANKS AND IN HAND		26,400	44,388
		<u>2,598,870</u>	<u>2,773,640</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	20	71,251	120,000
TAXATION	22(a)	19,117	23,363
		<u>90,368</u>	<u>143,363</u>
NET CURRENT ASSETS			
		<u>2,508,502</u>	<u>2,630,277</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		6,374,711	6,146,291
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	22(b)	32,108	29,854
		<u>6,342,603</u>	<u>6,116,437</u>
CAPITAL AND RESERVES			
Representing:– SHARE CAPITAL RESERVES	24	91,189 5,810,217	91,189 5,584,051
DEFERRED PROFITS	23	5,901,406 441,197	5,675,240 441,197
		<u>6,342,603</u>	<u>6,116,437</u>

Approved and authorised for issue by the board of directors on 17th September, 2012.

NGAN Kit-ling)
Director

Dr. NGAN Kit-keung)
Director

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

Balance Sheet at 30th June, 2012

(Expressed in Hong Kong dollars)

	NOTE	2012 \$000's	2011 \$000's
NON-CURRENT ASSETS			
FIXED ASSETS	13	494,904	495,021
INTEREST IN SUBSIDIARIES	14	1,018,356	1,018,356
DEFINED BENEFIT ASSET	17	403	485
		<u>1,513,663</u>	<u>1,513,862</u>
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS	19	899	719
AMOUNTS DUE FROM SUBSIDIARIES	21	74	60
DEPOSITS WITH BANKS		336,660	539,925
CASH AT BANKS AND IN HAND		5,421	1,929
		<u>343,054</u>	<u>542,633</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	20	9,080	8,766
AMOUNTS DUE TO SUBSIDIARIES	21	176,632	763,377
		<u>185,712</u>	<u>772,143</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>157,342</u>	<u>(229,510)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,671,005	1,284,352
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	22(b)	2,879	2,827
		<u>1,668,126</u>	<u>1,281,525</u>
CAPITAL AND RESERVES			
Representing:-			
SHARE CAPITAL	24	91,189	91,189
RESERVES	25	1,346,805	960,204
		<u>1,437,994</u>	<u>1,051,393</u>
DEFERRED PROFITS	23	230,132	230,132
		<u>1,668,126</u>	<u>1,281,525</u>

Approved and authorised for issue by the board of directors on 17th September, 2012.

NGAN Kit-ling)
Director

Dr. NGAN Kit-keung)
Director

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

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2012

(Expressed in Hong Kong dollars)

	Share capital	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2010	91,189	1,348	5,724	330,000	4,641,975	5,070,236
Dividends declared/ approved in respect of the previous year (note 9(b))	-	-	-	-	(77,510)	(77,510)
Realisation of other properties revaluation reserve	-	-	(27)	-	27	-
Transfer to general reserve	-	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	-	(27,357)	(27,357)
	-	-	(27)	10,000	(114,840)	(104,867)
Profit for the year	-	-	-	-	664,209	664,209
Other comprehensive income for the year - Exchange differences arising on consolidation	-	-	-	-	45,662	45,662
Total comprehensive income for the year	-	-	-	-	709,871	709,871
At 30th June, 2011	91,189	1,348	5,697	340,000	5,237,006	5,675,240
At 1st July, 2011	91,189	1,348	5,697	340,000	5,237,006	5,675,240
Dividends declared/ approved in respect of the previous year (note 9(b))	-	-	-	-	(77,510)	(77,510)
Realisation of other properties revaluation reserve	-	-	(27)	-	27	-
Transfer to general reserve	-	-	-	10,000	(10,000)	-
Dividends declared and paid in respect of the current year (note 9(a))	-	-	-	-	(27,357)	(27,357)
	-	-	(27)	10,000	(114,840)	(104,867)
Profit for the year	-	-	-	-	358,882	358,882
Other comprehensive income for the year - Exchange differences arising on consolidation	-	-	-	-	(27,849)	(27,849)
Total comprehensive income for the year	-	-	-	-	331,033	331,033
At 30th June, 2012	91,189	1,348	5,670	350,000	5,453,199	5,901,406

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

Consolidated Cash Flow Statement for the Year Ended 30th June, 2012

(Expressed in Hong Kong dollars)

	2012	2011
	\$000's	\$000's
OPERATING ACTIVITIES		
Operating profit	67,598	177,764
Adjustments for:		
– Depreciation	162	225
– Dividend income from other investments	(450)	(350)
– Interest income	(15,383)	(11,590)
– Net unrealised losses/(gains) on other investments	2,149	(2,251)
– Gain on disposal of other investments	–	(2)
– Foreign exchange losses/(gains)	8,002	(20,816)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	62,078	142,980
Decrease in defined benefit asset	82	152
Decrease in debtors, deposits and prepayments	26,349	20,567
(Increase)/decrease in completed property held for sale	(6,804)	88,284
Decrease in creditors and accruals	(48,749)	(63,291)
CASH GENERATED FROM OPERATIONS	32,956	188,692
Tax paid		
– Hong Kong Profits Tax paid	(16,765)	(95,411)
– Overseas tax paid	(8,586)	(8,463)
NET CASH GENERATED FROM OPERATING ACTIVITIES	7,605	84,818
INVESTING ACTIVITIES		
Purchase of fixed assets	(75)	(33)
Purchase of other investments	(2,145)	(326)
Proceeds from sale of other investments	–	470
(Increase)/decrease in deposits with banks with maturity more than three months	(632,187)	511,544
Dividends from a jointly controlled entity	12,000	12,000
Dividends from other investments	450	350
Interest received	13,229	10,771
Repayment of loans by jointly controlled entities	24,000	28,800
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(584,728)	563,576

