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# CHEUK NANG (HOLDINGS) LIMITED
# 卓能(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 131)

## RESULTS
## FOR THE YEAR ENDED 30 JUNE 2011

### CHAIRMAN'S STATEMENT

I present herewith to shareholders the report of Cheuk Nang (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 30 June 2011.

### RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2011 is HK$306,203,000 (2010: HK$259,041,000). Details are set out in the consolidated income statement.

The Directors resolved to recommend the payment of a final dividend of HK4.5 cents (2010: HK4 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 16 November 2011, which together with the interim dividend of HK4 cents (2010: HK3 cents) per share, makes a total distribution of HK8.5 cents (2010: HK7 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 14 December 2011.

### SCRIP DIVIDEND

The Company proposes that a scrip dividend election will be offered to shareholders with Hong Kong addresses. Details of the scrip dividend scheme will be announced later.

## BONUS ISSUE OF WARRANTS

The Company currently has one Bonus Issue of Warrants (Stock code: 1092) ("the 2011 December Warrants") in the market with the share subscription price at HK$1.80 per share which were issued on 13 December 2010. Until 21 September 2011, there are a total of 13,855,388 units of warrants being exercised, being approximately 74.8% of the total issued warrants and a sum of HK$24,940,000 being credited to the accounts.

In accordance with the terms and conditions of the instrument dated 1 December 2010 constituting the 2011 December Warrants, the subscription rights attaching to the 2011 December Warrants (the "2011 Subscription Rights") will expire at 4:00 p.m. on Tuesday, 13 December 2011. Thereafter, any 2010 Subscription Rights which have not been exercised by 4:00 p.m. on Tuesday, 13 December 2011 will lapse and certificates of the 2011 December Warrants will cease to be valid for any purpose.

On 21 September 2011, the trading prices of the shares (Stock 131) and warrants (Stock 1092) on the market are HK$3.12 and HK$1.54 respectively. Shareholders are well benefited from the shares and warrants.

## REVIEW OF OPERATIONS AND PROSPECTS

### Hong Kong Property

New government measures, which aimed to cool down the properties market in June 2011, in addition to the measures implemented since November 2010, have had a visible effect on the transaction volume in the first half of 2011. Benefited from the continued good market sentiment and solid economic fundamentals in earlier quarter, overall residential price rose 2% as compared to the last quarter. Nevertheless, there is a tendency of cooling down in the price for the third quarter.

The progress of our projects in Hong Kong are as follows:-

1. *One Kowloon Peak at No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

   A residential project developed in two phases with total marketable gross floor area is approximately 109,000 square feet.

   Phase I comprised of a block of 21-storey building with 49 residential units (including 6 duplex units) and 39 car parking spaces. The size of the units ranged from approximately 1,200 square feet. to 3,500 square feet.

   Phase II comprised of clubhouse, 29 car parking spaces and five 3-storey garden villas. The size of the villas ranged from approximately 1,800 square feet to 3,000 square feet. The clubhouse provide recreational facilities and swimming pool.

   Phase I already completed. The site formation work and foundation of Phase II will be completed by mid-2012. The tender for the superstructure works of Phase II will be issued by early next year and the superstructure work will be commenced immediately after the site formation work and foundation is completed.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

A residential development comprised of three blocks of 4-storey low density residential building provides 24 residential units. The total remaining marketable gross floor area is 51,483 square feet. The size of the apartments ranged from approximately 2,800 square feet to 4,000 square feet.

Ten apartments in Villa Cecil Phase II are sold. Agreements for Sale and Purchase were signed in January and February, 2011. Completions were taken place in March and April, 2011. The sales proceed of approximately HK$426,000,000 has been reflected in the accounts for the year ended 30 June 2011.

Some tenancies which were expired in mid of 2011 were renewed with an average of approximately 20% increase in rental income. Negotiations for renewal of tenancies which are due to expire at the end of the year are in progress.

3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

A residential development comprised of two blocks of 4-storey building for rental purposes. The total marketable gross floor area is approximately 97,000 square feet. Block 1 provides 8 residential units and Block 2 provides 32 units. The size of the apartments ranged from approximately 760 square feet to 3,800 square feet.

Block 1
All the units except one of Block 1 are all rented out. Some tenancies expired in 2011 were renewed with an average of approximately 20% increase in rental income.

Block 2
The Occupation Permit of Block II was issued on 30 May 2011 and the decoration for both interior and exterior are almost finished. Some units of Block II are already lease out in October 2011.

4. *Cheuk Nang Plaza, 250 Hennessy Road*

A 31-storey commercial building and 25 car parking spaces for rental purposes. The total marketable gross floor area is 73,000 square feet.

The occupancy of the building is 80%. Renovation of the building will be carried out in stages in order to improve the quality of the building.

5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*

A residential development comprised of three deluxe residential villas each having 3-storey, namely Villa Astor, Villa Begonia and Villa Crocus. Villa Astor was sold in 2004 and the remaining two villas are now for rental purposes. The total marketable gross floor area of the two villas is approximately 12,500 square feet. Each villa have its own private swimming pool, garden, internal lift and two car parking spaces.

Villa Begonia has been renewed for a 3-year lease in mid 2011. Villa Crocus is under major renovation will be completed next year.

6. *New Villa Cecil, Lot No. 1848, Shui Hang, Cheung Chau*

A residential project developed into 2 phases with total marketable gross floor area approximately 58,000 square feet.

