# 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 2012

### 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 2012.

### RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2012 is HK$167,165,000 (2011: HK$295,429,000 as restated). Details are set out in the consolidated income statement.

The Directors resolved to recommend the payment of a final dividend of HK4.5 cents (2011: HK4.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 26 November 2012, which together with the interim dividend of HK4 cents (2011: HK4 cents) per share, makes a total distribution of HK8.5 cents (2011: HK8.5 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 20 December 2012.

### *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*

A bonus warrants of 16,561,917 units at an initial share subscription price at HK$2.10 per share were issued on 20 April 2012 ("2013 April Warrants"). The 2013 April Warrants are exercisable at any time between 20 April 2012 and until 4:00 p.m. on 20 April 2013. The warrants are listed on the Hong Kong Stock Exchange with stock code no. 1067 and the dealing was commenced on 23 April 2012.

Until now, there are a total of 161,941 units of 2013 April Warrants are being exercised, being approximately 0.98% of the total issued warrants and a sum of HK$340,076 being credited to the accounts.

On 25 September 2012, the trading prices of the shares (Stock 131) and warrants (Stock 1067) on the market are HK$3.73 and HK$1.61 respectively. Shareholders are well benefited from the warrants.

## *REVIEW OF OPERATIONS AND PROSPECTS*

### Hong Kong Property

The continuing low interest rates and limited in supply of new development for sale. Residential properties continued bullishing in the long run despite of the uncertainties of the external financial situation.

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***

   Residential project developed in two phases.

   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 provides recreational facilities and swimming pool.

   Phase I already completed and interior improvement works are being carried out. The design of sales office and show flats has completed and the decoration work will be commenced shortly.

   The site formation work and foundation of Phase II has been completed. The pile cap and superstructure works will be commenced in due course. The presale consent application for the whole project has been submitted to government for approval and anticipated that approval will be granted next year.

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

Residential development comprised of three blocks of 4-storey low density residential building provides 24 residential units. Some units has been sold and 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.

The occupancy remains steady.

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

Residential development comprised of two blocks of 4-storey building for rental purpose. 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.

The two blocks have achieved 85% occupancy with satisfactory rental income.

4. ***Cheuk Nang Plaza, 250 Hennessy Road***

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

The occupancy of the building is 75%. Renovation of the building is carried out in stages.

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

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

Villa Begonia has been leased and Villa Crocus is still under major renovation.

6. ***New Villa Cecil, No. 33 Cheung Chau Sai Tai Road, 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 landscape garden.

*Phase I*

The Occupation Permit of Phase I has been issued. Interior fit-out works are in progress.

*Phase II*

The site formation and foundation work commenced.

**China Property**

The People's Bank of China has lowered the mortgage interest rate in June 2012, as a result, demand for residential properties picked up slightly with the transaction volume of new residential units increased.

New supply launched in the market in Shenzhen in the second quarter of 2012 increased with 65.7% of the new residential projects in Bao'an District and 23.4% in Longgang District. In the second-hand market, transaction volume remains steady.

In Hangzhou, the reducing of interest rate in June has stimulated speculation that loosening of the current restrictive housing polices may be relaxed gradually in the future. In order to capture the rising demand driven by this speculation, some developers have grabbed the opportunity to ease their financing burden by releasing new supply on to the market.

Looking forward, as the government's measures for control of the residential prices will continue, residential prices in general will remain stable in the near term.

***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 with provision of swimming pool, tennis court, basketball court. 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 superstructure works is in progress and structure up to level 9. It is anticipated that the structure work will be completed by early 2013 and the entire project will be completed in mid 2014. The design of the sales office and show flats and the preparation for presale are in progress. It is anticipated the presale will be started in the second quarter of 2013.

The operation of Shenzhen Metro Line 4 and the Longhwa High Speed Rail Station in 2011 has shortened the traveling time among Futian, Longhwa and Guangzhou. In the future, traveling between West Kowloon to Longhwa will be largely shortened to 30 minutes when the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in operation which will has positive impact on our property investment in Longhwa.