Consolidated Cash Flow Statement for the Year Ended 30th June, 2012 (Continued)

(Expressed in Hong Kong dollars)

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
FINANCING ACTIVITY		
Dividends paid	(104,867)	<u>(104,867)</u>
NET CASH USED IN FINANCING ACTIVITY	<u>(104,867)</u>	<u>(104,867)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(681,990)	543,527
EFFECT OF FOREIGN EXCHANGE RATES	(14,645)	20,816
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>1,376,883</u>	<u>812,540</u>
CASH AND CASH EQUIVALENTS AT 30TH JUNE	<u>680,248</u>	<u>1,376,883</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with banks	2,496,955	2,543,415
Less: Deposits with banks with maturity more than three months	(1,843,107)	(1,210,920)
Cash at banks and in hand	<u>26,400</u>	<u>44,388</u>
	<u>680,248</u>	<u>1,376,883</u>

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

Notes on The Financial Statements

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 30th June, 2012 comprise the company and its subsidiaries (together referred to as "the group") and the group's interest in jointly controlled entities.

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

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

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

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 29.

(c) Subsidiaries

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

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

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

(d) Jointly controlled entities

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

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

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

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in securities

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

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

(f) Fixed assets

(i) Investment properties

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

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

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

(ii) Other properties and fixed assets

Other properties are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

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

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

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

(g) Depreciation

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

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

(h) Leased assets

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

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (continued)

(i) Classification of assets leased to the group

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

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

(i) Impairment of assets

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

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

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

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

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

Notes on The Financial Statements (Continued)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(j) Inventories

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

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

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other receivables

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement scheme obligations

The group's net obligations in respect of the defined benefit retirement scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of the scheme's assets is deducted. The discount rate is the yield at the balance sheet date on Hong Kong government bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the group's obligation in respect of a scheme, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

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

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

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

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

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

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

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

(p) Provisions and contingent liabilities

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

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

Notes on The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Income from sale of properties

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

(iii) Dividends

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

(iv) Interest income

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

(r) Translation of foreign currencies

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

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

(s) Related parties

(a) A person, or a close member of that person's family, is related to the group if 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 the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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).
- (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).

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

(t) Segment reporting

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

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

Notes on The Financial Statements (Continued)

2. CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- Amendments to HK(IFRIC) 14, *HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction - Prepayments of a minimum funding requirement*

The amendments to HK(IFRIC) 14 have had no material impact on the group's financial statements as they were consistent with policies already adopted by the group.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the group because the group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the group's financial instruments in note 26 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 30), with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1st January, 2012, but as permitted by the amendments, the group had decided to adopt the amendments early to the financial statements for the year ended 30th June, 2011.

Notes on The Financial Statements (Continued)

3. TURNOVER

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

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

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
Income from sale of properties	–	181,667
Rentals from investment properties	<u>83,757</u>	<u>78,880</u>
	<u>83,757</u>	<u>260,547</u>

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

	<u>Group turnover</u>		<u>Operating profit</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
Hong Kong	35,636	212,538	19,869	118,893
United Kingdom	<u>48,121</u>	<u>48,009</u>	<u>47,729</u>	<u>58,871</u>
	<u>83,757</u>	<u>260,547</u>	<u>67,598</u>	<u>177,764</u>

The turnover of the jointly controlled entities attributable to the group for the year amounted to \$63,735,000 (2011: \$59,893,000).

Notes on The Financial Statements (Continued)

4. FINANCE INCOME

	2012	2011
	\$000's	\$000's
Interest income	15,383	11,590
Dividend income from other investments	450	350
Exchange (losses)/gains	(8,798)	21,133
Net unrealised (losses)/gains on other investments	(2,149)	2,251
Gain on disposal of other investments	–	2
	<u>4,886</u>	<u>35,326</u>

5. OTHER INCOME

	2012	2011
	\$000's	\$000's
Management fee	497	497
Unclaimed dividends forfeited	204	326
Sundry income	707	2,333
	<u>1,408</u>	<u>3,156</u>

6. OPERATING PROFIT

Operating profit is arrived at	2012	2011
	\$000's	\$000's
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	118	114
Expenses recognised in respect of defined benefit retirement schemes (note 17)	82	152
Salaries, wages and other benefits	8,282	7,930
	<u>8,482</u>	<u>8,196</u>
(b) Other items:		
Auditor's remuneration		
– audit services (Note)	3,153	2,974
– tax services	514	892
– other services	–	975
Legal and professional fees	1,629	2,973
Property expenses	2,946	2,342
Cost of property sold	–	97,766
Note: including under-provision in respect of previous year		
and after crediting:-		
Rental income less outgoings	80,811	76,538
which includes		
– gross rental income from investment properties	<u>83,757</u>	<u>78,880</u>

Notes on The Financial Statements (Continued)