Phase I comprised of nineteen 2-storey residential villas. The size of the villas ranged from approximately 1,450 square feet to 2,700 square feet.

Phase II comprised of four 2-storey residential villas. The size of the villas ranged from approximately 2,000 square feet to 12,000 square feet.

Recreational facilities including swimming pool and garden are provided.

Phase I
The superstructure work for phase I is almost completed. It is anticipated that the Occupation Permit may be issued by early next year.

Phase II
As soon as the Occupation Permit for Phase I is obtained, the construction work of Phase II will be followed thereafter.

**China Property**

In the second quarter of 2011, the Chinese government further tightened monetary controls for the real estate. As a result, most banks reduced loans on properties and the real estate investment volume and transactions continued to drop and price slightly cool down.

In the first half year of 2011, the Shenzhen economy kept growing steadily. New supply of residential properties in the primary market remained low. Longgang district took up 60% of the total new supply while Bao'an district contributed 27%. Moreover, the operation of Shenzhen Metro Line 4 in June 2011 has shortened the traveling time between Futian and Longhwa which has positive impact on our property investment in Longhua.

In Hangzhou, the average asking price for deluxe apartments gently increased but the price for deluxe villas has a tendency to drop. This may be an indication for a changing consumer structure, with fewer speculators and more first-hand users coming to the market. In the leasing market, a similar situation is observable.

*Cheuk Nang Garden*

*Longhwa, Shenzhen*

The development is situated at Lot No. A819-0128, North of Bao Lung Gong Lu, Longhwa, Bao An District with land area of 51,323 square metres (approximately 552,449 square feet). The total approved gross floor area is 152,230 square metres (approximately 1,638,604 square feet). It is planned to build 9 blocks of multi-storey buildings consisted of 1,089 residential units, 1,054 car parking spaces, a 3-storey kindergarten, clubhouse, garden and shops. The size of the residential units ranged from 70 square metres (approximately 753 square feet) to 147 square metres (approximately 1,582 square feet).

The appeal to the Shenzhen Intermediate People's Court (深圳市中級人民法院) submitted by the former main contractor Guangdong Provincial 8th Construction Group Co., Ltd. (廣東省八建集團有限公司) was decided and the Court Order issued in July 2010 remained in force. The Court Order provides that the contract with the former main contractor be rescinded and the former main contractor has to vacate the site. In return, we shall pay the former main contractor a sum of RMB14,688,000 being the net amount of the work done on site after offset the amount for breach of contract payable by the main contractor.

The tendering for appointment of the new main contractor was taken place in the past months and the new main contractor will be awarded shortly.

*Cheuk Nang • Riverside*

*Yue Hang Qu, Hangzhou*

The development is situated in Yue Hang Zu, Hangzhou with land area of 38,983 square metres (approximately 419,613 square feet). The total approved gross floor area is 122,483 square metres (approximately 1,318,407 square feet). It is planned to build 14 blocks of multi-storey buildings which provides 849 residential units, 780 car parking spaces, clubhouse, recreational facilities and shops. The size of the residential units ranged from 65 square metres (approximately 700 square feet) to 270 square metres (approximately 2,906 square feet).

The preparation of working drawings was completed. The tenders for site formation and foundation were issued and the site formation contractor will be appointed by end of this year.

**Macau Property**

The Macau economy has achieved a steady growth in 2011. The overall property market sentiment is steady despite of some control policies from the government.

*Estrada de Seac Pai Van, Coloane*

The development is situated at Estrada de Seac Pai Van in Coloane, Macau with site area of 9,067 square metres (approximately 97,597 square feet). The marketable gross floor area is approximately 1,600,000 square feet). It comprised of 5 blocks of multi-storey buildings providing 1,147 residential units and 1 block of hotel with 1,044 car parking spaces. The size of the residential units ranged from approximately 430 square feet to 2,500 square feet. Recreational facilities will include swimming pool, clubhouse and landscape garden.

The approval on the building plans (ante projecto de obra) was received in April 2011. The detail working drawings (projecto de obra) are now under preparation and it is anticipated that the drawings will be submitted for approval by the end of 2011.

The land lease will expire on 14 October 2011. Application for renewal was made to the DSSOPT on 18 April 2011 and approval to renew was issued on 27 May 2011. Registration of the lease renewal was completed on 31 May 2011.

Following the approval of the building plans (ante projecto de obra), the application for change of land use was submitted to the DSSOPT on 29 June 2011.

The litigation with the original vendor of the land Wealthy Victor Limited was settled after various discussions and negotiations and a Terms of Settlement was filed with the Court on 23 March 2011. According to the Terms of Settlement, the escrow amount of HK$50,000,000 was shared between our subsidiary company Ace Cosmos Finance Limited and Wealthy Victor Limited at a ratio of 63.22% and 36.78% respectively after deducting the necessary costs of the Escrow Agent. Our portion of the escrow amount is HK$34,323,464.89 was received on 8 April 2011.

**Malaysia Property**

The Malaysian economy registered a steady growth in the second quarter of 2011. The Malaysian Government has introduced a My First Home Scheme in March 2011 for those Malaysian aged under 35 years old at monthly income not more than RM3,000 to purchase their own homes with price between RM100,000 to RM220,000. In July, 2011, the Government further introduced a new affordable housing scheme called Program Perumahan 1Malaysia (PR1MA). Its objective is to give lower middle income Malaysians an option to own a house and is targeted at first-time house buyers with household income less than RM6,000 per month.