***Cheuk Nang • Riverside***
***Yue Hang Qu, Hangzhou***

The development is situated in Yue Hang Qu, 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, 22 deluxe villas by the riverside, 780 car parking spaces, clubhouse, recreational facilities and shops. The size of the residential units and villas ranged from 65 square metres (approximately 700 square feet) to 270 square metres (approximately 2,906 square feet).

The construction of the basement is in progress. It is anticipated that the structure frame will be completed in 2013 and the entire project will be completed in 2014. The preparation for presale is in progress. It is anticipated the presale will be started by the fourth quarter of 2013.

**Macau Property**

The Macau property market has remained steady. The number of tourists, particular from China, further increased. Gambling business continue booming and many new hotels opened in Cotai area.

***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 and 1,044 car parking spaces. The size of the residential units ranged from approximately 430 square feet to 2,500 square feet. Recreational facilities include swimming pool, clubhouse, recreation facilities and landscape garden.

A new environmental and air ventilation report prepared by the professionals was submitted in June 2012 to the Town Planning Department and the Environmental Protection Department in Macau. Anti-projecto de obra (provisional building plans) has been approved. Our Attorney in Macau has continued discussion with the DSSOPT (Direcção dos Serviços de Solos, Obras Públicas e Transportes) regarding the change of land use and the land premium matters which are still pending approval. Part of the site formation work completed.

### Malaysia Property

The Malaysian economy shows a slight decrease in the growth as compared with 2011 and this is within Bank Negara Malaysia's revised forecast range for 2012.

Sale activities of residential properties remain steady with price increased slightly.

***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. Most units have already been sold.

A few unsold units are operated as serviced apartments with over 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 provided.

The piling work has completed and the pile caps and the basement are under construction.

## INVESTMENT IN HONG KONG STOCK MARKET

The market price of our investment in the Hong Kong stocks as at 30 June 2012 is HK$78,874,000 as compared to HK$102,210,000 as at 30 June 2011. During the year, a total of HK$22,918,000 stock was sold and HK$35,387,000 stock was purchased.

## *OUTLOOK*

The European financial problem is still clouded the global economy has started showing some affect to the growth of China economy. As far as Hong Kong is concerned, the basic fundamental will remain healthy. The unemployment rate dropped further reaching the lowest level in the past year. Inflationary pressure has been slightly relaxed.

Looking forward, with low interest rate and strong tourism and policies support from China, Hong Kong's property market will continue to remain cautiously optimistic.

***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 Chao Gigi, 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, 26 September 2012

**RESULTS**

The Group's audited consolidated income statement for the year ended 30 June 2012 is listed as follows:–

**Consolidated Income Statement**

*For the year ended 30 June 2012*

| | *Notes* | **2012** **HK$'000** | 2011 *HK$'000* (Restated) |
|---|---|---|---|
| Revenue | 4 | **37,571** | 40,473 |
| Direct costs | | **(16,841)** | (15,002) |
| **Gross profit** | | **20,730** | 25,471 |
| Other income | 6 | **6,231** | 26,511 |
| Changes in fair value of investment properties | | **189,590** | 268,371 |
| Gain on disposal of investment properties | 8 | **–** | 10,125 |
| Change in fair value of financial assets at fair value through profit or loss | | **(10,790)** | 2,962 |
| Administrative expenses | | **(32,552)** | (26,167) |
| Other operating expenses | | **(3,753)** | – |
| Finance costs | 7 | **(7,922)** | (11,908) |
| **Profit before income tax** | 8 | **161,534** | 295,365 |
| Income tax credit | 9 | **5,631** | 64 |
| **Profit for the year** | | **167,165** | 295,429 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | 10 | **167,200** | 284,460 |
| Non-controlling interest | | **(35)** | 10,969 |
| | | **167,165** | 295,429 |
| **Earnings per share for profit attributable to the owners of the Company during the year** | | | |
| Basic (2011: as restated) | 12 | **HK$0.41** | HK$0.80 |
| Diluted (2011: as restated) | | **HK$0.41** | HK$0.78 |

