Towards A **Healthy**
And **Prosperous**
Future

# Annual Report 2011/12

COASTAL 沿海

**COASTAL GREENLAND LIMITED**

(incorporated in Bermuda with limited liability)

Stock Code : 01124

# CONTENTS

# Corporate Information

## Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

## Head Office and Principal Place of Business in Hong Kong

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Hong Kong
Tel: (852) 2877 9772
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## Principal Registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

## Registrars in Hong Kong

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

## Company Website

http://www.coastal.com.cn

## Investor Relations Website

http://www.irasia.com/listco/hk/coastal

## Executive Directors

Mr. CHAN Boon Teong *(Chairman)*
Mr. JIANG Ming
*(Vice Chairman and Managing Director)*
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin
Mr. CAI Shaobin
Mr. ZHENG Hong Qing
Mr. WANG Jun

## Independent Non-Executive Directors

Mr. TANG Lap Yan
Mr. LAW Kin Ho
Mr. WONG Kai Cheong

## Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

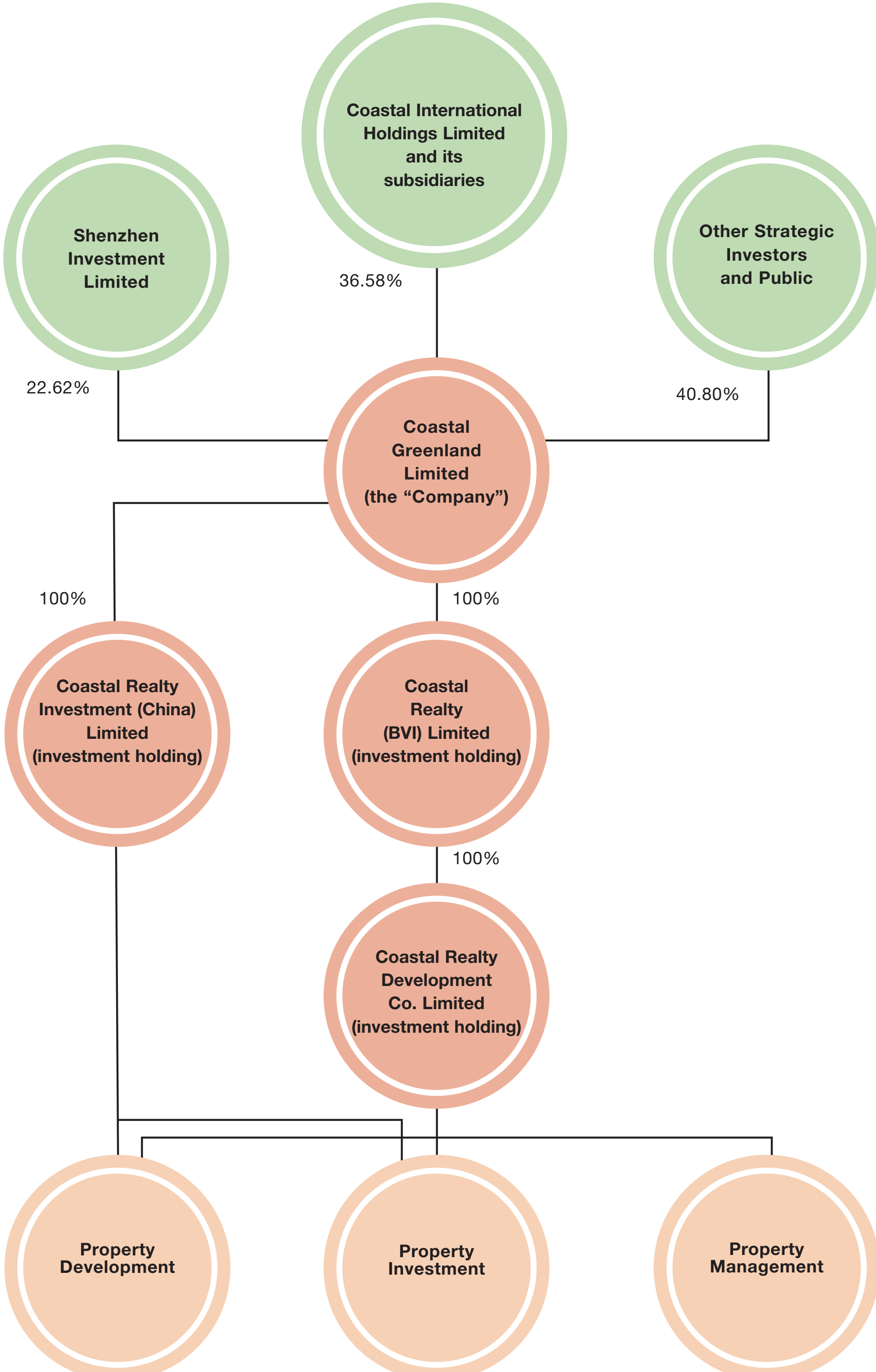
## Auditor

Deloitte Touche Tohmatsu
*Certified Public Accountants*

## Stock Code

1124

# Shareholding Structure and Major Operations



# Financial Highlight

The following is a summary of the published consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements and adjusted retrospectively for the effect of the change in accounting policy on the classification of leasehold land as detailed in note 2 to the consolidated financial statements for the year ended 31 March 2011.

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **7,177,603** | 3,753,191 | 3,922,033 | 2,956,174 | 3,114,980 |
| Profit before taxation | **1,545,924** | 755,397 | 685,227 | 548,689 | 429,925 |
| Profit for the year attributable to owners of the Company | **593,431** | 148,539 | 209,577 | 215,008 | 116,674 |
| Dividends | **–** | – | – | – | – |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | | (Restated) | (Restated) | (Restated) |
| Total assets | **16,175,017** | 18,334,359 | 16,749,815 | 14,496,005 | 12,841,643 |
| Total liabilities | **(11,614,879)** | (14,555,683) | (13,306,458) | (10,873,080) | (9,583,521) |
| Total equity | **4,560,138** | 3,778,676 | 3,443,357 | 3,622,925 | 3,258,122 |
| Non-controlling interests | **(70,788)** | (75,043) | (63,331) | (490,046) | (435,942) |
| Equity attributable to owners of the Company | **4,489,350** | 3,703,633 | 3,380,026 | 3,132,879 | 2,822,180 |

| | Year ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$'000** | HK$'000 |
| **Revenue** | | |
| – Sale of properties | **7,162,960** | 3,735,288 |
| – Rental income | **8,555** | 10,126 |
| – Property management income | **6,088** | 7,777 |
| Total | **7,177,603** | 3,753,191 |

| | Year ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$'000** | HK$'000 |
| **Profit (loss) before taxation by activity** | | |
| – Property development | **2,054,208** | 1,022,901 |
| – Property investment | **(57,493)** | 61,478 |
| – Property management | **1,907** | 2,824 |
| | **1,998,622** | 1,087,203 |
| Net unallocated expenses | **(53,932)** | (64,206) |
| Income from hotel operation | **89,900** | 57,901 |
| Expenses of hotel operation | **(134,879)** | (120,988) |
| Net foreign exchange gains | **48,194** | 31,284 |
| Fair value gain on warrants | **960** | 17,703 |
| Interest income | **6,066** | 11,668 |
| Finance costs | **(394,677)** | (273,107) |
| Share of (loss) profit of associates | **(14,330)** | 7,939 |
| Profit before taxation | **1,545,924** | 755,397 |

# Chairman's Statement

Dongguan Riviera Villa

# Chairman's Statement

Chan Boon Teong
*Chairman*

## On behalf of Coastal Greenland Limited (the "Company"), I have the pleasure to present to the shareholders the Group's financial results and operation report for the year ended 31 March 2012 as follows:

### Results

For the financial year ended 31 March 2012, the Group has recorded a revenue of about HK$7,178 million and profit attributable to owners of the Company of approximately HK$593 million. Earnings per share for the year were HK21.27 cents.

### Dividend

The Board of Directors does not recommend the payment of any dividend for the year ended 31 March 2012.

### Business Overview

Revenue for the year amounted to about HK$7,178 million, an increase of about 91% from last year. Gross profit margin for the year was about 33% which marked an improvement from last year's 28%.

Profit before taxation was about HK$1,546 million, an increase of about 105% from last year. Profit for the year attributable to owners of the Company was about HK$593 million, an increase of about 300% from last year. Total comprehensive income attributable to owners of the Company was about HK$780 million, an increase of about 147% from last year.

During the year under review, the Group completed development projects with a total gross floor area ("GFA") of about 653,030 sq.m., an increase of about 98% as compared to the 329,800 sq.m. completed last year.

Beijing Sunvilla Realhouse

Wuhan Silo City

## Outlook

In 2011, the central government has implemented a series of austerity measures such as home purchase restriction, price control and tightened monetary policy, resulting in a slowdown in the volume of transactions in the property market and a downward adjustment in housing price in general.

The Group expects that the central government will not relieve the regulatory measures imposed in the near future. However, it is unlikely that there will be new austerity measures further introduced by the central government in view of the slowdown in the growth of the PRC economy. Developers are expected to continue to expose to the existing austerity control pressure from the central government. Although facing an uncertain economic environment, the Group is positive about the long term prospects of the PRC property market which is driven by the continual development of urbanization and the increasing household income level. The Group will closely monitor its business strategy with respect to the changes in the economic and regulatory environment and the property market sentiment in the PRC.

The Group will continue to focus on the development of its geographically well diversified quality property portfolio, optimise its land reserve and strengthen its product competitiveness. The Group will also leverage on its well-recognised corporate brand and its long experience in the PRC property market. Besides, under the tight credit environment, the Group will actively seek funding alternatives so as to broaden its financial resources and support the sustainable development of the Group.