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

(a) Directors

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

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

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

Name	Fees	Salaries, allowances and benefits in kind	Bonus in accordance with article 155	Group's contributions to retirement scheme	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
2012					
Ngan Kit-ling	125	2,466	-	-	2,591
Dr. Ngan Kit-keung	65	1,288	-	-	1,353
Dr. Henry Ngan	65	600	-	-	665
Fritz Helmreich	65	600	-	-	665
Dr. Liu Lit-mo	60	-	-	-	60
Anthony Grahame Stott	120	-	-	-	120
Tse Yiu-wah	60	-	-	-	60
	<u>560</u>	<u>4,954</u>	<u>-</u>	<u>-</u>	<u>5,514</u>
2011					
Ngan Kit-ling	125	2,349	-	-	2,474
Dr. Ngan Kit-keung	65	1,252	-	-	1,317
Dr. Henry Ngan	65	600	-	-	665
Fritz Helmreich	65	600	-	-	665
Dr. Liu Lit-mo	60	-	-	-	60
Anthony Grahame Stott	120	-	-	-	120
Tse Yiu-wah	60	-	-	-	60
	<u>560</u>	<u>4,801</u>	<u>-</u>	<u>-</u>	<u>5,361</u>

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2012 amounted to \$240,000 (2011: \$240,000).

(b) Employees

Set out below are analyses of the emoluments for the year ended 30th June, 2012 of one employee (2011: one) of the group who, not being directors of the company, is among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments		<u>2012</u>	<u>2011</u>
		\$000's	\$000's
Basic salary, housing allowance and other benefits		767	740
Retirement scheme contribution		12	12
		<u>779</u>	<u>752</u>
(ii) Bandings			
Bands (in HK\$)		Number	Number
\$Nil – \$1,000,000		1	1

Notes on The Financial Statements (Continued)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year ended 30th June, 2012. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

(a) Taxation in the consolidated income statement represents:-	2012 \$000's	2011 \$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	12,791	17,100
Over-provision in respect of prior years	(48)	–
	<u>12,743</u>	<u>17,100</u>
Current tax – Overseas		
Tax for the year	8,077	8,045
Under/(over)-provision in respect of prior years	285	(64)
	<u>8,362</u>	<u>7,981</u>
Deferred tax		
Origination and reversal of temporary differences	2,254	2,824
	<u>23,359</u>	<u>27,905</u>

Share of taxation of jointly controlled entities for the year ended 30th June, 2012 amounting to tax charge of \$6,928,000 (2011: \$7,127,000) is included in share of results of jointly controlled entities in the consolidated income statement.

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

	2012 \$000's	2011 \$000's
Profit before taxation	382,241	692,114
Notional tax on profit before taxation calculated at applicable tax rates	64,318	115,962
Tax effect of non-deductible expenses	2,688	1,063
Tax effect of non-taxable revenue	(45,128)	(90,703)
Under/(over)-provision in respect of prior years	237	(64)
Tax effect of tax losses not recognised	1,244	1,647
Actual total tax expense	<u>23,359</u>	<u>27,905</u>

Notes on The Financial Statements (Continued)

9. DIVIDENDS

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

	2012	2011
	\$000's	\$000's
First interim dividend declared and paid of \$0.10 (2011: \$0.10) per share	4,559	4,559
Special dividend declared and paid of \$0.50 (2011: \$0.50) per share	22,798	22,798
Second interim dividend declared after the balance sheet date of \$0.30 (2011: \$0.30) per share	13,678	13,678
Final dividend proposed after the balance sheet date of \$0.10 (2011: \$0.10) per share	4,559	4,559
Special dividend proposed after the balance sheet date of \$1.30 (2011: \$1.30) per share	59,273	59,273
	<u>104,867</u>	<u>104,867</u>

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

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

	2012	2011
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.30 (2011: \$0.30) per share	13,678	13,678
Final dividend approved in respect of previous financial year of \$0.10 (2011: \$0.10) per share	4,559	4,559
Special dividend approved in respect of previous financial year of \$1.30 (2011: \$1.30) per share	59,273	59,273
	<u>77,510</u>	<u>77,510</u>

10. PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS

Of the profit after taxation attributable to shareholders, a profit of \$491,468,000 (2011: \$48,737,000) is dealt with in the financial statements of the company.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of \$358,882,000 (2011: \$664,209,000) and the weighted average of 45,594,656 (2011: 45,594,656) shares in issue during the year.

12. SEGMENT REPORTING

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

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

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

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

Notes on The Financial Statements (Continued)