**Consolidated Statement of Financial Position**
*as at 30 June 2012*

| | | 30 June | | 1 July |
|---|---|---|---|---|
| | | **2012** | 2011 | 2010 |
| | | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | (Restated) | (Restated) |
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Investment properties | | **3,697,250** | 3,510,328 | 3,558,220 |
| Property, plant and equipment | | **104,596** | 83,802 | 84,491 |
| Mortgage loans | | **69** | 108 | 108 |
| Other financial assets | | **4,742** | 1,468 | 1,452 |
| Other non-current asset | | **950** | 950 | 950 |
| Deferred tax assets | | **27,918** | 21,969 | 19,835 |
| | | **3,835,525** | 3,618,625 | 3,665,056 |
| **Current assets** | | | | |
| Properties under development for sale | | **1,284,535** | 1,113,514 | 1,065,745 |
| Completed properties for sale | | **372,298** | 373,739 | 368,772 |
| Financial assets at fair value through profit or loss | | **78,874** | 102,210 | 97,544 |
| Trade and other receivables | 13 | **8,625** | 8,339 | 6,912 |
| Amount due from ultimate holding company | | **–** | – | 132 |
| Amounts due from related companies | | **–** | – | 1,200 |
| Tax recoverable | | **1,105** | 429 | 139 |
| Bank balances and cash | | **205,521** | 95,615 | 101,251 |
| | | **1,950,958** | 1,693,846 | 1,641,695 |

| | Notes | 30 June 2012 HK$'000 | 2011 HK$'000 (Restated) | 1 July 2010 HK$'000 (Restated) |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 14 | **26,278** | 66,382 | 41,165 |
| Amounts due to non-controlling shareholders | | **239,990** | 239,990 | 239,990 |
| Bank overdraft | | **222** | 1,511 | – |
| Interest-bearing borrowings | | **1,270,379** | 952,480 | 1,332,937 |
| Financial liabilities at fair value through profit or loss | | **–** | – | 304 |
| Provision for taxation | | **898** | 3,171 | 3,020 |
| | | **1,537,767** | 1,263,534 | 1,617,416 |
| **Net current assets** | | **413,191** | 430,312 | 24,279 |
| **Total assets less current liabilities** | | **4,248,716** | 4,048,937 | 3,689,335 |
| **Non-current liabilities** | | | | |
| Advances from a director | | **44,278** | 19,360 | 43,854 |
| **Net assets** | | **4,204,438** | 4,029,577 | 3,645,481 |
| **EQUITY** | | | | |
| Share capital | | **42,042** | 40,231 | 34,667 |
| Reserves | | **4,113,209** | 3,940,124 | 3,572,561 |
| **Equity attributable to owners of the Company** | | **4,155,251** | 3,980,355 | 3,607,228 |
| **Non-controlling interest** | | **49,187** | 49,222 | 38,253 |
| **Total equity** | | **4,204,438** | 4,029,577 | 3,645,481 |

## 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 2012 were approved for issue by the board of directors on 26 September 2012.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

### (a) Adoption of new/revised HKFRSs – effective 1 July 2011

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 2011:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| HKAS 24 (Revised) | Related Party Disclosures |
| Amendments to HKFRS 7 | Disclosures –Transfers of Financial Assets |

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.

*HKAS 24 (Revised) Related Party Disclosures*

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

*Amendments to HKFRS 7 Disclosure – Transfer of Financial Assets*

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.

**(b) Changes in accounting policies**

*Deferred tax*

The Group has early adopted Amendments to HKAS 12 – Deferred Tax: Recovery of Underlying Assets with a date of initial application of 1 July 2011. The amendment is applied retrospectively. It requires entities to measure deferred tax for investment properties measured in accordance with the fair value model in HKAS 40 Investment Property by applying the consequences of recovering the economic benefits of the asset entirely through sale unless the presumption can be rebutted.

*Policy application from 1 July 2011*

The Group measures deferred tax liabilities for investment properties measured at fair value by applying the consequences of recovering the economic benefits of investment properties entirely through sale.

The Group has reviewed its portfolio of investment properties and has not rebutted the presumption as none of the investment properties are held in business model with the objective to consume substantially all the economic benefits through use.