## Appreciation

On behalf of the Board, I would like to express my gratitude to the management team and our staff for their diligence and contributions to the Group in the past year. I would also like to thank my fellow directors, business partners, customers, suppliers, bankers, noteholders and shareholders of the Group for their continued support and trust over the years.

**Chan Boon Teong**
*Chairman*

Hong Kong
29 June 2012

# Management Discussion & Analysis

## Dalian Coastal International Centre

## Business Review

### *Revenue*

The following table sets out an analysis of the Group's revenue together with the contribution to operating results by activity:

| | Year ended 31 March | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | **Revenue HK$'000** | **Contribution to operating results HK$'000** | Revenue HK$'000 | Contribution to operating results HK$'000 |
| Property development | **7,162,960** | **2,054,208** | 3,735,288 | 1,022,901 |
| Property investment (Note) | **8,555** | **(57,493)** | 10,126 | 61,478 |
| Property management | **6,088** | **1,907** | 7,777 | 2,824 |
| Total | **7,177,603** | **1,998,622** | 3,753,191 | 1,087,203 |

Note: Contribution to operating results by the property investment activity included a deficit of HK$56.3 million (2011: surplus of HK$55.7 million) arising from the revaluation of investment properties.

The Group derived revenue for the year mainly from operations in the PRC.

*Dalian Jianzhu Project*

*Wuhan Silo City*

## Business Review *(Continued)*

### *Property Development*

During the year under review, the recognised sales revenue from property development segment was HK$7,163 million, representing an increase of about 92% from last year's HK$3,735 million, which corresponds to an increase by 80% in the total GFA delivered by the Group to 536,000 sq.m. (2011: 298,600 sq.m.). The property sales revenue for the year mainly came from the completion and delivery of Phase I of Dalian Coastal International Centre, Western section of Phase IV of Beijing Silo City, Phase I of Dalian Jianzhu Project, Phase III section A of Wuhan Silo City and Phase III of Beijing Sunvilla Realhouse which respectively represented about 42%, 13%, 8%, 7% and 7% of the total property sales revenue. The remaining 23% was derived from sale of remaining inventory in the prior phases of the Group's completed development projects namely Beijing Silo City, Shanghai Riviera Garden, Wuhan Silo City, Anshan Wisdom New City and Dongguan Riviera Villa which respectively accounted for about 6%, 6%, 4% 4% and 3% of the property sales revenue.

For the year ended 31 March 2012, the Group recorded contracted sales of HK$3,024 million (2011: HK$4,619 million), which corresponds to a total GFA of about 263,000 sq.m. (2011: 313,000 sq.m.).

As at 31 March 2012, the Group has generated total sales revenue of about HK$1,020 million from pre-sale of its properties under development with a total GFA of about 130,000 sq.m., contributing mainly from Shenyang Hunnan Project, Phase IV of Dongguan Riviera Villa and Phase III of Anshan Wisdom New City which are expected to be completed and delivered in the next financial year.

During the year ended 31 March 2012, the Group completed development projects, namely Phase I of Dalian Coastal International Centre, Phase III section A and Phase IV section A of Wuhan Silo City, Phase I of Dalian Jianzhu Project, Western section of Phase IV of Beijing Silo City, Phase III of Beijing Sunvilla Realhouse, Phase III section B of Dongguan Riviera Villa and Phase II of Anshan Wisdom New City with a total GFA of approximately 653,030 sq.m. (2011: 329,800 sq.m.).

*Beijing Silo City*

## Business Review *(Continued)*

### *Property Investment*

Suzhou Coastal International Centre

Revenue from property rental decreased by about 16% to HK$8.6 million from last year's HK$10.1 million. Rental income for the period was mainly derived from the properties in Suzhou Coastal International Centre and retail shops in Beijing Silo City. The decrease was mainly due to the disposal of certain retail shops in Beijing Silo City during the year.

The contribution from property investment segment for the year has turned into a loss of HK$57.5 million comparing to a profit of HK$61.5 million for last year as there was a revaluation deficit of investment properties of HK$56.3 million recorded for the year whereas a revaluation surplus of HK$55.7 million was recorded for last year.

### *Property Management*

The Group's property management operations recorded a profit of about HK$1.9 million for the year as compared to last year's profit of HK$2.8 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

### *Gross Profit Margin*

The gross profit margin for the year was about 33% which marked an improvement from last year's 28%. The improvement was mainly due to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the year.

### *Fair Value Gain on Warrants*

At 31 March 2012, the Company had outstanding 111,622,500 unlisted warrants conferring rights to subscribe for up to 111,622,500 new ordinary shares of HK$0.10 each in the Company at the adjusted exercise price of HK$1.23 per share at any time on or before 8 November 2012. These warrants are classified as derivative financial liabilities which are measured at fair value with movement recognised in profit or loss. The fair value gain on warrants arose as a result of the decrease in the share price of the Company during the year.

### *Other Income*

Other income for the year was HK$357.3 million which mainly represented the gain on disposal of a property-based subsidiary of HK$131.0 million (2011: HK$27.7 million), the income of HK$89.9 million (2011: HK$57.9 million) from hotel operation of Marriott hotel at Suzhou Coastal International Centre, and the net foreign exchange gain of HK$48.2 million (2011: HK$31.3 million) on translation of the Company's United States dollar denominated debts into the Company's functional currency, Renminbi, which has appreciated against United States dollar during the year. Included in the current year's other income were also the interest income from banks of HK$6.1 million (2011: HK$11.7 million), the net project management fee income of HK$2.7 million (2011: HK$10.0 million) from associates, and subsidies from the PRC government of HK$16.0 million (2011: HK$0.5 million).

## Business Review *(Continued)*

### *Marketing, Selling and Administrative Expenses*

Marketing and selling costs decreased by about 8% to HK$106.4 million from last year's HK$116.0 million last year in line with the decrease in Group's contracted sales as compared to last year.

Administrative expenses increased by 34% to HK$246.9 million from last year's HK$184.8 million mainly due to increase in staff costs as a result of increase in headcount and annual salary adjustment and increase in other tax expenses. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

### *Other Expenses*

Other expenses for the year were HK$245.3 million as compared to last year's HK$193.5 million. Other expenses mainly represented the depreciation provided for and hotel operation expenses of Marriott hotel in Suzhou amounting to HK$134.9 million (2011: HK$121.0 million), interest compensations of about HK$22.5 million (2011: HK$50.9 million) for a delay in the handover of certain completed properties to the purchasers and provision for legal claims of HK$69.5 million (2011: nil).

### *Impairment loss on goodwill*

During the year, the Group has fully impaired the amount of goodwill of HK$90.2 million (2011: nil) as the properties developed by the cash generating unit in property development segment to which the goodwill had been allocated were substantially sold at 31 March 2012.

### *Finance Costs*

During the year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes) of HK$593.9 million, representing an increase of about 19% as compared to the HK$500.4 million incurred for last year. The increase was mainly attributable to an overall increase in the average level of bank and other borrowings as compared to last year.

Interest expenses charged to profit or loss for the year were HK$394.7 million as compared to last year's HK$273.1 million. The increase was mainly due to the fact that lesser amount of interest expenses was capitalised during the year as certain interest expenses on borrowings used for financing the deposits for acquisition of land use rights were not qualified for capitalisation.

### *Corporate Brand*

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the eight consecutive years between 2004 and 2011 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

## Review of Major Properties and Development Projects

The Group's business strategy is to develop quality residential estates for the PRC upper to middle class domestic market. A summary of the status of the Group's major properties and development projects is set out below.

### *Development projects of the Group*

#### *Beijing Jian Guo Men Wai Project*

Beijing Jian Guo Men Wai Project is located in Chaoyang District, close to the central business district in Beijing. The plan is to develop an office building with a total GFA of about 44,900 sq.m. The Group has the free usage right of 65% of the GFA of the office building for 35 years starting from the completion of the development.

The Group is in the process of negotiating to dispose of its interests in the development to a third party.

#### *Beijing Silo City*

Beijing Silo City with a total site area of about 216,025 sq.m. is a large-scale, high quality residential and commercial development located in Chaoyang District, close to the central business district of Beijing. The development has a unique modern design and convenient transportation options. The development is a residential/commercial/leisure complex with a total GFA of about 862,700 sq.m. The development has been carried out in phases. The Group owns 100% of Beijing Silo City.

The construction of the first three phases with a total GFA of about 308,900 sq.m. was completed and delivered in 2007. As of 31 March 2012, all residential units in these three phases were sold and the Group held a total GFA of about 17,595 sq.m., comprising the clubhouses with a total GFA of 604 sq.m., retail shop areas with a total GFA of 2,617 sq.m. and carpark area with a total GFA of 14,374 sq.m., which are held by the Group as non-current assets, investment properties and for sale respectively.

Phase IV of the development is divided into the Loft, Eastern and Western sections. The total GFA of this phase is about 145,200 sq.m. and the construction commenced in March 2009. The construction of the Loft and Eastern section was completed and delivered in December 2010. As of 31 March 2012, save for GFA 52 sq.m. still held for sale, all residential units were sold; retail shops with a total GFA of 5,860 sq.m. and carpark area with a total GFA of 3,992 sq.m. are held for sale. The Western section was completed in June 2011 while delivery was in September 2011. As of 31 March 2012, save for GFA 551 sq.m. still held for sale, all residential units were sold; carpark area with a total GFA of 5,533 are held for sale.

Phase V has a total GFA of about 116,700 sq.m. The construction of this phase was completed in March 2008 while delivery was in June 2008. As of 31 March 2012, all the residential units were sold; retail shops with a total GFA of 2,636 sq.m. and carpark area with a total GFA of 12,780 sq.m. are held for sale.