12. SEGMENT REPORTING (Continued)

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

(a) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Turnover	83,757	260,547	-	-	-	-	83,757	260,547
Finance income	-	-	4,886	35,326	-	-	4,886	35,326
Other income	-	-	-	-	1,408	3,156	1,408	3,156
Total revenue	83,757	260,547	4,886	35,326	1,408	3,156	90,051	299,029
Segment results	80,124	159,881	4,886	35,326	-	-	85,010	195,207
Unallocated expenses	-	-	-	-	-	-	(17,412)	(17,443)
Operating profit	-	-	-	-	-	-	67,598	177,764
Share of results of jointly controlled entities	67,325	281,838	-	-	-	-	67,325	281,838
Net valuation gains on investment properties	247,318	232,512	-	-	-	-	247,318	232,512
Income tax	-	-	-	-	-	-	(23,359)	(27,905)
Profit after taxation attributable to shareholders	-	-	-	-	-	-	358,882	664,209
Depreciation for the year	(22)	(72)	-	-	(140)	(153)	(162)	(225)
Fixed assets	2,477,908	2,158,835	-	-	19,780	19,897	2,497,688	2,178,732
Other investments	-	-	11,911	11,915	-	-	11,911	11,915
Defined benefit asset	-	-	-	-	403	485	403	485
Completed property held for sale	688	86,815	-	-	-	-	688	86,815
Debtors, deposits and prepayments	69,685	96,131	4,651	2,497	491	394	74,827	99,022
Deposits with banks with maturity more than three months	-	-	1,843,107	1,210,920	-	-	1,843,107	1,210,920
Cash balances	-	-	680,248	1,376,883	-	-	680,248	1,376,883
Segment assets	2,548,281	2,341,781	2,539,917	2,602,215	20,674	20,776	5,108,872	4,964,772
Interest in jointly controlled entities	1,356,207	1,324,882	-	-	-	-	1,356,207	1,324,882
Total assets	-	-	-	-	-	-	6,465,079	6,289,654
Creditors and accruals	62,102	110,019	-	-	9,149	9,981	71,251	120,000
Taxation	-	-	-	-	19,117	23,363	19,117	23,363
Deferred taxation	-	-	-	-	32,108	29,854	32,108	29,854
Segment liabilities	62,102	110,019	-	-	60,374	63,198	122,476	173,217
Additions to non-current assets other than other investments and defined benefit asset during the year	52	26	-	-	23	7	75	33

(b) Geographical information

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

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

	Hong Kong		United Kingdom	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Turnover	35,636	212,538	48,121	48,009
Specified non-current assets	3,097,495	2,719,957	756,400	783,657

Notes on The Financial Statements (Continued)

13. FIXED ASSETS

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
(a) The group					
Cost or valuation:					
At 1st July, 2010	1,880,607	20,076	5,711	7,910	1,914,304
Exchange adjustment	45,662	-	-	-	45,662
Additions	-	-	-	33	33
Revaluation surplus	232,512	-	-	-	232,512
At 30th June, 2011	2,158,781	20,076	5,711	7,943	2,192,511
Representing:					
Cost	-	-	5,711	7,943	13,654
2002 valuation	-	20,076	-	-	20,076
2011 valuation	2,158,781	-	-	-	2,158,781
	2,158,781	20,076	5,711	7,943	2,192,511
Cost or valuation:					
At 1st July, 2011	2,158,781	20,076	5,711	7,943	2,192,511
Exchange adjustment	(21,206)	-	-	-	(21,206)
Additions	-	-	-	75	75
Transfer from completed property held for sale	92,931	-	-	-	92,931
Revaluation surplus	247,318	-	-	-	247,318
At 30th June, 2012	2,477,824	20,076	5,711	8,018	2,511,629
Representing:					
Cost	-	-	5,711	8,018	13,729
2002 valuation	-	20,076	-	-	20,076
2012 valuation	2,477,824	-	-	-	2,477,824
	2,477,824	20,076	5,711	8,018	2,511,629
Accumulated depreciation:					
At 1st July, 2010	-	604	5,644	7,306	13,554
Charge for the year	-	66	-	159	225
At 30th June, 2011	-	670	5,644	7,465	13,779
At 1st July, 2011	-	670	5,644	7,465	13,779
Charge for the year	-	66	-	96	162
At 30th June, 2012	-	736	5,644	7,561	13,941
Net book value:					
At 30th June, 2012	2,477,824	19,340	67	457	2,497,688
At 30th June, 2011	2,158,781	19,406	67	478	2,178,732
Tenure of title to properties:					
2012					
Held in Hong Kong					
- Long leases	972,300	19,340	-	-	991,640
- Medium term leases	749,124	-	-	-	749,124
	1,721,424	19,340	-	-	1,740,764
Held outside Hong Kong					
- Freehold	756,400	-	-	-	756,400
	2,477,824	19,340	-	-	2,497,164
2011					
Held in Hong Kong					
- Long leases	687,000	19,406	-	-	706,406
- Medium term leases	688,124	-	-	-	688,124
	1,375,124	19,406	-	-	1,394,530
Held outside Hong Kong					
- Freehold	783,657	-	-	-	783,657
	2,158,781	19,406	-	-	2,178,187

Notes on The Financial Statements (Continued)