*Impact of change in accounting policy*

Effect of adoption of HKAS 12 on the consolidated statement of income:

| | **30 June 2012** | 30 June 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Decrease/(Increase) in income tax expenses | **14,012** | (10,774) |
| Increase/(Decrease) in profit for the year | **14,012** | (10,774) |
| Increase/(Decrease) in earnings per share (Basic) | **$0.3** | ($0.3) |
| Increase/(Decrease) in earnings per share (Diluted) | **$0.3** | ($0.3) |

Effect of adoption of HKAS 12 on the statement of financial position:

| | **30 June 2012** | 30 June 2011 | 1 July 2010 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Non-current liabilities: | | | |
| Decrease in deferred tax liabilities | **(402,982)** | (388,970) | (399,744) |
| Equity: | | | |
| Increase in retained earnings | **402,982** | 388,970 | 399,744 |

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

**(c) New/revised HKFRS 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.

| | |
|---|---|
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKAS 1 (Revised) | Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1] |
| Amendments to HKAS 32 | Presentation – Offsetting Financial Assets and Financial Liabilities[3] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 13 | Fair Value Measurements[2] |
| HKAS 19 (2011) | Employee Benefits[2] |
| HKAS 27 (2011) | Separate Financial Statement[2] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[2] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |
| HKFRSs (Amendments) | Annual improvements to HKFRSs 2009-2011 cycle[4] |

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

*Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

*HKFRS 9 – Financial Instruments*

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 gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability 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.

*HKFRS 10 – Consolidated Financial Statements*

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee.

Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

*HKFRS 11– Joint Arrangements*

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) – 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interest in assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

*HKFRS 12 – Disclosure of Interests in Other Entities*

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

*HKFRS 13 Fair Value Measurements*

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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 best evidence of fair value is current prices in an active market for similar property in same location and condition and subject to lease and other contracts. In making its judgement, the Group considers information from a variety of sources including:

i) the floor areas of the investment properties with respect to the consideration to the receivable from the independent and identified buyer;

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

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

iv) discount cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and using discount rate that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

### Estimate net realisable value on properties under development for sale

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development for sale is HK$1,284,535,000 (2011: HK$1,113,514,000).

**Allowance for completed properties for sale**

Management exercises its judgment in making allowance for completed properties for sale with reference to the existing market environment and the estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific allowance for completed properties for sale is made if the estimate market value of the property is lower than its carrying amount. The specific allowance for completed properties for sale is made based on the estimation of net realisable value on the completed properties. If the actual net realisable values of the completed properties for sale less than expected, as a result of change in market condition, provision for impairment losses may result. The carrying amount of the completed properties is HK$372,298,000 (2011: HK$373,739,000).

**Deferred tax**

At 30 June 2012, a deferred tax asset of HK$27,918,000 (2011: HK$21,969,000) 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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross rental income | **35,277** | 37,781 |
| Estate management income | **2,294** | 2,274 |
| Interest income | **–** | 418 |
| | **37,571** | 40,473 |

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.

**2012**

| | Property sales *HK$'000* | Property rental *HK$'000* | Estate management *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from external customers | – | 35,277 | 2,294 | – | 37,571 |
| From other segments | – | 2,466 | 15,476 | – | 17,942 |
| **Reportable segment revenue** | – | 37,743 | 17,770 | – | 55,513 |
| **Reportable segment profit** | – | 208,026 | 2,294 | 2,722 | 213,042 |
| Depreciation of non-financial assets | – | 3,842 | – | – | 3,842 |
| Increase in fair value of investment properties | – | 189,590 | – | – | 189,590 |
| Gain on disposal of investment properties | – | – | – | – | – |
| Decrease in fair value of financial assets at fair value through profit or loss | – | – | – | (10,790) | (10,790) |
| **Reportable segment assets** | 1,635,517 | 3,751,333 | 706 | 83,615 | 5,471,171 |
| Additions to non-current segment assets (other than financial instruments) during the year | 12,388 | 23,895 | – | 66 | 36,349 |
| **Reportable segment liabilities** | 2,474 | 262,611 | 84 | – | 265,169 |