Phase VI has a total GFA of about 112,100 sq.m. Completion and delivery of this phase were taken place in September 2009. As of 31 March 2012, all residential units were sold; retail shops with a total GFA of 2,263 sq.m. and carpark area with a total GFA of 1,649 sq.m. are held for sale.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group* *(Continued)*

#### *Beijing Silo City* *(Continued)*

Phase VII is divided into the Southern and Northern sections with a total GFA of about 179,800 sq.m. The construction of the Northern section was completed in March 2009 and the pre-sold units were delivered in June 2009 while the completion and delivery of the Southern section were in August 2009. As of 31 March 2012, all residential units were sold; commercial area with a total GFA of 1,226 sq.m. and carpark area with a total GFA of 6,721 sq.m. are held for sale.

#### *Beijing Sunvilla Realhouse*

Beijing Sunvilla Realhouse is a high quality residential development in Panggezhuang Town, an attractive location in Daxing District, Beijing. The Group owns 100% of Beijing Sunvilla Realhouse. The development is a villa estate with a total site area of about 484,421 sq.m. and is being carried out in three phases.

Phases I and II have a total GFA of about 112,160 sq.m. The construction of these two phases was completed and about 97% of the GFA in these two phases was sold as of 31 March 2012. The Group holds a clubhouse with a GFA of 3,037 sq.m. as fixed assets and the remaining GFA is held for sale.

Phase III has a total GFA of about 22,500 sq.m. The construction of this phase was completed in July 2011 while delivery was in September 2011. As of 31 March 2012, about 91% of the GFA in this phase was sold. The remaining GFA is held for sale.

#### *Dalian Coastal International Centre*

Dalian Coastal International Centre has a total site area of about 34,001 sq.m. and is being developed into a residential/commercial complex with a total GFA of about 379,800 sq.m. The development is being carried out in two phases with GFA of about 217,200 sq.m. and 162,600 sq.m. for Phase I and Phase II respectively. The Group owns 100% interest in the development.

*Dalian Coastal International Centre*

The construction of Phase I was commenced in November 2007. Completion and delivery were taken place in first quarter of 2012. As of 31 March 2012, about 88% of its GFA was sold. The remaining GFA is held for sale.

The Group is in the process of finalising the development plan for Phase II.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group (Continued)*

#### *Dalian Jianzhu Project*


*Dalian Jianzhu Project*

The project is located in Ganjingzi District, Dalian, Liaoning Province with a site area of about 54,000 sq.m. The Group owns 100% interest in the development which has been planned to be developed into a residential estate by two phases with an estimated total GFA of about 147,700 sq.m.

The construction of Phase I with a GFA of about 62,200 sq.m. was commenced in July 2010. Completion and delivery were taken place in October 2011. As of 31 March 2012, about 82% of its GFA was sold. The remaining GFA is held for sale.

The construction of Phase II with a GFA of about 76,800 sq.m. was commenced in April 2012 and is expected to be completed in the second quarter of 2013.

#### *Dongguan Riviera Villa*

Dongguan Riviera Villa is an upscale low-density residential estate development in the Dao Jiao Town of Dongguan. The Group owns 100% of Dongguan Riviera Villa. The project has a site area of about 382,649 sq.m. and the development is being carried out in phases.

Phase I has a total GFA of about 59,000 sq.m. and the total GFA of Phase II is about 66,000 sq.m. The construction of Phase I was completed and the pre-sold units were delivered in July 2007. The completion and delivery of Phase II were in March and May 2008 respectively. As of 31 March 2012, about 93% of the GFA in Phase I and about 99% of the GFA in Phase II were sold. The remaining GFA is held for sale.

Phase III has a total GFA of about 61,000 sq.m. and was divided into sections A and B. The construction of Phase III was commenced in September 2009. Section A with a total GFA of about 25,500 sq.m. were completed in November 2010 and pre-sold units were delivered in March 2011. As of 31 March 2012, about 67% of the GFA of section A of Phase III were sold. Section B with a total GFA of about 31,000 sq.m. were completed in June 2011 and pre-sold units were delivered in July 2011. As of 31 March 2012, about 31% of the GFA of section B of Phase III were sold. The remaining GFA is held for sale.

Phase IV has a total GFA of about 89,000 sq.m. The construction of Phase IV was commenced in September 2011. Pre-sale commenced in January 2012 and about 18% of its GFA was pre-sold as of 31 March 2012.

The development for the remaining phases with a total GFA of about 116,000 sq.m. is in the planning process.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group* *(Continued)*

#### *Jiangxi Riviera Garden*

Jiangxi Riviera Garden is a low-density residential estate development located at south of Gaoxin Avenue in Changling Town, Xinjian County, Jiangxi. The Group owns 100% of Jiangxi Riviera Garden. The development has a site area of about 186,393 sq.m. and was carried out in four phases.

The development of the whole project with a total GFA of about 284,600 sq.m. was completed and all units were sold and delivered as of 31 March 2012.

#### *Shanghai Riviera Garden*

Shanghai Riviera Garden is a low-density residential estate development on Mingzhong Road in Xinqiao Town, Songjiang District of Shanghai. The Group owns 100% of Shanghai Riviera Garden. The development has a site area of about 326,118 sq.m. and is being carried out in two phases.

The construction of Phase I with a total GFA of about 135,400 sq.m. was completed in September 2007 and the pre-sold units were delivered in November of the same year. As of 31 March 2012, save for GFA 179 sq.m. still held for sale, all units were sold.

The construction of Phase II with a total GFA of about 163,500 sq.m. comprising both villas and apartments was commenced in September 2008 and was divided into sections A and B. Section A with a total GFA of about 123,100 sq.m were completed and delivered in June 2010 and about 93% of the GFA were sold as of 31 March 2012. Section B with a total GFA of about 40,400 sq.m. was completed in December 2011 and delivered in March 2012. As of 31 March 2012, about 30% of the GFA of Section B were sold.

#### *Shenyang Dongbei Furniture and Ornaments Plaza*

Shenyang Dongbei Furniture and Ornaments Plaza located in Yuhong District, Shenyang, Liaoning Province is a property developed by an independent PRC developer and was acquired by the Group in 2004. The Group owns 100% of Shenyang Dongbei Furniture and Ornaments Plaza. The property comprises two office buildings of 2 and 7 storeys respectively, a 5-storey exhibition center, an 8-storey guest house, a carport, various single-storey warehouses and business shops. The Group held a total GFA of about 80,752 sq.m.

The Group is in the process of negotiating to dispose of the property to the local government for redevelopment.

#### *Shenyang Hunnan Project*

Shenyang Hunnan Project is a development located in Hunnan New District, Shenyang, Liaoning Province with a site area of about 89,400 sq.m. The GFA of about 346,500 sq.m. are planned for residential development and 187,100 sq.m. are for commercial development. The Group owns 20% of the residential project and 100% of the commercial project.

The residential project is to be developed in three phases. The construction of Phase I with a total GFA of about 95,200 sq.m. was completed and the pre-sold units were delivered in May 2009. As of 31 March 2012, about 98% of the GFA in Phase I was sold and the remaining GFA is held for sale.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group (Continued)*

#### *Shenyang Hunnan Project (Continued)*

Phase II of residential project has a total GFA of about 133,400 sq.m. and its construction commenced in September 2009. Completion and delivery were taken place in December 2011. As of 31 March 2012, about 93% of the GFA in Phase II was sold and the remaining GFA is held for sale.

Phase III of the residential project and the commercial project have a total GFA of about 134,700 sq.m. and its construction was started in March 2011. Completion and delivery are expected to be in third quarter of 2012. Pre-sale has been commenced in June 2011 and about 64% of its GFA was pre-sold as of 31 March 2012.

#### *Shenyang Sujiatun Project*

Shenyang Sujiatun Project is a residential project with ancillary commercial facilities located in Sujiatun District, Shenyang, Liaoning Province with a site area of about 1,473,000 sq.m. The project is a mega development similar to the Group's Wuhan Silo City.

The Group is in the process of formulating the development plan for this project.

#### *Suzhou Coastal International Centre*

Suzhou Coastal International Centre is a commercial project with a total GFA of about 115,700 sq.m. located at the heart of Jinchang District of Suzhou. The Group owns 100% of Suzhou Coastal International Centre.

The development consists of a 49-storey building comprising offices and a hotel with GFA of about 33,990 sq.m. and 47,790 sq.m. respectively and a 9-storey building of serviced apartment and retail shops with GFA of about 15,360 sq.m. and 2,940 sq.m. respectively and a 4-storey commercial building with GFA of about 15,620 sq.m.. The hotel is managed by the Marriott and has commenced business on 30 December 2009. The Group holds the properties for investment except for the serviced apartments which are for sale.

#### *Wuhan Lakeside Apartment*

Wuhan Lakeside Apartment is a low-density large-scale residential estate development with a total GFA of about 344,000 sq.m. The Group owns 100% of Wuhan Lakeside Apartment. The development was carried out in phases.

The construction of Phases I to IV with a total GFA of about 282,242 sq.m. was completed and units sold were delivered. Almost all units were sold except for a remaining GFA of about 1,972 sq.m. which was held for sale as of 31 March 2012. The Group also holds a clubhouse with a GFA of 1,670 sq.m. as non-current assets.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group* *(Continued)*

#### *Wuhan Silo City*

Wuhan Silo City is an upscale residential development conveniently located at north of Jinshan Avenue in Dongxihu District of Wuhan. The Group owns 100% of Wuhan Silo City. This large-scale development has a site area of about 874,947 sq.m. and a planned total GFA of about 1,460,000 sq.m. The development is being carried out in phases.