13. FIXED ASSETS (Continued)

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
(b) The company					
Cost or valuation:					
At 1st July, 2010	415,124	20,076	5,711	5,995	446,906
Additions	–	–	–	7	7
Revaluation surplus	60,000	–	–	–	60,000
At 30th June, 2011	475,124	20,076	5,711	6,002	506,913
Representing:					
Cost	–	–	5,711	6,002	11,713
2002 valuation	–	20,076	–	–	20,076
2011 valuation	475,124	–	–	–	475,124
	475,124	20,076	5,711	6,002	506,913
Cost or valuation:					
At 1st July, 2011	475,124	20,076	5,711	6,002	506,913
Additions	–	–	–	23	23
At 30th June, 2012	475,124	20,076	5,711	6,025	506,936
Representing:					
Cost	–	–	5,711	6,025	11,736
2002 valuation	–	20,076	–	–	20,076
2012 valuation	475,124	–	–	–	475,124
	475,124	20,076	5,711	6,025	506,936
Accumulated depreciation:					
At 1st July, 2010	–	604	5,644	5,491	11,739
Charge for the year	–	66	–	87	153
At 30th June, 2011	–	670	5,644	5,578	11,892
At 1st July, 2011	–	670	5,644	5,578	11,892
Charge for the year	–	66	–	74	140
At 30th June, 2012	–	736	5,644	5,652	12,032
Net book value:					
At 30th June, 2012	475,124	19,340	67	373	494,904
At 30th June, 2011	475,124	19,406	67	424	495,021
Tenure of title to properties:					
2012					
Held in Hong Kong					
– Long leases	470,000	19,340	–	–	489,340
– Medium term leases	5,124	–	–	–	5,124
	475,124	19,340	–	–	494,464
2011					
Held in Hong Kong					
– Long leases	470,000	19,406	–	–	489,406
– Medium term leases	5,124	–	–	–	5,124
	475,124	19,406	–	–	494,530

- (i) The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2012 by Professional Property Services Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for development potential or reversionary potential as appropriate.
- (ii) The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2012 by SAVILLS Commercial Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued, on an open market value basis, after taking into consideration the net income and allowing for reversionary potential.
- (iii) The gross carrying amounts of investment properties of the group held for use in operating leases were \$2,477,824,000 (2011: \$2,158,781,000). Further details of the leasing arrangements are contained in note 27(a).
- (iv) The carrying amount of other properties of the group at 30th June, 2012 would have been \$11,343,000 (2011: \$11,381,000) had they been carried at cost less accumulated depreciation.

Notes on The Financial Statements (Continued)

14. INTEREST IN SUBSIDIARIES

	The company	
	2012	2011
	\$000's	\$000's
Unlisted shares, at cost	<u>1,018,356</u>	<u>1,018,356</u>

Details of the subsidiaries are as follows:-

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

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group	
	2012	2011
	\$000's	\$000's
Share of net assets	760,950	705,625
Loans to jointly controlled entities	595,257	619,257
	<u>1,356,207</u>	<u>1,324,882</u>

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

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

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

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

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

(a) Swire and Island Communication Developments Limited

	2012	2011
	\$000's	\$000's
(i) Income statement		
Income (Note (a))	25,964	62,061
Expenses	<u>(11,158)</u>	<u>(10,779)</u>
Profit before taxation	14,806	51,282
Income tax	<u>(1,742)</u>	<u>(1,872)</u>
Profit after taxation	<u><u>13,064</u></u>	<u><u>49,410</u></u>
(ii) Balance sheet		
Fixed assets	333,382	329,414
Current assets	11,707	13,415
Current liabilities	(9,667)	(9,436)
Deferred taxation	<u>(18,273)</u>	<u>(17,308)</u>
Net assets	<u><u>317,149</u></u>	<u><u>316,085</u></u>

(b) Island Land Development Limited

	2012	2011
	\$000's	\$000's
(i) Income statement		
Income (Note (a))	68,772	159,231
Expenses	<u>(9,771)</u>	<u>(9,641)</u>
Profit before taxation	59,001	149,590
Income tax	<u>(5,111)</u>	<u>(4,553)</u>
Profit after taxation	<u><u>53,890</u></u>	<u><u>145,037</u></u>
(ii) Balance sheet		
Fixed assets	853,528	825,544
Current assets	13,990	9,496
Current liabilities	(404,099)	(426,660)
Deferred taxation	<u>(23,858)</u>	<u>(22,709)</u>
Net assets	<u><u>439,561</u></u>	<u><u>385,671</u></u>

Notes on The Financial Statements (Continued)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(c) Hareton Limited

	2012	2011
	\$000's	\$000's
(i) Income statement		
Income (Note (b))	625	88,110
Expenses	(171)	(81)
Profit before taxation	454	88,029
Income tax	(75)	(692)
Profit after taxation	<u>379</u>	<u>87,337</u>
(ii) Balance sheet		
Property held for development	208,995	208,971
Current assets	1,353	946
Current liabilities	(206,315)	(206,263)
Net assets	<u>4,033</u>	<u>3,654</u>

(d) Uttoxeter Limited

	2012	2011
	\$000's	\$000's
(i) Income statement		
Income	1	70
Expenses	(9)	(6)
(Loss)/profit before taxation	(8)	64
Income tax	-	(10)
(Loss)/profit after taxation	<u>(8)</u>	<u>54</u>
(ii) Balance sheet		
Current assets	317	326
Current liabilities	(110)	(111)
Net assets	<u>207</u>	<u>215</u>

Notes:

(a) Income includes revaluation gains on investment properties.

(b) Income in 2011 included a write-back of impairment loss on property held for development.

16. OTHER INVESTMENTS

	The group	
	2012	2011
	\$000's	\$000's
Equity securities listed in Hong Kong, at fair value	<u>11,911</u>	<u>11,915</u>

Notes on The Financial Statements (Continued)

17. DEFINED BENEFIT RETIREMENT SCHEME

During the year, the company operated a separate non-contributory defined benefit retirement scheme, namely, "China Motor Bus Senior Executives Retirement Scheme" for its senior executives.