2011

| | Property sales | Property rental | Estate management | Others | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | | (Restated) |
| **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** | 1,485,761 | 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 |

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:

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Reportable segment revenue | **55,513** | 58,246 |
| Interest income | **–** | 418 |
| Elimination of inter segment revenue | **(17,942)** | (18,191) |
| Group revenue | **37,571** | 40,473 |

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Reportable segment profit | **213,042** | 325,359 |
| Unallocated corporate income | **20,349** | 23,037 |
| Unallocated corporate expenses | **(63,935)** | (41,123) |
| Finance costs | **(7,922)** | (11,908) |
| Profit before income tax | **161,534** | 295,365 |

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Reportable segment assets | **5,471,171** | 5,090,408 |
| Other corporate assets | **287,394** | 200,094 |
| Deferred tax assets | **27,918** | 21,969 |
| Group assets | **5,786,483** | 5,312,471 |

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Reportable segment liabilities | **265,169** | 306,967 |
| Provision for taxation | **898** | 3,171 |
| Other corporate liabilities | **1,315,978** | 972,756 |
| Group liabilities | **1,582,045** | 1,282,894 |

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | (Restated) |
| Hong Kong (domicile) | **35,074** | 37,389 | **2,658,414** | 2,495,688 |
| Macau | **–** | – | **894,569** | 856,109 |
| Malaysia | **2,497** | 3,079 | **249,781** | 243,244 |
| The People's Republic of China ("PRC") | **–** | 5 | **32** | 39 |
| | **37,571** | 40,473 | **3,802,796** | 3,595,080 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend income from equity investments | **3,176** | 3,404 |
| Gain on disposal of financial assets at fair value through profit or loss | **–** | 9,363 |
| Net exchange gain | **–** | 9,102 |
| Interest received | **1,083** | – |
| Sundry income | **1,972** | 4,642 |
| | **6,231** | 26,511 |

## 7. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest charges on: | | |
| Bank loans and overdrafts wholly repayable within five years | **21,962** | 17,258 |
| Advances from a director | **1,281** | 3,370 |
| Other incidental borrowings costs | **3,685** | 2,321 |
| Total borrowing costs | **26,928** | 22,949 |
| Less: interest capitalised into properties under development for sale *(Note)* | **(19,006)** | (11,041) |
| | **7,922** | 11,908 |

*Note:* The borrowing costs have been capitalised at a rate of 1.5975%-2.8000% (2011: 1.186%–1.6625%) 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 and finance cost of loan from a director.

## 8. PROFIT BEFORE INCOME TAX

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax is arrived at after charging/(crediting): | | |
| Staff costs (including directors' emoluments) | | |
| Salaries, wages and other benefits | **14,061** | 12,764 |
| Contribution to defined contribution plans | **254** | 269 |
| Auditors' remuneration | **584** | 447 |
| Depreciation | **3,842** | 1,906 |
| Direct outgoings in respect of investment properties that generate rental income | **13,937** | 11,863 |
| Direct outgoings in respect of investment properties that did not generate rental income | **761** | 66 |
| Loss on disposals of property, plant and equipment | **–** | 146 |
| Reversal of provision for bad debts | **(14)** | (17) |
| Gain on disposal of investment properties | **–** | (10,125) |
| Net exchange loss* | **3,753** | – |

* *Included in other operating expenses*

## 9. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Current tax** | | |
| – Hong Kong | | |
| Current year | **173** | 2,791 |
| Over provision in respect of prior years | **–** | (205) |
| | **173** | 2,586 |
| – Overseas | | |
| Current year | **138** | – |
| Under provision in respect of prior years | **7** | – |
| | **145** | – |
| | **318** | 2,586 |
| **Deferred tax** | | |
| Current year | **(5,949)** | (2,650) |
| **Total income tax credit** | **(5,631)** | (64) |

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

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Profit before income tax | **161,534** | 295,365 |
| Tax at Hong Kong profits tax rate of 16.5% (2011: 16.5%) | **26,653** | 48,735 |
| Tax effect of non-deductible expenses | **5,529** | 1,966 |
| Tax effect of non-taxable revenue | **(40,610)** | (53,422) |
| Tax effect of differences in overseas tax rates | **(1,025)** | 437 |
| Tax effect of unused tax losses not recognised | **5,490** | 3,631 |
| Tax effect of deductible temporary difference not recognised | **(1,648)** | (900) |
| Tax effect of prior year's unrecognised tax losses utilised during the year | **(13)** | (306) |
| Over provision in prior year | **(7)** | (205) |
| Income tax credit | **(5,631)** | (64) |

## 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of HK$167,200,000 (2011: profit of HK$284,460,000), a loss of HK$17,656,000 (2011: loss of HK$2,952,000) has been dealt with in the financial statements of the Company.