*Wuhan Silo City*

Phase I has a total GFA of about 221,700 sq.m. and was divided into sections A and B. The construction of section A was completed in September 2007 and pre-sold units were delivered in November of the same year. The completion and delivery of section B were in March and August 2008 respectively. As of 31 March 2012, about 97% of the total GFA in Phase I was sold and the remaining GFA is held for sale.

Phase II has a total GFA of about 216,900 sq.m. and was divided into sections A to D. The construction of this phase was started in April 2008. Sections A to C were completed in March 2009 and delivery was taken place in August 2009. Section D was completed in July 2009 and delivered in December 2009. As of 31 March 2012, about 99% of the total GFA in Phase II was sold and the remaining GFA is held for sale.

Phase III has a GFA of about 201,400 sq.m. and was divided into sections A and B. The construction of section B was commenced in September 2008 and its completion and delivery were in the third quarter of 2010. As of 31 March 2012, about 90% of the total GFA in section B of Phase III was sold and the remaining GFA is held for sale. The construction of section A was commenced in September 2009 and its completion and delivery was in July 2011 and September 2011 respectively. As of 31 March 2012, about 98% of the total GFA in section A was sold and the remaining GFA is held for sale.

Phase IV has a GFA of about 74,900 sq.m. The construction of Phase IV was commenced in October 2010. The completion and delivery were taken place in November 2011 and January 2012 respectively. As of 31 March 2012, about 62% of the total GFA in Phase IV was sold and the remaining GFA is held for sale.

Phase V has a GFA of about 82,500 sq.m. The construction of Phase V was commenced in November 2011 and is expected to be completed in 2013. Pre-sales has been commenced in June 2012.

The development plan for the remaining phases will be fixed as the development goes forward.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of the Group (Continued)*

#### *Wuhan Tushu Dashijie Project*

Wuhan Tushu Dashijie Project is located in the downtown area of Wuhan and is a commercial development comprising offices and serviced apartments with a total GFA of about 133,300 sq.m. The Group owns 90% of Wuhan Tushu Dashijie Project. The construction plan of the project will be finalised at a later stage.

#### *Anshan Greenland IT City*

Anshan Greenland IT City is a large-scale development with a total site area of about 268,807 sq.m. located in Gaoxin District, Anshan, Liaoning Province. The project was developed into a low-density residential estate in six phases. The development of the whole project with a total GFA of about 438,358 sq.m. was completed and all residential units were sold and delivered. As of 31 March 2012, the remaining carpark area with a total GFA of 2,249 sq.m. are held for sale.

#### *Anshan Qianshan Road Project*

Anshan Qianshan Road Project has a total GFA of about 59,000 sq.m. and is being developed into residential and commercial properties. The construction of the first phase with a total GFA of about 32,790 sq.m. was commenced in the third quarter of 2011 and is expected to be completed and delivered in early 2013.

#### *Anshan Wisdom New City*

Anshan Wisdom New City with a total site area of about 84,577 sq.m. is located at North Shengli Road, Lishan District, Anshan, Liaoning Province and is being developed into a residential estate by three phases.

The construction of Phase I with a total GFA of about 44,600 sq.m. was completed and the pre-sold units were delivered in December 2009. As of 31 March 2012, about 87% of the GFA in Phase I was sold and the remaining GFA is held for sale.

Phase II has a total GFA of about 82,000 sq.m. and its construction was started in May 2010. Completion and delivery of Phase II were taken place in October 2011. As of 31 March 2012, about 76% of the GFA in Phase II was sold and the remaining GFA is held for sale.

Phase III has a total GFA of about 89,300 sq.m. and its construction was started in March 2011. Pre-sale commenced in July 2011 and about 30% of its GFA was pre-sold as of 31 March 2012. Completion and delivery are expected to be in early 2013.

## Review of Major Properties and Development Projects *(Continued)*

### *Development projects of an associate*

The Group owns about 21.13% equity interest in Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa") whose shares are listed on the Shanghai Stock Exchange. Set out below is the status of the property projects being developed by Shanghai Fenghwa.

#### *Beijing Shengming Kexueyuan Project*

Beijing Shengming Kexueyuan Project with a total site area of about 21,889 sq.m. is planned to be developed into serviced apartments with a total GFA of about 39,200 sq.m. The project is at the planning stage.

#### *Chengdu Dujiangyan Project*

Chengdu Dujiangyan Project with a site area of about 48,367 sq.m. is a residential estate development located in Xingfu Town, Dujiangyan City of Chengdu. The construction of the project with a total GFA of about 77,200 sq.m. was commenced at the end of 2009. The construction was completed in December 2010 and the pre-sold units were delivered in March 2011. As of 31 March 2012, about 96% of the GFA was sold and the remaining GFA is held for sale.

Please refer to the Schedule of Major Properties on pages 137 to 142 of the Annual Report for further information about the properties and development projects of the Group.

## Financial Review

### *Financial Resource and Liquidity*

The Group's principal source of fund is the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

At 31 March 2012, the Group's cash and bank deposits amounted to approximately HK$2,514 million (2011: HK$2,503 million). An analysis by currency denomination of the cash and bank deposits is as follows:

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Renminbi | **2,384,061** | 2,384,440 |
| Hong Kong dollar | **1,051** | 1,407 |
| United States dollar | **129,365** | 117,017 |
| | **2,514,477** | 2,502,864 |

At 31 March 2012, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$3,833 million (2011: HK$3,244 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 1% to 85% from 86% last year.

Profit before interest, taxation, depreciation, amortisation and non-cash items arising from fair value adjustment for warrants issued by the Company and impairment loss on goodwill was about HK$2,350.3 million comparing to last year's HK$1,299.0 million on the same basis. Profit before interest, taxation, depreciation, amortisation and the non-cash items in respect of warrants and impairment loss on goodwill had a coverage of 3.96 times (2011: 2.60 times) over the interest costs for the financial year of HK$593.9 million (2011: HK$500.4 million).

## Financial Review *(Continued)*

### *Borrowings and Charges*

At 31 March 2012, the level of bank and other borrowings of the Group and their maturity profile are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank loans repayable: | | |
| Within one year | **2,499,008** | 1,229,230 |
| In the second year | **74,017** | 1,716,830 |
| In the third to fifth years inclusive | **302,502** | 277,293 |
| Beyond five years | **415,458** | 393,529 |
| Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause | **26,400** | 28,600 |
| | **3,317,385** | 3,645,482 |
| Other borrowings (including senior notes) repayable: | | |
| Within one year | **2,511,528** | 273,717 |
| In the second year | **518,115** | 1,827,277 |
| In the third to fifth years inclusive | **–** | 114 |
| | **3,029,643** | 2,101,108 |
| | **6,347,028** | 5,746,590 |

An analysis by currency denomination of the above borrowings is as follows:

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Renminbi | **4,514,637** | 3,922,111 |
| Hong Kong dollar | **28,600** | 30,800 |
| United States dollar | **1,803,791** | 1,793,679 |
| | **6,347,028** | 5,746,590 |

The bank and other borrowings bear interest rates based on normal commercial terms.

## Financial Review *(Continued)*

### *Borrowings and Charges (Continued)*

(a) Certain of the Group's bank and other loans as at 31 March 2012 were secured by:

- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$86 million (2011: HK$144 million);
- (ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK$437 million (2011: HK$419 million);
- (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK$849 million (2011: HK$1,055 million);
- (iv) prepaid land lease payments of the Group with an aggregate carrying value of nil (2011: HK$56 million);
- (v) certain bank deposits of the Group with an aggregate carrying value of approximately HK$380 million (2011: HK$401 million);
- (vi) certain properties under development of the Group with an aggregate carrying value of approximately HK$3,422 million (2011: HK$5,639 million);
- (vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$202 million (2011: HK$203 million);
- (viii) the Group's 90% and 100% equity interests respectively in two property-based subsidiaries; and
- (ix) corporate guarantees from the Company and certain of its subsidiaries.

(b) The senior notes (included in other borrowings) as at 31 March 2012 were secured by certain bank deposits of the Group amounting to approximately HK$62 million (2011: HK$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

## Financial Review *(Continued)*

### *Exposure to Fluctuations in Exchange Rates*

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollar and United States dollar have been on an overall rising trend, which is in favour of the Group's operations as all the major assets, mainly property development projects, of the Group are located in the PRC and will generate Renminbi revenue to the Group. Except the senior notes and certain bank loans which are denominated in United States dollar or Hong Kong dollar, most of the Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

### *Contingent Liabilities*

At 31 March 2012, the Group had given guarantees to the extent of approximately HK$4,001 million (2011: HK$4,419 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK$123 million (2011: HK$59 million) to banks in connection with banking facility granted to an associate.

## Employees and Remuneration Policy

The Group employs a total of about 2,500 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

## Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: nil).

*Shanghai Riviera Garden*

## Executive Directors

**Mr. Chan Boon Teong**, aged 69, is the chairman of the Group and one of the founders of the Group. He is responsible for corporate direction and development of the Group's business. He graduated from the Imperial College of the University of London, United Kingdom with a Bachelor's degree in Electrical Engineering and also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City, United States of America. He has over forty-one years' experience in commercial, industrial and real estate business in the Southeast Asia region. He was a director of the Kowloon Stock Exchange. He is also an independent non-executive director of TPV Technology Limited, a listed public company in Hong Kong, and a director of Cathay United Bank, Ltd., a previously listed company in Taiwan. Mr. Chan is a member of the National Chinese People's Political Consultative Conference and is also a member of the Standing Committee of All-China Federation of Returned Overseas Chinese.

**Mr. Jiang Ming**, aged 54, is the vice chairman and managing director of the Group and one of the founders of the Group. He is responsible for strategy planning and the overall management of the Group. He graduated from the National University of Singapore with a Master's degree in Business Administration. He has over twenty-eight years' experience in investment and corporate management. Prior to the establishment of the Group, he was a general manager of a joint venture enterprise in the People's Republic of China (the "PRC") for over 7 years. He is a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University.