Since our project is a deluxe residential development, the schemes have no impact on our investment.

*Cecil Chao Centre*

*Lot 690, 849, 851 and 1280, Section 57, Lorong Perak, Kuala Lumpur, Malaysia*

The project developed into 2 phases.

*Phase I named "Parkview"*

The development is a ready built 41-storey residential building providing 417 residential units and 163 car parking spaces. The total approved gross floor area is 325,626 square feet. The size of the units ranged from approximately 400 square feet to 2,000 square feet. Recreational facilities including swimming pool, garden and recreational facilities.

A few unsold units are operated as serviced apartments with 80% occupancy.

*Phases II named "Central Plaza"*

The development comprised of 4 blocks of residential condominium with total approved gross floor area is 1,708,648 square feet provides 879 residential units and 887 car parking spaces. The size of the units ranged from approximately 570 square feet to 6,000 square feet. Club facilities including swimming pool, sky gardens and recreational facilities are provided.

The contractor for pile wall for the basement work has completed. The tender for foundation has issued and will appoint the foundation contractor shortly.

## INVESTMENT IN HONG KONG STOCK MARKET

The market price of our investment in the Hong Kong stocks as at 30 June 2011 is HK$102,210,000 as compared to HK$97,544,000 as at 30 June 2010. During the year, a total of HK$35,658,000 stock was sold and HK$37,362,000 stock was purchased.

## OUTLOOK

The economic growth in the Asia has been slowed by the economic depression in U.S.A. and Europe. The region has been influenced by the natural disasters in Japan and weakening confidence in the worldwide recovery triggered by ongoing turmoil in international bond markets.

In spite of this, the Asian is clearly outperforming other regions especially China is expected continues to lead the way in global economy.

Under the benefit of growth in China, the labour market in Hong Kong is also showing signs of improvement with the unemployment rate remained as low as 3.5% in May. Although Hong Kong is now facing a high inflation problem, it is expected to achieve a steady growth for the next year.

Our Group has a land bank in total gross floor area of approximately 6 million square feet to be completed in the coming years. Barring from unforeseen circumstance, our Group will perform steadily and good results will be seen in the next three to four years' time.

## DIRECTORS AND STAFF

I am most grateful on behalf of the Group for the dedication of our directors and staff during the year.

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Miss Gigi Chao, Mr. Chao Howard, Mr. Yung Philip and Ms. Ho Sau Fun, Connie; the Non-Executive Director is Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Dr. Sun Ping Hsu, Samson, Mr. Leung Wing Kong, Joseph and Mr. Lam Ka Wai, Graham.

By order of the Board
**CECIL CHAO**
*Executive Chairman*

Hong Kong, 22 September 2011

## RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2011 is listed as follows:

### Consolidated Income Statement

*For the year ended 30 June 2011*

| | Notes | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | 4 | **40,473** | 38,790 |
| Direct costs | | **(15,002)** | (14,360) |
| **Gross profit** | | **25,471** | 24,430 |
| Other income | 6 | **26,511** | 101,438 |
| Changes in fair value of investment properties | | **268,371** | 199,952 |
| Gain on disposal of investment properties | | **10,125** | – |
| Change in fair value of financial assets at fair value through profit or loss | | **2,962** | 2,371 |
| Administrative expenses | | **(26,167)** | (29,026) |
| Other operating expenses | | **–** | (304) |
| Finance costs | 7 | **(11,908)** | (13,922) |
| **Profit before income tax** | 8 | **295,365** | 284,939 |
| Income tax credit / (expense) | 9 | **10,838** | (25,898) |
| **Profit for the year** | | **306,203** | 259,041 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | 10 | **295,234** | 232,722 |
| Non-controlling interest | | **10,969** | 26,319 |
| | | **306,203** | 259,041 |
| **Earnings per share for profit attributable to the owners of the Company during the year** | 12 | | |
| Basic | | **HK$0.83** | HK$0.78 |
| Diluted | | **HK$0.82** | HK$0.73 |

## Consolidated Statement of Financial Position

*as at 30 June 2011*

| | Notes | 30 June 2011 HK$'000 | 30 June 2010 HK$'000 (Restated) | 1 July 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Investment properties | | **3,510,328** | 3,558,220 | 3,309,209 |
| Property, plant and equipment | | **83,802** | 84,491 | 83,494 |
| Mortgage loans | | **108** | 108 | 126 |
| Other financial assets | | **1,468** | 1,452 | – |
| Other non-current asset | | **950** | 950 | 950 |
| | | **3,596,656** | 3,645,221 | 3,393,779 |
| **Current assets** | | | | |
| Properties under development for sale | | **1,113,514** | 1,065,745 | 798,297 |
| Completed properties for sale | | **373,739** | 368,772 | 347,878 |
| Financial assets at fair value through profit or loss | | **102,210** | 97,544 | 152,167 |
| Trade and other receivables | 13 | **8,339** | 6,912 | 15,151 |
| Amount due from ultimate holding company | | **–** | 132 | 132 |
| Amounts due from related companies | 15 | **–** | 1,200 | 900 |
| Prepaid tax | | **429** | 139 | 263 |
| Bank balances and cash | | **95,615** | 101,251 | 35,922 |
| | | **1,693,846** | 1,641,695 | 1,350,710 |
| **Current liabilities** | | | | |
| Trade and other payables | 14 | **66,382** | 41,165 | 62,988 |
| Amounts due to non-controlling shareholders | 15 | **239,990** | 239,990 | 239,990 |
| Bank overdraft | | **1,511** | – | – |
| Interest-bearing borrowings | | **952,480** | 1,332,937 | 1,118,000 |
| Financial liabilities at fair value through profit or loss | | **–** | 304 | – |
| Provision for taxation | | **3,171** | 3,020 | 3,541 |
| | | **1,263,534** | 1,617,416 | 1,424,519 |
| **Net current assets/(liabilities)** | | **430,312** | 24,279 | (73,809) |
| **Total assets less current liabilities** | | **4,026,968** | 3,669,500 | 3,319,970 |