The China Motor Bus Senior Executives Retirement Scheme was established under trust and has been registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited. The members' benefits are determined based on their final remuneration and length of service. Actuarial valuations are carried out annually by an independent actuarial firm using the projected unit credit method to determine the accounting obligations to be disclosed in the financial statements. The actuary of the scheme is Towers Watson Hong Kong Limited.

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

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
Present value of the funded obligations	10,218	10,218
Fair value of scheme assets	(10,421)	(10,514)
Net unrecognised actuarial losses	(200)	(189)
	<u>(403)</u>	<u>(485)</u>

(b) Plan assets consist of deposits with banks and cash at banks of \$10,421,000 (2011: \$10,514,000).

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

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
Balance brought forward	10,218	9,375
Interest cost	15	47
Transfer-out of members	-	(25)
Actuarial (gain)/loss on obligation	(15)	821
Balance carried forward	<u>10,218</u>	<u>10,218</u>

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

	<u>2012</u>	<u>2011</u>
	\$000's	\$000's
Balance brought forward	10,514	10,741
Expected return on scheme assets, after scheme administrative expenses of \$120,000 (2011: \$214,000)	(67)	1
Actuarial losses on scheme assets	(26)	(203)
Transfer-out of members	-	(25)
Balance carried forward	<u>10,421</u>	<u>10,514</u>

Notes on The Financial Statements (Continued)

17. DEFINED BENEFIT RETIREMENT SCHEME (Continued)

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

	2012	2011
	\$000's	\$000's
Interest cost	15	47
Expected return on scheme assets, after scheme administrative expenses of \$120,000 (2011: \$214,000)	67	(1)
Net actuarial loss recognised	-	3
Loss on curtailment and settlement	-	103
	<u>82</u>	<u>152</u>

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

	2012	2011
	\$000's	\$000's
Actual return on scheme assets, after scheme administrative expenses	<u>(93)</u>	<u>(202)</u>

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

	2012	2011
Discount rate	0.15% p.a.	0.15% p.a.
Expected rate of return on scheme assets, excluding scheme administrative expenses	0.25% p.a.	0.50% p.a.
Future salary increases	3.00% p.a.	3.00% p.a.

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

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

	2012	2011	2010	2009	2008
	\$000's	\$000's	\$000's	\$000's	\$000's
Present value of the funded obligations	10,218	10,218	9,375	9,972	9,935
Fair value of scheme assets	<u>(10,421)</u>	<u>(10,514)</u>	<u>(10,741)</u>	<u>(11,582)</u>	<u>(11,775)</u>
	<u>(203)</u>	<u>(296)</u>	<u>(1,366)</u>	<u>(1,610)</u>	<u>(1,840)</u>
Experience (gains)/losses on defined benefit obligation	<u>(15)</u>	<u>775</u>	<u>(1)</u>	<u>(202)</u>	<u>(447)</u>
Experience losses on scheme assets	<u>26</u>	<u>200</u>	<u>230</u>	<u>281</u>	<u>80</u>

18. COMPLETED PROPERTY HELD FOR SALE

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

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

Notes on The Financial Statements (Continued)

19. DEBTORS, DEPOSITS AND PREPAYMENTS

(a) Ageing analysis

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

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Less than one month past due	393	637	18	-
1-3 months past due	112	497	-	-
Over 3 months past due	-	196	-	-
Total trade debtors	505	1,330	18	-
Deposits, prepayment and other receivables	74,322	97,692	881	719
	<u>74,827</u>	<u>99,022</u>	<u>899</u>	<u>719</u>

A defined credit policy is maintained within the group.

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

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Debtors, deposits and prepayments	<u>1,284</u>	<u>1,155</u>	<u>180</u>	<u>180</u>

(b) Impairment of trade debtors

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

At 30th June, 2012, none of the group's trade debtors were individually determined to be impaired (2011: \$Nil).

Notes on The Financial Statements (Continued)

20. CREDITORS AND ACCRUALS

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

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Due within 1 month	25	29	-	-
Due from 1 to 3 months	-	-	-	-
Due after 3 months	201	201	201	201
Total trade creditors	226	230	201	201
Other payables and accruals	71,025	119,770	8,879	8,565
	<u>71,251</u>	<u>120,000</u>	<u>9,080</u>	<u>8,766</u>

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

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Creditors and accruals	8,368	6,293	3,252	3,139
	<u>8,368</u>	<u>6,293</u>	<u>3,252</u>	<u>3,139</u>

21. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

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

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

Notes on The Financial Statements (Continued)

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
Provision for Hong Kong Profits Tax for the year	12,791	17,100	-	-
Provisional Profits Tax paid	(12)	(123)	-	-
	12,779	16,977	-	-
Balance of Profits Tax provision relating to prior years	366	190	-	-
	13,145	17,167	-	-
Overseas taxation	5,972	6,196	-	-
	<u>19,117</u>	<u>23,363</u>	<u>-</u>	<u>-</u>

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

(i) The group

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

	Depreciation allowances in excess of the related depreciation	Other provisions	Total
	\$000's	\$000's	\$000's
At 1st July, 2010	27,520	(490)	27,030
Charged to profit or loss	2,809	15	2,824
At 30th June, 2011	<u>30,329</u>	<u>(475)</u>	<u>29,854</u>
At 1st July, 2011	30,329	(475)	29,854
Charged to profit or loss	2,238	16	2,254
At 30th June, 2012	<u>32,567</u>	<u>(459)</u>	<u>32,108</u>