**Mr. Tao Lin**, aged 54, is the investment director of the Group. He is responsible for investment planning and investment management of the Group. He has over twenty-four years' experience in investment and management. He graduated from Beijing Communication Engineering College (北京信息工程學院) and also holds a Master's degree in Business Administration from the National University of Singapore. Before joining the Group in 1991, he had served as an operation officer in a software development company in the PRC. Mr. Tao is also a director of Shanghai Fenghwa Group Co., Ltd., a company listed on the Shanghai Stock Exchange.

**Mr. Cheng Wing Bor**, aged 52, is responsible for the corporate finance and internal audit of the Group. He has over twenty-six years' experience in financial management, accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, United Kingdom. Before joining the Group in 1994, he worked in an international accounting firm in Hong Kong for 8 years.

**Mr. Lin Chen Hsin**, aged 69, is responsible for administration of the Group's Hong Kong office and the public relations of the Group. He has over twenty years' experience in import and export trading and manufacturing. He graduated from the Shanghai Education Institute (上海教育學院). He joined the Group in 1990.

## Executive Directors *(Continued)*

**Mr. Cai Shaobin**, aged 50, joined the Group in 2008 and is responsible for the overall development management of the projects of the Group. Before joining the Group, Mr. Cai was the deputy general manager of China Construction Seventh Engineering Bureau and the general manager of China Construction Seventh Engineering Bureau Co., Ltd. He has over twenty-four years' experience in the property development and construction. Mr. Cai is a professorate senior engineer and state registered architect in the PRC and was rated a top ten management talent in the Henan Province in 2007.

**Mr. Zheng Hong Qing**, aged 64, joined the Group as a non-executive director in 1997 and was re-designated as an executive director of the Company in March 2010. He is responsible for overseeing the construction of certain development projects of the Group. Mr. Zheng graduated from the Chinese People's University (中國人民大學) with a Master's degree in Economics. He has held senior positions in various major corporations in the PRC and has extensive business management experience.

**Mr. Wang Jun**, aged 41, graduated from Wuhan University of Technology with a doctorate degree in management. Mr. Wang has over sixteen years of experience in property development and corporate management. Mr. Wang joined the Group in December 2010 as a president and executive director of two wholly-owned subsidiaries of the Company and he is responsible for execution of business strategy and management of real estate business of the Group. Before joining the Group, he was the president of Beijing Eagle Real Estate Holdings Ltd. and the vice executive president of Beijing Centergate Technologies (Holding) Co., Ltd.

## Independent Non-Executive Directors

**Mr. Tang Lap Yan**, aged 66, is an independent non-executive director of the Company appointed in 1997. Mr. Tang is a fellow member of the Chartered Institute of Management Accountants, United Kingdom. He is the former chairman of The Chinese Language Press Institute and The Newspaper Society of Hong Kong.

**Mr. Law Kin Ho**, aged 44, is an independent non-executive director of the Company appointed in 2002. Mr. Law graduated from the Hong Kong Baptist University with a Bachelor's degree majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Law is currently practising as a certified public accountant in Hong Kong. Mr. Law is also an independent non-executive director of Lai Fung Holdings Limited, a listed public company in Hong Kong.

**Mr. Wong Kai Cheong**, aged 50, an independent non-executive director of the Company appointed in 2004. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Mr. Wong is currently practising as a certified public accountant in Hong Kong.

This corporate governance report (the "CG Report") presents the corporate governance matters during the period covering the financial year ended 31 March 2012 and up to the date of the annual report (the "Annual Report") in which this CG Report is included (the "CG Period") required to be disclosed under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the CG Period.

## Directors' Securities Transactions

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

## Board of Directors

The board of directors of the Company (the "Board") currently comprises eight executive directors and three independent non-executive directors. The directors of the Company during the CG Period were:

### *Executive Directors*

Mr. Chan Boon Teong *(Chairman)*
Mr. Jiang Ming *(Vice Chairman and Managing Director)*
Mr. Tao Lin
Mr. Cheng Wing Bor
Mr. Lin Chen Hsin
Mr. Cai Shaobin
Mr. Zheng Hong Qing
Mr. Wang Jun

### *Non-executive Directors*

| | |
|---|---|
| Mr. Guo Limin | (Resigned on 2 May 2012) |
| Mr. Lu Hua | (Resigned on 2 May 2012) |

### *Independent Non-executive Directors*

Mr. Tang Lap Yan
Mr. Law Kin Ho
Mr. Wong Kai Cheong

## Board of Directors *(Continued)*

The biographical details of the directors are set out on pages 28 and 29 of the Annual Report. The Board possesses a balance of skill and experience which are appropriate for the business needs of the Group. The independent non-executive directors of the Company have the appropriate professional qualification and accounting and related financial management expertise as required under the Listing Rules. They provide a strong support towards the effective discharge of the duties and responsibilities of the Board. The Company will review the composition of the Board regularly to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group's operations and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves major investments and corporate transactions such as issue of debt securities and shares of the Company etc., reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held four times a year at approximately quarterly intervals and additional meetings are held as and when necessary to review and approve annual and interim results, to review quarterly management accounts and approve major investments and corporate transactions. The schedule for regular Board meetings is tentatively set in advance annually. Such Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of directors.

At least 14 days' notice of each regular Board meeting is normally given to all directors who are given an opportunity to include matters for discussion in the agenda. The company secretary of the Company assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are compiled with. The agendas and accompanying Board papers are sent not less than 3 days where possible before the date of Board meetings. All the minutes of the Board meetings are kept by the company secretary of the Company and are freely accessible to by any director.

## Board of Directors *(Continued)*

The four regular Board meetings were held and the attendance of directors is set out below:

| Directors | No. of regular meetings held (note)/ No. of attendance |
|---|---|
| Mr. Chan Boon Teong *(Chairman of the Board)* | 4/4 |
| Mr. Jiang Ming | 4/1 |
| Mr. Tao Lin | 4/3 |
| Mr. Cheng Wing Bor | 4/4 |
| Mr. Lin Chen Hsin | 4/4 |
| Mr. Cai Shaobin | 4/0 |
| Mr. Zheng Hong Qing | 4/0 |
| Mr. Wang Jun | 4/3 |
| Mr. Guo Limin | 3/0 |
| Mr. Lu Hua | 3/1 |
| Mr. Tang Lap Yan | 4/4 |
| Mr. Law Kin Ho | 4/3 |
| Mr. Wong Kai Cheong | 4/3 |

Note: Mr. Guo Limin and Mr. Lu Hua resigned as directors on 2 May 2012 and 3 regular Board meetings were held up to the date of their resignation.

## Chairman and Managing Director

The chairman is Mr. Chan Boon Teong and the managing director is Mr. Jiang Ming. There is a clear division of responsibilities between the chairman and the managing director in that the chairman bears primary responsibility for the effective functioning of the Board, which include formulating and monitoring the implementation of business strategies, while the managing director bears executive responsibility for the Group's day-to-day business operations and management.

## Nomination Committee

The Company established the Nomination Committee on 30 March 2012 with written terms of reference. The Nomination Committee comprises one executive director, Mr. Chan Boon Teong (Chairman of the Nomination Committee), and three independent non-executive directors, Mr. Tang Lap Yan, Mr. Law King Ho and Mr. Wong Kai Cheong. The Nomination Committee is provided with sufficient resources to discharge its duties and can access to independent external professional advice in accordance with the Company's policy if considered necessary.

The primary duties of the Nomination Committee are, *inter alias*, to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The terms of reference of the Nomination Committee are available from the websites of the Stock Exchange and the Company.

## Remuneration Committee

The Remuneration Committee was established with specific written terms of reference. The Remuneration Committee's principal roles are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to review and determine the specific remuneration packages of all executive directors and senior management.

The members of the Remuneration Committee and their respective attendance of the Remuneration Committee meeting held during the CG period are as follows:

| | **No. of meeting held/ No. of attendance** |
|---|---|
| **Independent non-executive directors** | |
| Mr. Tang Lap Yan *(Chairman of the Remuneration Committee)* | 1/1 |
| Mr. Law Kin Ho | 1/1 |
| Mr. Wong Kai Cheong | 1/1 |
| **Executive directors** | |
| Mr. Chan Boon Teong | 1/1 |
| Mr. Cheng Wing Bor | 1/1 |

The meeting of the Remuneration Committee held during the CG Period is mainly to review the remuneration policy and structure for directors and senior management.

The remuneration of directors and senior management will be reviewed and determined with reference to their duties and responsibilities with the Company and the Group, their skills and experience, their work performance, the Group's performance and the prevailing industry practice and market situation.

A remuneration package for executive directors and senior management will normally comprise basic salary and allowances, mandatory provident fund and medical insurance coverage benefits, performance related discretionary bonus and share options.

The terms of reference of the Remuneration Committee are available from the websites of the Stock Exchange and the Company.

## Audit Committee

The Audit Committee was established with specific written terms of reference which were revised in December 2005 to align with the CG Code requirements. The Audit Committee's primary roles are to review the Group's financial reporting process, internal control system and corporate governance issues and to make relevant recommendations to the Board.