| | Notes | 30 June 2011 HK$'000 | 2010 HK$'000 (Restated) | 1 July 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Advances from a director | 15 | **19,360** | 43,854 | 71,477 |
| Deferred tax liabilities | | **367,001** | 379,909 | 355,289 |
| | | **386,361** | 423,763 | 426,766 |
| **Net assets** | | **3,640,607** | 3,245,737 | 2,893,204 |
| **EQUITY** | | **40,231** | 34,667 | 27,151 |
| Share capital | | | | |
| Reserves | | **3,551,154** | 3,172,817 | 2,854,119 |
| **Equity attributable to owners of the Company** | | **3,591,385** | 3,207,484 | 2,881,270 |
| **Non-controlling interest** | | **49,222** | 38,253 | 11,934 |
| **Total equity** | | **3,640,607** | 3,245,737 | 2,893,204 |

## NOTES

### 1. GENERAL INFORMATION

Cheuk Nang (Holdings) Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is disclosed in the Corporate Information section of the annual report and, its principal place of business is Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (the "Group") are controlled by Yan Yin Company Limited ("Yan Yin"), a limited liability company incorporated and domiciled in Hong Kong. At the reporting date, the directors consider the ultimate parent company of the Group is also Yan Yin.

The principal activities of the Group are principally engaged in property development and investment and provision of property management and related services.

The financial statements for the year ended 30 June 2011 were approved for issue by the board of directors on 22 September 2011.

## 2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new/revised HKFRSs – effective 1 July 2010

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2010:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs |
| Amendments to HKAS 32 | Classification to Rights Issues |
| Amendments to HKFRS 2 | Share-based Payment – Group Cash-settled Share-based Payment Transaction |
| HK Interpretation 5 | Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK(IFRIC) – Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

*HKAS17 (Amendments) – Lease*

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases in the PRC as operating leases continues to be appropriate, and the change in accounting policy on land leases has no impact on the financial statements.

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

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on statement of financial position:

| | **30 June 2011** | 30 June 2010 | 1 July 2009 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) |
| Increase/(decrease) in | | | |
| Current liabilities: | | | |
| Interest-bearing borrowings | **634,578** | 1,161,096 | 582,000 |
| Non-current liabilities: | | | |
| Interest-bearing borrowings | **(634,578)** | (1,161,096) | (582,000) |

As a result of the above retrospective re-classification and restatement, an additional consolidated statement of financial position is presented in accordance with HKAS 1 Presentation of Financial Statements.

**(b) New/revised HKFRSs that have been issued but are not yet effective**

At the date of authorisation of these financial statements, the following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 [1] |
| Amendments to HK(IFRIC) – Interpretation 14 | Prepayments of a Minimum Funding Requirement [1] |
| HKAS 24 (Revised) | Related Party Disclosures [1] |
| Amendments to HKFRS 7 | Disclosure – Transfers of Financial Assets [2] |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets [3] |
| HKFRS 9 | Financial Instruments [5] |
| HKFRS 10 | Consolidated Financial Statements [5] |
| HKFRS 11 | Joint Arrangements [5] |
| HKFRS 12 | Disclosure of Interest in Other Entities [5] |

| | |
|---|---|
| HKFRS 13 | Fair Value Measurement [5] |
| HKAS 1 (Amendments) | Presentations of items of Other Comprehensive Income [4] |
| HKAS 19 (Revised 2011) | Related Party Disclosures [5] |
| HKAS 27 (Revised 2011) | Separate Financial Statements [5] |
| HKAS 28 (Revised 2011) | Investments in Associates and Joint Ventures [5] |

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

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gain or loss will be recognise in profit or loss except for those non-trade equity investment, which the entity will have a choice to recognise the gain and loss in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designed at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liabilities is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within then next financial year are discussed below:

**Estimate fair value of investment properties and property, plant and equipment**

The valuation of investment properties and land and building classified under property, plant and equipment under the fair value model requires management's input of various assumptions and factors relevant to the valuation. The Group conducts annual revaluation, using independent professionally qualified valuers, based on these assumptions agreed with the valuers prior to adoption.