Notes on The Financial Statements (Continued)

22. INCOME TAX IN THE BALANCE SHEET (Continued)

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

(ii) The company

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

	Depreciation allowances in excess of the related depreciation	Other provisions	Total
	\$000's	\$000's	\$000's
At 1st July, 2010	2,736	(490)	2,246
Charged to profit or loss	<u>566</u>	<u>15</u>	<u>581</u>
At 30th June, 2011	<u>3,302</u>	<u>(475)</u>	<u>2,827</u>
At 1st July, 2011	3,302	(475)	2,827
Charged to profit or loss	<u>36</u>	<u>16</u>	<u>52</u>
At 30th June, 2012	<u>3,338</u>	<u>(459)</u>	<u>2,879</u>

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of \$61,388,000 (2011: \$55,612,000). The tax losses do not expire under current tax legislation.

23. DEFERRED PROFITS

	The group		The company	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
At 1st July and at 30th June	<u>441,197</u>	<u>441,197</u>	<u>230,132</u>	<u>230,132</u>

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

24. SHARE CAPITAL

	2012		2011	
	No. of shares	Amount \$000's	No. of shares	Amount \$000's
Authorised:				
Ordinary shares of \$2 each	<u>50,000,000</u>	<u>100,000</u>	<u>50,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1st July and 30th June	<u>45,594,656</u>	<u>91,189</u>	<u>45,594,656</u>	<u>91,189</u>

Notes on The Financial Statements (Continued)

25. RESERVES

(a) Movements in components of equity:

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

The company	Capital redemption reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2010	1,348	5,724	330,000	679,262	1,016,334
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	(27)	–	27	–
Transfer to general reserve	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	(27,357)	(27,357)
Profit and total comprehensive income for the year	–	–	–	48,737	48,737
At 30th June, 2011	<u>1,348</u>	<u>5,697</u>	<u>340,000</u>	<u>613,159</u>	<u>960,204</u>
At 1st July, 2011	1,348	5,697	340,000	613,159	960,204
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	(27)	–	27	–
Transfer to general reserve	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	(27,357)	(27,357)
Profit and total comprehensive income for the year	–	–	–	491,468	491,468
At 30th June, 2012	<u>1,348</u>	<u>5,670</u>	<u>350,000</u>	<u>989,787</u>	<u>1,346,805</u>

The directors consider that all of the general reserve and \$493,069,000 (2011: \$116,441,000) of the retained profits of the company, totalling \$843,069,000 (2011: \$456,441,000), are distributable.

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

(b) Capital management

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

The group currently does not have external loans and borrowings.

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

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

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

The group's credit risk is primarily attributable to deposits with banks. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies.

The group maintains bank deposits with authorised financial institutions.

(b) Liquidity risk

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

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

	Carrying amount/ contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	\$000's	\$000's	\$000's	\$000's
At 30th June, 2012				
Trade creditors	226	226	-	-
Other payables	71,025	62,657	5,315	3,053
	<u>71,251</u>	<u>62,883</u>	<u>5,315</u>	<u>3,053</u>
At 30th June, 2011				
Trade creditors	230	230	-	-
Other payables	119,770	113,477	4,003	2,290
	<u>120,000</u>	<u>113,707</u>	<u>4,003</u>	<u>2,290</u>

(c) Interest rate risk

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

	2012		2011	
	Effective interest rate (%)	\$000's	Effective interest rate (%)	\$000's
Deposits with banks	0.25-1.24	<u>2,496,955</u>	0.10-0.95	<u>2,543,415</u>

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2012, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$25.0 million (2011: \$25.4 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's profit after tax and retained profits is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2011.

(d) Currency risk

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

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

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

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

	Exposure to foreign currencies (expressed in HKD)			
	2012		2011	
	USD	GBP	USD	GBP
	\$000's	\$000's	\$000's	\$000's
Deposits with banks	1,087,104	182,937	1,086,099	179,666
Cash at banks and in hand	-	1,526	-	2,353
Debtors, deposits and prepayments	2,452	799	1,097	528
Net exposure arising from recognised assets and liabilities	<u>1,089,556</u>	<u>185,262</u>	<u>1,087,196</u>	<u>182,547</u>

Notes on The Financial Statements (Continued)

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2012, it is estimated that an increase/decrease of 5% in foreign exchange rate of GBP against HKD, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$9.3 million (2011: \$9.1 million).

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

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to the group's exposure to currency risk for financial instruments in existence at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2011.

(e) Equity price risk

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

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

At 30th June, 2012, it is estimated that an increase/decrease of 5% in the market value of the group's other investments, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately \$0.6 million (2011: \$0.6 million) respectively. The analysis is performed on the same basis for 2011.

(f) Fair value

(i) Financial instruments carried at fair value

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

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

At 30th June, 2012, the only financial instruments of the group carried at fair value were other investments of \$11,911,000 (2011: \$11,915,000) listed on the Stock Exchange of Hong Kong (see note 16). These instruments fall into Level 1 of the fair value hierarchy described above.