All the Audit Committee members are independent non-executive directors. The Audit Committee meetings held during the CG period and the attendance of the members are as follows:

| | **No. of meetings held/ No. of attendance** |
|---|---|
| **Independent non-executive directors** | |
| Mr. Tang Lap Yan *(Chairman of the Audit Committee)* | 2/2 |
| Mr. Law Kin Ho | 2/1 |
| Mr. Wong Kai Cheong | 2/2 |

During the CG Period, the Audit Committee has performed the major tasks summarised as below:

(i) reviewed the draft interim and annual consolidated financial statements of the Group for the six months ended 30 September 2011 and for the year ended 31 March 2012 and the related draft results announcements;

(ii) reviewed the application of the new accounting standards promulgated by the Hong Kong Institute of Certified Public Accountants in the Group's consolidated financial statements;

(iii) reviewed the Group's internal control system with management including review of the work done by the Group's internal audit function;

(iv) reviewed the compliance matters with respect to corporate governance issues;

(v) discussed and reviewed with the external auditor the statutory audit plan and matters relating to significant accounting and auditing issues; and

(vi) reviewed and considered the audit fee of external auditor.

The terms of reference of the Audit Committee are available from the websites of the Stock Exchange and the Company.

## Investment Committee

The Investment Committee was established with specific written terms of reference. The Investment Committee's principal roles are to review, pursue and evaluate investment opportunities in property development and investment projects and to approve and execute such investments within the limit as delegated and authorised by the Board from time to time.

The members of the Investment Committee and their respective attendance of the Investment Committee meetings held during the CG period are as follows:

| | No. of meetings held/ No. of attendance |
|---|---|
| **Executive directors** | |
| Mr. Tao Lin *(Chairman of the Investment Committee)* | 2/2 |
| Mr. Jiang Ming | 2/2 |
| Mr. Cheng Wing Bor | 2/2 |

The meetings of the Investment Committee held during the CG Period are mainly to review, evaluate and approve the identified investment opportunities in property development and investment projects.

## Auditor's Remuneration

For the financial year ended 31 March 2012, Deloitte Touche Tohmatsu, the external auditor of the Company, provided the following services to the Group and the respective fees charged are set out below:

| Services rendered for the Group | Fee paid/payable HK$'000 |
|---|---|
| Audit services | 3,300 |
| Non-audit services (including review of interim results) | 650 |
| Total | 3,950 |

## Responsibility for Consolidated Financial Statements

The Board is responsible for the timely presentation of balanced, clear and understandable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors of the Company acknowledge their responsibility for preparing the consolidated financial statements. In preparing the consolidated financial statements for the year ended 31 March 2012, the directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the consolidated financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. A statement by the Company's external auditor about their reporting responsibilities is set out on pages 44 and 45 of the Annual Report.

## Internal Control

The Board recognises the importance of a sound and effective internal control system to the Group's business operations. As a routine procedure and part of the internal control system, during the CG Period, the internal audit team of the Group has regularly conducted internal audits on the operating units and functions of the Group on a rotational basis. The internal audit procedures include a review and/or testing on the Group's significant internal control procedures over finance, operation, compliance and risk management functions and a review on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions. Findings and recommendations were reported to the Audit Committee. Improvement and reinforcement to the Group's internal control system were thus made as a continuing process.

## Shareholder and Investor Communication

The Company uses a range of communication tools to ensure its shareholders and investors are kept well informed of key business imperatives. These include AGM, general meetings for specific businesses, annual and interim reports, notices, announcements and circulars.

The AGM is the principal occasion at which the Chairman and directors may interface directly with the shareholders. Most of the directors are usually present at the AGM to which all shareholders are invited and during which they have the opportunity to raise questions with the Board. An AGM circular will be distributed to all shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures (including procedures for conducting a poll) and other relevant information. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

Annual reports, interim reports, notices, announcements and circulars are archived in the Company's investor relations website: http://www.irasia.com/listco/hk/coastal that can be freely accessed to. Furthermore, the access to the Company's investor relations website can also be made through the "investor relations" hyperlink in the Company's website: http://www.coastal.com.cn. The Company also actively participates in investment conferences and roadshows organised by investment banks as well as one-on-one meetings and analysts/ investors luncheon meetings to meet with investors and securities analysts.

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

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise property development, property investment and provision of property management services. There were no changes in the nature of the Group's principal activities during the year.

## Results and Dividends

The Group's profit for the year ended 31 March 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 46 to 136.

The directors do not recommend the payment of any dividend for the year ended 31 March 2012.

## Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified and restated as appropriate, is set out on page 4 of the Annual Report. This summary does not form part of the audited financial statements.

## Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

## Properties under Development

Details of movements in the properties under development of the Group during the year are set out in note 24 to the consolidated financial statements.

## Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 33 and 36 to the consolidated financial statements respectively.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

## Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

## Distributable Reserves

At 31 March 2012, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$2,177,385,000. In addition, the Company's share premium account, in the amount of HK$1,126,800,000 as at 31 March 2012, may be distributed in the form of fully paid bonus shares.

## Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 12% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 46% of the total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers.

## Directors

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

### *Executive Directors:*

Mr. Chan Boon Teong *(Chairman)*
Mr. Jiang Ming *(Vice Chairman and Managing Director)*
Mr. Tao Lin
Mr. Cheng Wing Bor
Mr. Lin Chen Hsin
Mr. Cai Shaobin
Mr. Zheng Hong Qing
Mr. Wang Jun

### *Non-Executive Directors:*

| | |
|---|---|
| Mr. Guo Limin | (Resigned on 2 May 2012) |
| Mr. Lu Hua | (Resigned on 2 May 2012) |

### *Independent Non-executive Directors:*

Mr. Tang Lap Yan
Mr. Law Kin Ho
Mr. Wong Kai Cheong

## Directors *(Continued)*

In accordance with article 87(1) of the Company's bye-laws, Messrs. Cheng Wing Bor, Cai Shaobin, Law Kin Ho and Wong Kai Cheong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs. Tang Lap Yan, Law Kin Ho and Wong Kai Cheong and as at the date of this report still considers them to be independent.

## Directors' Biographies

Biographical details of the directors of the Company are set out on pages 28 and 29 of the Annual Report.

## Directors' Service Contracts

Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor and Mr. Lin Chen Hsin have entered into service contracts with the Company for a term of three years expiring on 29 September 2012. Mr. Cai Shaobin has entered into a service contract with the Group for a term of five years expiring on 31 December 2012. Mr. Zheng Hong Qing has entered into a service contract with the Group for a term of three years from 22 March 2010. Mr. Wang Jun has entered into two service contracts with two wholly-owned subsidiaries of the Company. One of the service contracts has a term of three years which shall be automatically extended for another one year upon expiration of the term of the service contract unless terminated by either party to the service contract, which requires not less than one month's length of notice. Another service contract has a term of three years, which requires not less than one month's length of termination notice.

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

## Directors' Remuneration

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

## Directors' Interests in Contracts

Save as disclosed in note 43 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year. The Company has received annual confirmations of independence from Messrs. Tang Lap Yan, Law Kin Ho and Wong Kai Cheong and as at the date of this report still considers them to be independent.

## Directors' Interests in Shares and Underlying Shares

At 31 March 2012, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (A) Interests and short positions in shares and underlying shares of the Company

#### (i) Interests and short positions in the ordinary shares of the Company

| | | Number of shares held or short positions, capacity and nature of interest | | |
|---|---|---|---|---|
| **Name of director** | Notes | **Directly beneficially owned** | **Through controlled corporation** | **Percentage of the Company's issued share capital** |
| Mr. Chan Boon Teong | (a), (b) and (c) | 6,400,000 (L) | 1,020,841,319 (L) | 36.81% |
| Mr. Jiang Ming | (a), (b) and (c) | – | 1,020,841,319 (L) | 36.58% |
| Mr. Tao Lin | (a), (b) and (c) | – | 1,020,841,319 (L) | 36.58% |
| Mr. Cheng Wing Bor | (a), (b) and (c) | 6,400,000 (L) | 1,020,841,319 (L) | 36.81% |
| Mr. Lin Chen Hsin | (a), (b) and (c) | 2,080,000 (L) | 1,020,841,319 (L) | 36.66% |

L: Long position

Notes:

(a) 484,280,792 shares are beneficially owned by Coastal International Holdings Limited ("CIH"), of which the entire issued voting share capital is held as to 21.56% by Mr. Chan Boon Teong, 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 5.38% by Mr. Cheng Wing Bor, 3.30% by Mr. Lin Chen Hsin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming) and 5.38% by Cyberich Development Limited (the entire issued voting share capital of which is held by Ms. Wang Hongmei). These 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

(b) 52,350,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 52,350,000 shares represent an aggregate of approximately 1.88% of the issued share capital of the Company.

(c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

(ii) The interests of the directors in the share options of the Company are separately disclosed in note 36 to the consolidated financial statements.

## Directors' Interests in Shares and Underlying Shares *(Continued)*

### *(B) Interests in shares of the associated corporation of the Company*

***Long positions in shares of Coastal International Holdings Limited ("CIH") (a substantial shareholder of the Company)***

| Name of director | Number of shares held | Capacity and nature of interest | Percentage of the associated corporation's issued share capital |
|---|---|---|---|
| Mr. Chan Boon Teong | 2,156 | Directly beneficially owned | 21.56% |
| Mr. Jiang Ming | 3,758 | Directly beneficially owned | 37.58% |
| | 2,142 | Through controlled corporation | 21.42% |
| Mr. Tao Lin | 538 | Directly beneficially owned | 5.38% |
| Mr. Cheng Wing Bor | 538 | Directly beneficially owned | 5.38% |
| Mr. Lin Chen Hsin | 330 | Directly beneficially owned | 3.30% |

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

## Directors' Rights to Acquire Shares or Debentures

Save as disclosed in note 36 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Substantial Shareholders' and other Persons' Interests and Short Positions in Shares and Underlying Shares

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2012, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

| Name | Nature of interest | Number of ordinary shares held or short positions | Number of underlying shares held in respect of share options | Percentage of the Company's issued share capital |
|---|---|---|---|---|
| Ms. Yang Sun Xin | Family (Note) | 1,020,841,319 (L) | 10,000,000 (L) | 36.94% |
| Shenzhen Investment Limited | Corporate | 631,092,857 (L) | – | 22.62% |

L: Long position

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (a director of the Company) and is deemed to be interested in the 1,020,841,319 shares of the Company, which is the aggregate number of shares that CIH and its wholly-owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company, and in the 10,000,000 outstanding share options held by Mr. Jiang Ming as disclosed in note 36 to the consolidated financial statements.