## 11. DIVIDENDS

### (a) Dividends attributable to the year

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interim dividend of HK4 cents (2011: 4 cents) per ordinary share | **16,562** | 15,777 |
| Proposed final dividend of HK4.5 cents (2011: 4.5 cents) per ordinary share *(Note)* | **18,919** | 18,106 |
| | **35,481** | 33,883 |

Scrip dividend alternative was offered to shareholders in respect of the 2012 interim dividend. This alternative was accepted by the shareholders as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends: | | |
| Cash | **1,460** | 1,290 |
| Share alternative | **15,102** | 14,487 |
| | **16,562** | 15,777 |

*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 2013.

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, of HK4.5 cents (2011: 4 cents) per ordinary share | **18,237** | 14,815 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends: | | |
| Cash | **1,706** | 1,623 |
| Share alternative | **16,531** | 13,192 |
| | **18,237** | 14,815 |

## 12. EARNINGS PER SHARE

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

**Earnings**

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share | **167,200** | 284,460 |

**Number of shares**

| | **2012** | 2011 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **409,711,123** | 355,284,086 |
| Effect of dilutive potential ordinary shares: | | |
| Warrants | **1,919,206** | 8,193,663 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **411,630,329** | 363,477,749 |

## 13. TRADE AND OTHER RECEIVABLES

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Trade receivables** | | | | |
| From third parties | **624** | 477 | **–** | – |
| **Other receivables** | | | | |
| Prepayments and deposits | **3,859** | 4,511 | **–** | – |
| Other receivables | **4,142** | 3,351 | **1** | 1 |
| | **8,001** | 7,862 | **1** | 1 |
| | **8,625** | 8,339 | **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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **375** | 94 |
| 31-60 days | **105** | 124 |
| 61-90 days | **9** | 68 |
| Over 90 days | **135** | 191 |
| | **624** | 477 |

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 2012 and 2011.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$624,000 (2011: HK$477,000) 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 believes 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 (2011: HK$Nil).

## 14. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Trade payables** | | | | |
| To third parties | **429** | 512 | **–** | – |
| **Other payables** | | | | |
| Tenant deposit | **10,805** | 10,075 | **–** | – |
| Other payable and accruals | **15,044** | 55,795 | **568** | 410 |
| | **25,849** | 65,870 | **568** | 410 |
| | **26,278** | 66,382 | **568** | 410 |

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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **32** | 175 |
| 31-60 days | **55** | 55 |
| 61-90 days | **55** | 55 |
| Over 90 days | **287** | 227 |
| | **429** | 512 |

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

Turnover for the year ended 30 June 2012 (the "Year") amounted to HK$37,571,000 (Year ended 30 June 2011: HK$40,473,000), a 7.2% decrease over the same period last year. It was mainly due to the decrease in turnover from rental income.

For property leasing, the Year recorded an decrease of 6.6% in rental income as compared with the corresponding year in 2011, amounting HK$35,277,000 (2011: HK$37,781,000).

Gross profit for the Year amounted to HK$20,730,000, a 18.6% decrease as compared with the same period last year.

Other income recorded a decrease of 76.5% to HK$6,231,000 when compared with last year. The other income for the Year were mainly attributed to dividend income from listed securities. No gain on disposal of investment properties for the year. Loss on fair value adjustment on financial assets at fair value through profit or loss amounted to HK$10,790,000 (2011: gain of HK$2,962,000). Gain on fair value adjustment on investment properties amounted to HK$189,590,000 (2011: HK$268,371,000). Administrative expenses increased by 24.4% to HK$32,552,000 as compared with the same period last year. Other operating expenses for the Year amounted to HK$3,753,000 (2011: Nil). Finance costs recorded a decrease of 33.5% to HK$7,922,000 as compared with the same period last year.