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

All financial instruments are carried at amounts not materially different from their fair values as at 30th June, 2012 and 30th June, 2011. Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

Notes on The Financial Statements (Continued)

27. OPERATING LEASES

(a) Significant leasing arrangements

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

\$83,757,000 (2011: \$78,880,000) was recognised as rental income in the consolidated income statement in respect of operating leases.

(b) Future operating lease income

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

	2012	2011
	\$000's	\$000's
Within one year	72,953	69,359
After one but within five years	178,970	198,678
After five years	219,509	257,909
	<u>471,432</u>	<u>525,946</u>

28. MATERIAL RELATED PARTY TRANSACTIONS

Loans to the jointly controlled entities at 30th June, 2012 are disclosed in note 15. The loans are unsecured, interest-free and have no fixed terms of repayment.

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Valuation of investment properties

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

(b) Completed property held for sale

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

Notes on The Financial Statements (Continued)

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30TH JUNE, 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30th June, 2012 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements – Presentation of items of other comprehensive income</i>	1st July, 2012
HKFRS 10, <i>Consolidated financial statements</i>	1st January, 2013
HKFRS 11, <i>Joint arrangements</i>	1st January, 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1st January, 2013
HKFRS 13, <i>Fair value measurement</i>	1st January, 2013
HKAS 27, <i>Separate financial statements (2011)</i>	1st January, 2013
HKAS 28, <i>Investments in associates and joint ventures</i>	1st January, 2013
Revised HKAS 19, <i>Employee benefits</i>	1st January, 2013
HKFRS 9, <i>Financial instruments</i>	1st January, 2015

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

Financial Summary

(Expressed in Hong Kong dollars)

	2012	2011	2010	2009	2008
	\$000's	\$000's	\$000's (restated)	\$000's (restated)	\$000's (restated)
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>83,757</u>	<u>260,547</u>	<u>513,483</u>	<u>1,483,762</u>	<u>83,225</u>
Operating profit	67,598	177,764	301,262	574,587	122,911
Share of results of jointly controlled entities	67,325	281,838	100,861	(90,228)	214,735
Net valuation gains/(losses) on investment properties	<u>247,318</u>	<u>232,512</u>	<u>172,505</u>	<u>(193,022)</u>	<u>18,032</u>
Profit before taxation	382,241	692,114	574,628	291,337	355,678
Income tax	<u>(23,359)</u>	<u>(27,905)</u>	<u>(45,472)</u>	<u>(66,678)</u>	<u>(10,655)</u>
Profit after taxation attributable to shareholders	<u>358,882</u>	<u>664,209</u>	<u>529,156</u>	<u>224,659</u>	<u>345,023</u>
CONSOLIDATED BALANCE SHEET					
Fixed assets	2,497,688	2,178,732	1,900,750	1,802,030	2,176,425
Interest in jointly controlled entities	1,356,207	1,324,882	1,083,844	1,015,783	1,137,211
Other investments	11,911	11,915	9,806	8,823	11,141
Defined benefit asset	403	485	637	881	724
Net current assets	2,508,502	2,630,277	2,543,426	2,360,621	1,921,738
Deferred taxation	<u>(32,108)</u>	<u>(29,854)</u>	<u>(27,030)</u>	<u>(22,973)</u>	<u>(25,130)</u>
	<u>6,342,603</u>	<u>6,116,437</u>	<u>5,511,433</u>	<u>5,165,165</u>	<u>5,222,109</u>
Representing:-					
Share capital	91,189	91,189	91,189	91,189	91,189
Reserves	<u>5,810,217</u>	<u>5,584,051</u>	<u>4,979,047</u>	<u>4,632,779</u>	<u>4,689,723</u>
	5,901,406	5,675,240	5,070,236	4,723,968	4,780,912
Deferred profits	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>	<u>441,197</u>
	<u>6,342,603</u>	<u>6,116,437</u>	<u>5,511,433</u>	<u>5,165,165</u>	<u>5,222,109</u>
Earnings per share	<u>\$7.87</u>	<u>\$14.57</u>	<u>\$11.61</u>	<u>\$4.93</u>	<u>\$7.57</u>
Dividends per share	<u>\$2.30</u>	<u>\$2.30</u>	<u>\$2.40</u>	<u>\$2.20</u>	<u>\$2.20</u>

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

Group Properties

Properties held for investment

Location	Lot number	Existing use	Term of lease
391 Chai Wan Road, Chai Wan	CWIL 88	Industrial	Long
Unit 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan	CWIL 132	Industrial	Medium
21/F, 26/F, 27/F & 28/F Island Place Tower Island Place 510 King's Road, North Point	IL 8849	Office	Medium
Unit B 37/F One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F Two Island Place 51-61 Tanner Road, North Point	IL 8849	Residential	Medium
No. 3 Jordan Road, Kowloon	Remaining portion of KIL 1300	Residential and commercial	Long
Units A-E 47/F; Shop Nos. 1-7 G/F and 8 car parking spaces Island Lodge 180 Java Road, North Point	IL 7105	Residential, commercial and car parking spaces	Long
Albany House, Petty France, SW1 London		Office	Freehold
Thanet House, 231/232 Strand, WC2 London		Commercial and office	Freehold
Scorpio House, SW3 London		Office	Freehold