Save as disclosed above, as at 31 March 2012, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Sufficiency of Public Float

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

## Corporate Governance Practices

Details of the corporate governance practices of the Company are set out in the Corporate Governance Report on pages 30 to 36 of the Annual Report.

## Auditor

The consolidated financial statements for the year ended 31 March 2012 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Chan Boon Teong**
*Chairman*

Hong Kong, 29 June 2012

Deloitte.
德勤

**TO THE SHAREHOLDERS OF COASTAL GREENLAND LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Coastal Greenland Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 136, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

## Opinion

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

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2012

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| Revenue | 8 | **7,177,603** | 3,753,191 |
| Cost of sales | | **(4,835,907)** | (2,683,903) |
| Gross profit | | **2,341,696** | 1,069,288 |
| (Decrease) increase in fair value of investment properties | 17 | **(56,291)** | 55,685 |
| Fair value gain on warrants | 32 | **960** | 17,703 |
| Impairment loss on goodwill | 19 | **(90,205)** | – |
| Other income and gains | 9 | **357,267** | 372,243 |
| Marketing and selling expenses | | **(106,380)** | (116,000) |
| Administrative expenses | | **(246,856)** | (184,820) |
| Other expenses | | **(245,260)** | (193,534) |
| Finance costs | 10 | **(394,677)** | (273,107) |
| Share of (loss) profit of associates | | **(14,330)** | 7,939 |
| Profit before taxation | | **1,545,924** | 755,397 |
| Taxation | 11 | **(960,464)** | (586,650) |
| Profit for the year | 12 | **585,460** | 168,747 |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation to presentation currency | | **173,737** | 152,723 |
| Surplus on revaluation of buildings | | **21,056** | 26,474 |
| Deferred tax liability arising on revaluation of buildings | | **(4,178)** | (6,397) |
| Other comprehensive income for the year | | **190,615** | 172,800 |
| Total comprehensive income for the year | | **776,075** | 341,547 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **593,431** | 148,539 |
| Non-controlling interests | | **(7,971)** | 20,208 |
| | | **585,460** | 168,747 |

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **780,330** | 316,197 |
| Non-controlling interests | | **(4,255)** | 25,350 |
| | | **776,075** | 341,547 |
| | | **HK cents** | HK cents |
| Earnings per share | 15 | | |
| Basic and diluted | | **21.27** | 5.32 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **1,005,929** | 982,946 |
| Investment properties | 17 | **1,645,526** | 1,760,155 |
| Prepaid land lease payments | 18 | **55,832** | 55,084 |
| Goodwill | 19 | **–** | 86,771 |
| Interests in associates | 21 | **419,887** | 349,266 |
| Available-for-sale investments | 22 | **2,960** | 2,960 |
| Pledged bank deposits | 23 | **–** | 61,940 |
| Total non-current assets | | **3,130,134** | 3,299,122 |
| **CURRENT ASSETS** | | | |
| Properties under development | 24 | **6,059,972** | 9,008,028 |
| Completed properties for sale | 25 | **2,668,152** | 1,423,624 |
| Trade receivables | 26 | **265,619** | 44,358 |
| Prepayments, deposits and other receivables | 27 | **1,366,384** | 1,853,299 |
| Amounts due from associates | 43(b)(ii) | **113,324** | 37,726 |
| Prepaid tax | | **5,913** | 167,206 |
| Pledged bank deposits | 23 | **601,447** | 543,668 |
| Cash and bank balances | 23 | **1,913,030** | 1,897,256 |
| | | **12,993,841** | 14,975,165 |
| Assets classified as held for sale | 28 | **51,042** | 60,072 |
| Total current assets | | **13,044,883** | 15,035,237 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 29 | **500,585** | 317,928 |
| Deposits received from pre-sales of properties | | **864,298** | 4,973,372 |
| Other payables and accruals | 30 | **1,652,001** | 1,471,314 |
| Amount due to a substantial shareholder of the Company | 43(b)(i) | **11,594** | 12,156 |
| Amounts due to associates | 43(b)(ii) | **67,085** | – |
| Tax payable | | **1,545,788** | 1,488,774 |
| Interest-bearing bank and other borrowings | 31 | **5,036,936** | 1,531,547 |
| Derivative financial liability – warrants | 32 | **–** | 960 |
| Total current liabilities | | **9,678,287** | 9,796,051 |
| **NET CURRENT ASSETS** | | **3,366,596** | 5,239,186 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **6,496,730** | 8,538,308 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 33 | 279,058 | 279,058 |
| Reserves | | 4,210,292 | 3,424,575 |
| Equity attributable to owners of the Company | | 4,489,350 | 3,703,633 |
| Non-controlling interests | | 70,788 | 75,043 |
| Total equity | | 4,560,138 | 3,778,676 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 31 | 1,310,092 | 4,215,043 |
| Long term payable | 34 | – | 59,365 |
| Deferred tax liabilities | 35 | 626,500 | 485,224 |
| Total non-current liabilities | | 1,936,592 | 4,759,632 |
| | | 6,496,730 | 8,538,308 |

The consolidated financial statements on pages 46 to 136 were approved and authorised for issue by the Board of Directors on 29 June 2012 and are signed on its behalf by:

| | |
|---|---|
| **Chan Boon Teong** | **Cheng Wing Bor** |
| *Director* | *Director* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

| | Notes | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Capital reserve HK$'000 | Leasehold property revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC reserve funds HK$'000 | Share options reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | | | | |
| At 1 April 2010 | | 279,058 | 1,126,800 | 37,560 | 929 | 27,728 | 457,768 | 9,697 | 48,476 | 1,392,010 | 3,380,026 | 63,331 | 3,443,357 |
| Exchange differences arising on translation to presentation currency | | – | – | – | – | – | 147,581 | – | – | – | 147,581 | 5,142 | 152,723 |
| Surplus on revaluation | 16 | – | – | – | – | 26,474 | – | – | – | – | 26,474 | – | 26,474 |
| Deferred tax charge arising on revaluation of buildings | 35 | – | – | – | – | (6,397) | – | – | – | – | (6,397) | – | (6,397) |
| Other comprehensive income for the year | | – | – | – | – | 20,077 | 147,581 | – | – | – | 167,658 | 5,142 | 172,800 |
| Profit for the year | | – | – | – | – | – | – | – | – | 148,539 | 148,539 | 20,208 | 168,747 |
| Total comprehensive income for the year | | – | – | – | – | 20,077 | 147,581 | – | – | 148,539 | 316,197 | 25,350 | 341,547 |
| Recognition of equity-settled share-based payment | 36 | – | – | – | – | – | – | – | 7,410 | – | 7,410 | – | 7,410 |
| Disposal of a property-based subsidiary | 38 | – | – | – | – | – | – | – | – | – | – | (13,638) | (13,638) |
| At 31 March 2011 | | 279,058 | 1,126,800 | 37,560 | 929 | 47,805 | 605,349 | 9,697 | 55,886 | 1,540,549 | 3,703,633 | 75,043 | 3,778,676 |
| Exchange differences arising on translation to presentation currency | | – | – | – | – | – | 170,021 | – | – | – | 170,021 | 3,716 | 173,737 |
| Transfer upon disposal of buildings | | – | – | – | – | (624) | – | – | – | 624 | – | – | – |
| Surplus on revaluation | 16 | – | – | – | – | 21,056 | – | – | – | – | 21,056 | – | 21,056 |
| Deferred tax charge arising on revaluation of buildings | 35 | – | – | – | – | (4,178) | – | – | – | – | (4,178) | – | (4,178) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Capital reserve HK$'000 | Leasehold property revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC reserve funds HK$'000 | Share options reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Other comprehensive income for the year | | – | – | – | – | 16,254 | 170,021 | – | – | 624 | 186,899 | 3,716 | 190,615 |
| Forfeiture of share options | | – | – | – | – | – | – | – | (5,221) | 5,221 | – | – | – |
| Profit (loss) for the year | | – | – | – | – | – | – | – | – | 593,431 | 593,431 | (7,971) | 585,460 |
| Total comprehensive income (expense) for the year | | – | – | – | – | 16,254 | 170,021 | – | (5,221) | 599,276 | 780,330 | (4,255) | 776,075 |
| Recognition of equity-settled share-based payment | 36 | – | – | – | – | – | – | – | 5,387 | – | 5,387 | – | 5,387 |
| **At 31 March 2012** | | **279,058** | **1,126,800** | **37,560** | **929** | **64,059** | **775,370** | **9,697** | **56,052** | **2,139,825** | **4,489,350** | **70,788** | **4,560,138** |

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997, less dividends paid to shareholders in previous years.