Profit attributable to owners of the Company for the Year was HK$167,200,000 (2011: HK$284,460,000 as restated). Basic earnings per share was HK$0.41 (2011: HK$0.80 as restated) and fully diluted earnings per share was HK$0.41 (2011: HK$0.78 as restated).

Final dividend of HK4.5 cents for the year ended 30 June 2011 (2010: HK4 cents) and an interim dividend of HK4 cents per share for the six months ended 31 December 2011 (six months ended 31 December 2010: HK4 cents). Total dividend of HK8.5 cents per share were paid during the Year. Scrip dividend alternative was offered to shareholders in respect of 30 June 2011 final dividend and 31 December 2011 interim dividend. Bonus warrants on the basis of one 2013 April warrants for every twenty-five shares held for the six months ended 31 December 2011 was issued during the Year.

Final dividend of HK4.5 cents (2011: HK4.5 cents) and interim dividend of HK4 cents for the Year (2011: HK4 cents). Scrip dividend alternative was offered to shareholders in respect of the final dividend for the year ended 30 June 2012.

## TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 30 June 2012, the Group's total equity attributable to owners of the Company amounted to approximately HK$4,155,251,000 (30 June 2011: HK$3,980,355,000 as restated), an increase of HK$174,896,000 or 4.4% when compared with 30 June 2011. With the total number of ordinary shares in issue of 420,416,019 as at 30 June 2012 (2011: 402,306,393 shares), the total equity attributable to owners of the Company per share was HK$9.88, a decrease of 0.1% over 30 June 2011: HK$9.89 as restated. The decrease in total equity attributable to owners of the Company per share was mainly attributable to increase in fair value of investment properties but offset by increase in number of ordinary share and decrease in fair value of listed securities investment of the Group during the Year.

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 2012, the fair value of investment in listed securities was HK$78,874,000. During the Year, the portfolio was decreased by a net disposal of HK$12,546,000 and loss in fair value of HK$10,790,000. The listed securities investments of HK$78,874,000 as at 30 June 2012 representing 1.4% (30 June 2011: 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 2012 and 30 June 2011 were 420,416,019 and 402,306,393 respectively.

## DEBT AND GEARING

As at 30 June 2012, the Group's bank and other borrowings amounted to HK$1,314,879,000 (30 June 2011: HK$973,351,000). Cash and bank balances amounted to HK$205,521,000 (30 June 2011: HK$95,615,000) and net borrowing amounted to HK$1,109,358,000 (30 June 2011: HK$877,736,000).

Total debts to equity ratio was 31.3% (30 June 2011: 24.2%) and net debt to equity ratio was 26.4% (30 June 2011: 21.8%).

The increase in the total debt to equity ratio and the increase in net debt to equity ratio were mainly due to increase in bank borrowing during the Year resulted from increase in cost incurred in development project.

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$1,314,879,000, 55.7%, 15.3% and 29.0% 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 2012, the Group's investment properties, properties for sales, property, plant and equipment and listed securities with their respective carrying value of HK$2,465,454,000 (30 June 2011: HK$2,496,079,000), HK$306,540,000 (30 June 2011: HK$366,423,000), HK$102,130,000 (30 June 2011: HK$80,000,000) and HK$70,919,000 (30 June 2011: HK$80,725,000) 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 capitalized for the Year was HK$19,006,000 as compared to HK$11,041,000 for the last year. Interest expenses for the Year amounted to HK$7,922,000, representing 33.5% decrease over the interest expenses of HK$11,908,000 recorded for the same period last year. The decrease in interest expense was mainly due to increase in interest capitalize used for development project during the Year. The average interest rate over the year under review was 1.0% (2011: 1.0%) 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 49 (year ended 30 June 2011: 47) 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 2011 and 2012, the Government has introducing a series of market-cooling moves including but not limited to "Hong Kong Property for Hong Kong Residents" policy, "Special Stamp Duty" for sale of property within two years of its acquisition, tightening of mortgage rules, etc. In addition, the uncertainties of the European economy has adverse effect to the properties market.