**Deferred tax**

At 30 June 2011, a deferred tax asset of HK$27,572,000 (2010: HK$25,396,000) in relation to tax losses have been recognised in the Group's consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

## 4. REVENUE

The Group's principal activities are disclosed in Note 1 to these financial statements. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross rental income | **37,781** | 36,524 |
| Estate management income | **2,275** | 1,803 |
| Interest income | **417** | 463 |
| | **40,473** | 38,790 |

## 5. SEGMENT INFORMATION

The executive directors have identified the Group's three product and service lines as operating segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

**2011**

| | Property sales<br>*HK$'000* | Property rental<br>*HK$'000* | Estate management<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from external customers | – | 37,781 | 2,274 | – | 40,055 |
| From other segments | – | 2,466 | 15,725 | – | 18,191 |
| **Reportable segment revenue** | – | 40,247 | 17,999 | – | 58,246 |
| **Reportable segment profit** | – | 306,879 | 2,275 | 16,205 | 325,359 |
| Depreciation of non-financial assets | – | 1,906 | – | – | 1,906 |
| Increase in fair value of investment properties | – | 268,371 | – | – | 268,371 |
| Gain on disposal of investment properties | – | 10,125 | – | – | 10,125 |
| Increase in fair value of financial assets at fair value through profit or loss | – | – | – | 2,962 | 2,962 |
| Gain on sale of financial assets at fair value through profit or loss | – | – | | 9,363 | 9,363 |
| **Reportable segment assets** | 1,498,117 | 3,500,121 | 848 | 103,678 | 5,090,408 |
| Additions to non-current segment assets (other than financial instruments) during the year | – | 73,121 | – | – | 73,121 |
| **Reportable segment liabilities** | 20,728 | 286,158 | 81 | – | 306,967 |

2010

| | Property sales | Property rental | Estate management | Others | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | | | | | |
| Revenue from external customers | – | 36,524 | 1,803 | – | 38,327 |
| From other segments | – | 2,466 | 17,508 | – | 19,974 |
| **Reportable segment revenue** | – | 38,990 | 19,311 | – | 58,301 |
| **Reportable segment profit** | – | 227,207 | 1,539 | 16,964 | 245,710 |
| Depreciation of non-financial assets | – | 510 | – | – | 510 |
| Increase in fair value of investment properties | – | 199,952 | – | – | 199,952 |
| Increase in fair value of financial assets at fair value through profit or loss | – | – | – | 2,371 | 2,371 |
| Gain on sale of financial assets at fair value through profit or loss | – | – | – | 12,073 | 12,073 |
| **Reportable segment assets** | 1,436,285 | 3,564,248 | 236 | 98,996 | 5,099,765 |
| Additions to non-current segment assets (other than financial instruments) during the year | – | 29,866 | – | – | 29,866 |
| **Reportable segment liabilities** | 26,811 | 252,922 | 89 | 304 | 280,126 |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment revenue | **58,246** | 58,301 |
| Interest income | **418** | 463 |
| Elimination of inter segment revenue | **(18,191)** | (19,974) |
| Group revenue | **40,473** | 38,790 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment profit | **325,344** | 245,710 |
| Unallocated corporate income | **23,052** | 86,542 |
| Unallocated corporate expenses | **(41,123)** | (33,391) |
| Finance costs | **(11,908)** | (13,922) |
| Profit before income tax | **295,365** | 284,939 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment assets | **5,090,408** | 5,099,765 |
| Other corporate assets | **200,094** | 187,151 |
| Group assets | **5,290,502** | 5,286,916 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment liabilities | **306,967** | 280,126 |
| Taxation | **3,171** | 3,020 |
| Deferred tax liabilities | **367,001** | 379,909 |
| Other corporate liabilities | **972,756** | 1,378,124 |
| Group liabilities | **1,649,895** | 2,041,179 |

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong (domicile) | **37,389** | 35,389 | **2,501,752** | 2,589,468 |
| Macau | **–** | – | **850,045** | 821,523 |
| Malaysia | **3,079** | 3,393 | **243,244** | 232,628 |
| The People's Republic of China ("PRC") | **5** | 8 | **39** | 42 |
| | **40,473** | 38,790 | **3,595,080** | 3,643,661 |

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

## 6. OTHER INCOME

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend income from equity investments | **3,404** | 2,823 |
| Gain on disposal of financial assets at fair value through profit or loss | **9,363** | 12,073 |
| Net exchange gain | **9,102** | 12,593 |
| Reversal of provision for late payment charges (note) | **–** | 41,422 |
| Reversal of impairment losses on other receivables (note) | **–** | 31,624 |
| Sundry income | **4,642** | 903 |
| | **26,511** | 101,438 |

*Note:* During the year ended 30 June 2010, the Group has completed the land acquisition in Hangzhou, PRC. The respective late payment charges were waived and the deposits paid in prior years were not forfeited by the seller. In these respects, reversal of provision for late payment charges and impairment loss on other receivables of HK$41,422,000 and HK$31,624,000 respectively were made in prior year.

## 7. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest charges on: | | |
| Bank loans and overdrafts wholly repayable within five years | **17,258** | 13,340 |
| Advances from a director | **3,370** | 4,269 |
| Other incidental borrowings costs | **2,321** | 3,055 |
| Total borrowing costs | **22,949** | 20,664 |
| Less: interest capitalised into properties under development for sale *(note)* | **(11,041)** | (6,742) |
| | **11,908** | 13,922 |

*Note:* The borrowing costs have been capitalised at a rate of 1.186% - 1.6625% (2010: 0.81% - 1.41%) per annum.

This represents the finance costs of bank loans and overdrafts, which including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements.

## 8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax is arrived at after charging: | | |
| Staff costs (include directors' emoluments) | | |
| Salaries, wages and other benefits | **12,764** | 12,734 |
| Contribution to defined contribution plans | **269** | 236 |
| Auditors' remuneration | **447** | 501 |
| Depreciation | **1,906** | 3,441 |
| Direct outgoings in respect of investment properties that generate rental income | **11,863** | 10,529 |
| Direct outgoings in respect of investment properties that did not generate rental income | **66** | 61 |
| Gain on disposal of investment properties | **(10,125)** | – |
| Loss on change in fair value of derivative financial instruments* | **–** | 304 |

* Included in other operating expenses

## 9. INCOME TAX (CREDIT)/ EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| – Hong Kong | | |
| Current year | **2,791** | 1,988 |
| (Over)/underprovision in respect of prior years | **(205)** | 418 |
| | **2,586** | 2,406 |
| – Overseas | | |
| Current year | **–** | 127 |
| Underprovision in respect of prior years | **–** | 311 |
| | **–** | 438 |
| | **2,586** | 2,844 |
| **Deferred tax** | | |
| Current year | **(13,424)** | 23,054 |
| **Total income tax (credit) / expense** | **(10,838)** | 25,898 |

Reconciliation between tax expense and accounting profit at applicable tax rates:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax | **295,365** | 284,939 |
| Tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%) | **48,735** | 47,015 |
| Tax effect of non-deductible expenses | **1,966** | 5,950 |
| Tax effect of non-taxable revenue | **(14,156)** | (22,725) |
| Tax effect of differences in overseas tax rates | **437** | (7,192) |
| Tax effect of unused tax losses not recognised | **3,631** | 1,599 |
| Tax effect of prior year's unrecognised tax losses utilised during the year | **(306)** | (2,001) |
| Tax effect of temporary differences derecognised in associated with the disposal of investment properties | **(50,940)** | – |
| Recognition of previously unrecognised deferred tax asset | **–** | 2,523 |
| (Over) / Underprovision in prior year | **(205)** | 729 |
| Income tax (credit) / expense | **(10,838)** | 25,898 |

## 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of HK$295,234,000 (2010: profit of HK$232,722,000), a loss of HK$2,952,000 (2010: profit of HK$39,714,000) has been dealt with in the financial statements of the Company.

## 11. DIVIDENDS

### (a) Dividends attributable to the year

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend of HK4cents (2010: HK3 cents) per ordinary share | **15,777** | 10,220 |
| Proposed final dividend of HK4.5 cents (2010: HK4 cents) per ordinary share *(Note)* | **18,106** | 13,926 |
| | **33,883** | 24,146 |

Scrip dividend alternative was offered to shareholders in respect of the 2011 interim dividend. This alternative was accepted by the shareholders as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends: | | |
| Cash | **1,290** | 1,357 |
| Share alternative | **14,487** | 8,863 |
| | **15,777** | 10,220 |

*Note:*

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 30 June 2012.

### (b) Dividends attributable to the previous financial year, approved and paid during the year

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial years, of HK4 cents (2010: NIL cents) per ordinary share | **14,815** | – |

Scrip dividend alternative was offered to shareholders in respect of the 2010 final dividend. This alternative was accepted by the shareholders as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Dividends: | | |
| Cash | **1,623** | – |
| Share alternative | **13,192** | – |
| | **14,815** | – |

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

**Earnings**

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share | **295,234** | 232,722 |

**Number of shares**

| | 2011 | 2010 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **355,284,086** | 299,099,205 |
| Effect of dilutive potential ordinary shares: | | |
| Warrants | **3,390,203** | 20,559,959 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **358,674,289** | 319,659,164 |

## 13. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Trade receivables** | | | | |
| From third parties | **477** | 422 | **–** | – |
| **Other receivables** | | | | |
| Prepayments and deposits | **4,511** | 3,327 | **–** | – |
| Other receivables | **3,351** | 3,163 | **1** | 1 |
| | **7,862** | 6,490 | **1** | 1 |
| | **8,339** | 6,912 | **1** | 1 |

The trade receivables of the Group represent rental and management fee in arrears. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and tenants are required to pay deposits. All invoices are due upon presentation.

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Based on the debit note or invoice dates, the ageing analysis of the trade receivables is as follows:

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **94** | 256 |
| 31-60 days | **124** | 56 |
| 61-90 days | **68** | – |
| Over 90 days | **191** | 110 |
| | **477** | 422 |

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. No impairment has been recognised on receivables through the provision account for the two years ended 30 June 2011 and 2010.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$477,000 (2010: HK$422,000) which are past due as at the reporting date for which the Group has not been provided. These receivables are related to a number of diversified debtors that has a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Except for deposits received from tenants, the Group does not hold any other collateral over these balances.

No amounts in relation to other receivables were past due at the reporting date (2010: HK$Nil).

## 14. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Trade payables** | | | | |
| To third parties | **512** | 921 | **–** | – |
| **Other payables** | | | | |
| Tenant deposit | **10,075** | 7,030 | **–** | – |
| Other payable and accruals | **55,795** | 33,214 | **410** | 332 |
| | **65,870** | 40,244 | **410** | 332 |
| | **66,382** | 41,165 | **410** | 332 |

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

Based on the invoice dates, the ageing analysis of the trade payables as of the reporting date is as follows:

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **175** | 606 |
| 31-60 days | **55** | 48 |
| 61-90 days | **55** | 48 |
| Over 90 days | **227** | 219 |
| | **512** | 921 |

## 15. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/ RELATED COMPANIES/ NON-CONTROLLING SHAREHOLDERS

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying amounts of the amounts due approximate their fair values.