1. **One Kowloon Peak**

   The contract of pile cap and superstructure for Phase II will be awarded shortly and expected to be completed by 2013. Presale consent application has been submitted for approval.

2. **Villa Cecil Phase II**

   Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in 2012.

3. **Villa Cecil Phase III**

   Occupancy rate is satisfactory and negotiation for new lease for remaining units

4. **Cheuk Nang Plaza**

   Occupancy rate is satisfactory. Renovation of the building is carried out in stages.

5. **Cheuk Nang Lookout**

   Villa Begonia has been lease and Villa Crocus is under renovation.

6. **New Villa Cecil**

   Occupy Permit for Phase I has obtained. Site formation for Phase II has been commenced.

**CHINA**

The People's Bank of China cut its required reserve ratio during second half of 2011 and first half of 2012. The mortgage rate also lowered in 2012. It is anticipated that the liquidity in the mainland China will be improved.

1. **Cheuk Nang Garden, Shenzhen**

   The previous main contractor has handover the site back to us in October 2011. A new main contractor, 廣廈建設集團有限責任公司, has been appointed and take over the site. Superstructure is in progress. The entire project will be completed by mid 2014.

2. **Cheuk Nang • Riverside**

   Main contract has been awarded to 廣廈建設集團有限責任公司. Construction work for basement is in progress. The entire project will be completed in 2014.

**MACAU**

The general building plan for development project at Estrada de Seac Pai Van, Coloane has been approved. The change of land use matters is pending for approval from Macau authority.

## MALAYSIA

Phase I named "Parkview" has been operated as service apartment with satisfactory income. For Phase II to V named "Central Plaza", site formation work was completed. The piling work for Phase II has completed and the pile caps and basement are under construction.

## 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 2012 and that valuation was used in preparing 2012 financial statements. The Group's investment properties and investment properties under development were valued at HK$2,345,910,000 and HK$1,351,340,000 respectively making the total HK$3,697,250,000 (2011: investment properties and investment properties under development were valued at HK$2,258,590,000 and HK$1,251,738,000 making the total HK$3,510,328,000). The aggregate increase in fair value of approximately HK$189,590,000 was credited to the income statement for the Year. The Group land and building held for own use and as a director's quarter carried at fair value were valued at HK$80,000,000 (2011: HK$80,000,000) and HK$22,130,000 (2011: Nil) respectively. Changes in fair value of HK$4,036,000 for the Year were recorded in revaluation reserves. 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

The global economy will continue to be challenging for the coming year due to the uncertainty of the European financial problem. The Group will continue diversify the by diversifying its investment in China, Hong Kong, Macau and Malaysia.

Following the recent economic development in Hong Kong and mainland China, the Group expecting the property sector in Hong Kong and mainland China will remain cautious for the coming year.

## FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK4.5 cents (2011: HK4.5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 26 November 2012, which together with the interim dividend of HK4 cents (2011: HK4 cents) per share, makes a total distribution of HK8.5 cents (2011: HK8.5 cents) per share this Year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 20 December 2012.

## CLOSURE OF REGISTER

The register of members of the Company will be closed during the following periods:–

(i) from Monday, 12 November 2012 to Friday, 16 November 2012 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify to attend and vote at the 2012 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 Friday, 9 November 2012.

(ii) from Thursday, 22 November 2012 to Monday, 26 November 2012 (both days inclusive) during which period no transfers of shares would be effected In order to qualify for the final dividend, 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 Wednesday, 21 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 2012. 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.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the Code on Corporate Governance Practices (the "Former Code") during the period from 1 July 2011 to 31 March 2012 and of the new Corporate Governance Code (the "New Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:–

(i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Former Code and the New Code;

(ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

**BOARD AUDIT COMMITTEE**

The results for the year ended 30 June 2012 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, BDO Limited and they have issued an unqualified opinion.

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

Hong Kong, 26 September 2012

*As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Miss Chao Gigi, 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.*