Details of amounts due from related companies are as follows. At the reporting date, no provision had been made for non-repayment of these amounts.

| **Name of related companies** | **Connected director** | **Maximum amount outstanding during the year** | Balance at 30 June 2011 | Balance at 1 July 2010 |
|---|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Cecil Chao & Associates Limited | Dr. Chao Sze-Tsung Cecil | **1,200,000** | – | 1,200,000 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

Turnover for the year ended 30 June 2011 (the "Year") amounted to HK$40,473,000 (Year ended 30 June 2010: HK$38,790,000), a 4.3% increase over the same period last year. It was mainly due to the increase in turnover from rental income.

For property leasing, the Year recorded an increase of 3.4% in rental income as compared with the corresponding year in 2010, amounting HK$37,781,000 (2010: HK$36,524,000).

Gross profit for the Year amounted to HK$25,471,000, a 4.3% increase as compared with the same period last year.

Other income recorded a decrease of 73.9% to HK$26,511,000 when compared with last year. The other income for the Year were mainly attributed to exchange gain from overseas investment, gain on disposal of listed securities and dividend income from listed securities. The amount for previous year represent written back of provision for late payment charges of HK$41,422,000 and the impairment loss on other receivables of HK$31,624,000 relating to the land acquisition in Hangzhou. Gain on disposal of investment properties amounting to HK$10,125,000 represents the gain arose from the disposal of ten units in Villa Cecil Phase II. Gain on fair value adjustment on financial assets at fair value through profit or loss amounted to HK$2,962,000 (2010: HK$2,371,000). Gain on fair value adjustment on investment properties amounted to HK$268,371,000 (2010: HK$199,952,000). Administrative expenses decreased by 9.9% to HK$26,167,000 as compared with the same period last year. No other operating expenses for the Year (2010: HK$304,000). Finance costs recorded a decrease of 14.5% to HK$11,908,000 as compared with the same period last year.

Profit attributable to owners of the Company for the Year was HK$295,234,000 (2010: HK$232,722,000). Basic earnings per share was HK$0.83 (2010: HK$0.78) and fully diluted earnings per share was HK$0.82 (2010: HK$0.73).

Final dividend of HK4 cents for the year ended 30 June 2010 (2009: Nil) and an interim dividend of HK4 cents per share for the half year ended 31 December 2010 (half year ended 31 December 2009: HK3 cents). Total dividend of HK8 cents per share were paid during the Year. Scrip dividend alternative was offered to shareholders in respect of 30 June 2010 final dividend and 31 December 2010 interim dividend. Bonus warrants on the basis of one 2011 December warrants for every twenty shares held for the year ended 30 June 2010 was issued during the Year.

Final dividend of HK4.5 cents (2010: HK4 cents) and interim dividend of HK4 cents for the Year (2010: HK3 cents). Scrip dividend alternative was offered to shareholders in respect of 30 June 2011 final dividend.

## TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 30 June 2011, the Group's total equity attributable to owners of the Company amounted to approximately HK$3,591,385,000 (30 June 2010: HK$3,207,484,000 as restated), an increase of HK$383,901,000 or 12% when compared with 30 June 2010. With the total number of ordinary shares in issue of 402,306,393 as at 30 June 2011 (2010: 346,667,517 shares), the total equity attributable to owners of the Company per share was HK$8.93, a decrease of 3.5% over 30 June 2010: HK$9.25. The decrease in total equity attributable to owners of the Company per share was mainly attributable to the increase in number of ordinary share but partly offset by increase in fair value of investment properties and listed securities investment of the Group during the Year.

Included in the total equity attributable to owners of the Company is deferred tax liabilities of HK$388,970,000 on fair value gains on investment properties and property, plant and equipment. If the deferred tax liabilities are excluded, the total equity attributable to equity holders of the Company will become HK$3,980,355,000 or HK$9.89 per share.

During the Year, the Group had bought and sold listed securities investment. Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

## SECURITIES INVESTMENT

As at 30 June 2011, the fair value of investment in listed securities was HK$102,210,000. During the Year, the portfolio was decreased by a net acquisition of HK$1,704,000 and gain in fair value of HK$2,962,000. The listed securities investments of HK$102,210,000 as at 30 June 2011 representing 1.9% (30 June 2010: 1.9%) of the total assets, which formed part of the Group's cash management activities.

## RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

## EQUITY

The number of issued ordinary shares as at 30 June 2011 and 30 June 2010 were 402,306,393 and 346,667,517 respectively.

## DEBT AND GEARING

As at 30 June 2011, the Group's bank and other borrowings amounted to HK$973,351,000 (30 June 2010: HK$1,376,791,000). Cash and bank balances amounted to HK$95,615,000 (30 June 2010: HK$101,251,000) and net borrowing amounted to HK$877,736,000 (30 June 2010: HK$1,275,540,000).

Total debts to equity ratio was 26.7% (30 June 2010: 42.4%) and net debt to equity ratio was 24.1% (30 June 2010: 39.3%).

The decrease in the total debt to equity ratio and the decrease in net debt to equity ratio were mainly due to decrease in bank borrowing during the Year resulted from disposal of ten units in Villa Cecil Phase II.

At the reporting date, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$973,351,000, 32.8%, 38.5% and 28.7% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively by reference to the repayment schedule of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to HIBOR. No hedging for interest rate subsisted at the end of the Year.

## PLEDGE OF ASSETS

As at 30 June 2011, the Group's investment properties, properties for sales, property, plant and equipment and listed securities with their respective carrying value of HK$2,496,079,000 (30 June 2010: HK$2,556,997,000), HK$366,423,000 (30 June 2010: HK$378,745,000), HK$80,000,000 (30 June 2010: HK$80,000,000) and HK$80,725,000 (2010: HK$68,864,000) were pledged to secure general banking facilities of the Group.

## FINANCIAL AND INTEREST EXPENSES

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalised for the Year was HK$11,041,000 as compared to HK$6,742,000 for the last year. Interest expenses for the Year amounted to HK$11,908,000, representing 14.5% decrease over the interest expenses of HK$13,922,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in bank borrowing during the Year. The average interest rate over the year under review was 1.0% (2010: 1.1%) which was expressed as a percentage of total interest expenses over the average total borrowing.

## REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the year under review, the Group employed a total of 47 (Year ended 30 June 2010: 43) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

## HONG KONG

During the Year, the Government has introducing a series of market-cooling moves including but not limited to Special Stamp Duty for sale of property within two years of its acquisition, tightening of mortgage rules, etc. In addition, the turnaround of financial market and economic of the European and American market during the second and the third quarter of 2011 have adverse effect to the properties market.

1. One Kowloon Peak

   The foundation work of Phase II has commenced and will be completed by mid-2012. The marketing of the whole project will be started when the superstructure work of Phase II almost completed.

2. Villa Cecil Phase II

   Agreement for Sale and Purchase were signed in January and February 2011 and completion took place in March and April 2011. A gain on disposal of approximately HK$10 million was recognised in the accounts for the Year.

3. Villa Cecil Phase III

   The superstructure of Block II has completed and renovation work is almost completed. Leasing of the property will be commenced shortly.

4. New Villa Cecil

   Superstructure work for Phase I is in progress and anticipated to obtain Occupation Permit in early 2012.

## CHINA

During the Year, the China Government has tightened the monetary control on property market has slightly slow down the property market.

1. Cheuk Nang Garden

   The Group's development project was delayed by the main contractor. In April 2011, the Shenzhen Intermediate People's Court (深圳市中級人民法院) has made a judgement on the appeal on claim against the main contractor on damages and termination of the contract. The court retained the judgement of Shenzhen Baoan People's Court (深圳市寶安區人民法院). Procedure has been carried out for site handover and construction work will be resumed after that. The new main contractor will be awarded shortly.

2. Cheuk Nang • Riverside

   Site investigation has been carried out and detail working drawings are completed. Contract for site formation and foundation will be award by end of 2011.

## MACAU

The building plan for development project at Estrada de Seac Pai Van, Coloane has been approved. Detail drawing for the project is under preparation at the reporting date.

## MALAYSIA

Phase I named "Parkview". The remaining unsold units have been operated as service apartment with satisfactory income. Development Order for Phase II named "Central Plaza" has been approved by the local authority and the Building Plan (structural and detail) of 2 blocks of buildings are also approved. Tender for foundation and piling work will be awarded shortly.

## PROPERTY VALUATION

A property valuation has been carried out by Messrs. K.T. Liu Surveyors Limited, Roma Appraisals Limited and Henry Butcher Malaysia Sdn Bhd in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2011 and that valuation was used in preparing 2011 financial statements. The Group's investment properties and investment properties under development were valued at HK$2,258,590,000 and HK$1,251,738,000 respectively making the total HK$3,510,328,000 (2010: investment properties and investment properties under development were valued at HK$1,749,100,000 and HK$1,809,120,000 making the total HK$3,558,220,000). The aggregate increase in fair value of approximately HK$268,371,000 was credited to the income statement for the Year. The Group land and building held for own use carried at fair value were valued at HK$80,000,000 (2010: HK$80,000,000). No changes in fair value for the Year. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

## POLICY AND OUTLOOK

To diversify its investment risk, the Group will continue its policy by diversifying its investment in China, Hong Kong, Macau and Malaysia.

Following the recent decline in global economic especially European and American market, the Group is to face an unstable economic environment but expecting a good future prospect in long run.

## FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK4.5 cents (2010: HK4 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 16 November 2011, which together with the interim dividend of HK4 cents (2010: HK3 cents) per share, makes a total distribution of HK8.5 cents (2010: HK7 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 14 December 2011.

## CLOSURE OF REGISTER

The register of members of the Company will be closed from 10 November 2011 to 16 November 2011 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final dividend and attendance at the 2011 Annual General Meeting, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 9 November 2011.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 30 June 2011. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors except Dr. Cecil Chao has purchased 1,934,000 Company's shares during the period from 19 January to 1 February 2011.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 30 June 2011 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
**CONNIE S.F. HO**
*Company Secretary*

Hong Kong, 22 September 2011

*As at the date of this announcement, the Board comprises of eight Directors, of which Dr. Cecil Sze-Tsung Chao, Miss Gigi Chao, Mr. Chao Howard, Mr. Philip Yung and Ms. Connie Sau-Fun Ho are executive Directors; Mr. Lee Ding Yue, Joseph is non-executive Director and Messrs. Leung Wing Kong, Joseph, Lam Ka Wai, Graham and Dr. Sun Ping Hsu, Samson are independent non-executive Directors.*