PRC reserve funds are reserves required by the relevant laws in the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **1,545,924** | 755,397 |
| Adjustments for: | | | |
| Finance costs | | **394,677** | 273,107 |
| Share of loss (profit) of associates | | **14,330** | (7,939) |
| Interest income | | **(6,066)** | (11,668) |
| Depreciation | | **58,510** | 55,426 |
| Amortisation of prepaid land lease payments | | **1,381** | 1,312 |
| Share-based payment | | **5,387** | 7,410 |
| (Gain) loss on disposal of property, plant and equipment | | **(962)** | 6,541 |
| Reversal of impairment loss recognised on trade and other receivables | | **–** | (264) |
| Impairment loss on goodwill | 19 | **90,205** | – |
| Decrease (increase) in fair value of investment properties | | **56,291** | (55,685) |
| Gain on disposal of property-based subsidiaries | 38 | **(131,007)** | (27,650) |
| Fair value gain on warrants | | **(960)** | (17,703) |
| Gain on repurchase of senior notes | | **(1,110)** | – |
| Provision for legal claims | | **69,500** | – |
| Operating profit before working capital changes | | **2,096,100** | 978,284 |
| Increase in properties under development | | **(2,247,183)** | (1,940,399) |
| Decrease in completed properties for sale | | **4,914,060** | 2,703,645 |
| (Increase) decrease in trade receivables | | **(219,639)** | 6,514 |
| Decrease (increase) in prepayments, deposits and other receivables | | **405,860** | (1,202,127) |
| Increase in trade payables | | **165,121** | 135,735 |
| (Decrease) increase in deposits received from pre-sales of properties | | **(4,628,516)** | 896,664 |
| Decrease in other payables and accruals | | **(296)** | (366,473) |
| Cash generated from operations | | **485,507** | 1,211,843 |
| Interest received | | **6,066** | 11,668 |
| PRC Enterprise Income Tax and PRC LAT tax paid | | **(684,643)** | (365,524) |
| Net cash (used in) from operating activities | | **(193,070)** | 857,987 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Advance of loans receivable | | (61,680) | (166,221) |
| Advance to associates | | (16,714) | (6,554) |
| Acquisition of property-based subsidiaries | 37 | (97,326) | (550,862) |
| Purchases of property, plant and equipment | | (23,474) | (9,718) |
| Capital injections to associates | 21 | (22,084) | (108,045) |
| Purchases of investment properties | | (2,534) | (138) |
| Repayment of loans receivable | | 172,377 | – |
| Disposal of property-based subsidiaries | 38 | 154,347 | 70,614 |
| Proceeds from disposal of investment properties | | 133,150 | 23,614 |
| Decrease (increase) in restricted bank balances | | 84,372 | (73,551) |
| Decrease in pledged bank deposits | | 24,297 | 680,067 |
| Repayment from associates | | 31,475 | – |
| Deposits received for disposal of assets classified as held for sale | | 20,035 | 3,562 |
| Proceeds from disposal of property, plant and equipment | | 8,917 | 2,862 |
| Net cash from (used in) investing activities | | 405,158 | (134,370) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Advance from an associate | | 67,085 | – |
| New bank and other borrowings raised | | 1,230,971 | 2,390,858 |
| Repayment of bank and other borrowings | | (916,647) | (2,740,155) |
| Interest paid | | (529,210) | (519,087) |
| Repayment to a former shareholder of a subsidiary | | (34,675) | – |
| Repayment to a substantial shareholder of the Company | | (562) | (4,968) |
| Repayment to a jointly controlled entity | | – | (6,449) |
| Net cash used in financing activities | | (183,038) | (879,801) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 29,050 | (156,184) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | | 1,405,159 | 1,479,725 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | 52,870 | 81,618 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | 42 | 1,487,079 | 1,405,159 |

## 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollar which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors of the Company consider that Hong Kong dollar is the appropriate presentation currency in view of its place of listing. The majority of the Company's subsidiaries are operating in the PRC with RMB as their functional currency.

The Group is engaged in the following principal activities:

- property development
- property investment
- provision of property management services

## 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| HKAS 24 (as revised in 2009) | Related Party Disclosures |
| Amendments to HK(IFRIC) – Int 14 | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### *New and revised standards and interpretations issued but not yet effective*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle[1] |
| Amendments to HKFRS 7 | Disclosures – Transfers of Financial Assets[2] |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[5] |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets[4] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[6] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |

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

## 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

*New and revised standards and interpretations issued but not yet effective (Continued)*

*New and revised standards on consolidation, joint arrangements, associates and disclosures*

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these standards will have no material impact on the Group's financial performance and position.

*HKFRS 13 "Fair Value Measurement"*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### *New and revised standards and interpretations issued but not yet effective (Continued)*

#### *HKFRS 13 "Fair Value Measurement" (Continued)*

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard will result in more extensive disclosures in the consolidated financial statements.

#### *Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"*

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

#### *Amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets"*

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The Group is in the process of assessing and quantifying the potential financial impact on deferred tax recognised for investment properties that are measured using the fair value method.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's entity therein.

### *Allocation of total comprehensive income to non-controlling interests*

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted based on the net asset value of the subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## 3. Significant Accounting Policies (Continued)

### *Basis of consolidation (Continued)*

#### *Changes in the Group's ownership interests in existing subsidiaries (Continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

## 3. Significant Accounting Policies (Continued)

### *Business combinations (Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

### *Acquisition of property-based subsidiaries*

On acquisition of property-based subsidiaries which are not businesses, the excess of the consideration over the Group's interest in the carrying amount of acquiree's net assets is allocated to the value of the underlying assets acquired. No goodwill or discount on acquisition is recognised upon the acquisition of interests in a property-based subsidiary.

### *Acquisition of additional interests in property-based subsidiaries*

Acquisitions of additional interests in property-based subsidiaries are accounted for as equity transactions in accordance with the accounting policy for changes in the Group's ownership interests in existing subsidiaries described above.

### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

## 3. Significant Accounting Policies (Continued)

***Goodwill (Continued)***

A cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

***Investments in associates***

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 3. Significant Accounting Policies (Continued)

### *Investments in associates (Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### *Interest in a jointly controlled entity*

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of on impairment of the asset transferred, in which case, the full amount of losses is recognised.

## 3. Significant Accounting Policies (Continued)

### *Non-current assets held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current asset (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties that are classified as held for sale and are measured at fair value at the end of the reporting period.

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the purchasers, the collectability of related receivables is reasonably assured. Deposits and instalments received from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from properties under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Property management income and revenue from hotel operation are recognised when the related services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

## 3. Significant Accounting Policies (Continued)

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

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in leasehold property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid land lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

## 3. Significant Accounting Policies (Continued)

### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

### *Completed properties for sale*

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

### *Impairment loss on tangible assets*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## 3. Significant Accounting Policies (Continued)

### *Impairment loss on tangible assets (Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. Significant Accounting Policies (Continued)

### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

## 3. Significant Accounting Policies (Continued)

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### *Retirement benefit schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 3. Significant Accounting Policies (Continued)

### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. Significant Accounting Policies (Continued)

***Financial instruments***

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

## 3. Significant Accounting Policies (Continued)

***Financial instruments (Continued)***

***Financial assets (Continued)***

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 3. Significant Accounting Policies (Continued)

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

*Impairment of financial assets (Continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities include derivative financial liability and other financial liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Other financial liabilities*

Other financial liabilities including amount due to a substantial shareholder of the Company, amounts due to associates, trade and other payables, long term payable, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

## 3. Significant Accounting Policies (Continued)

### *Financial instruments (Continued)*

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 3. Significant Accounting Policies (Continued)

### *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

### *Share-based payment transactions*

For share options granted the employees and directors, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### *Critical judgements in applying the Group's accounting policies*

The followings are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Classification between investment properties and properties held for sale*

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

#### *Revenue recognition of sale of properties*

The Group recognises revenue from the sale of properties when the properties have been completed and delivered to the purchasers and the collectability of related receivables is reasonably assured. Judgement is made by the management in determining whether the receivables on sale of properties are reasonably assured upon delivery of the properties to the purchasers. The Group considers the credit worthiness of each individual purchaser and the contractual repayment arrangement with the purchasers in determining the collectability.

### *Key sources of estimation uncertainty*

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

#### *Land appreciation tax ("LAT")*

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### *Key sources of estimation uncertainty (Continued)*

#### *Land appreciation tax ("LAT") (Continued)*

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provision for LAT included in tax payable in the period in which such determination is made. During the year ended 31 March 2012, PRC LAT of HK$528,137,000 (2011: HK$370,780,000) was charged to profit or loss in the consolidated statement of comprehensive income.

#### *Fair value of investment properties*

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the management has exercised their judgement and is satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 March 2012 was HK$1,424,463,000 (2011: HK$1,548,817,000).

#### *Deposits for acquisition of land use rights*

The Group determines whether or not the deposits paid for acquisition of land use rights for property development for sale purpose are impaired. Deposits paid to independent third parties, both secured and unsecured, are based on the agreed terms as stipulated in the relevant agreements. Impairment losses are recognised for the deposits where events or changes in circumstances indicate that the acquisition may not be completed and the deposits are not recoverable. The management has delegated a team responsible for monitoring progress of the acquisition to ensure the deposits are recoverable. Whenever the recoverable amount from the land use rights to be acquired is less than the carrying amount of the deposits paid, impairment losses are recognised.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

***Key sources of estimation uncertainty (Continued)***

***Deposits for acquisition of land use rights (Continued)***

The carrying amount of deposits for acquisition of land use rights included in prepayments, deposits and other receivables at 31 March 2012 was HK$804,862,000 (2011: HK$1,129,635,000). Further details are set out in note 27.

***Recognition and allocation of construction cost on properties under development***

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties for sale upon completion. An apportionment of these costs will be recognised in the consolidated statement of comprehensive income upon the recognition of the sale of the properties. Prior to the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years after the completion.

***Estimated write-downs of properties under development and completed properties for sale***

The Group writes down properties under development and completed properties for sale to net realisable value based on assessment of the realisability of properties under development and completed properties for sale, taking into account costs to completion based on past experience and net sales value based on past experience and prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development and completed properties for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. If the expectation is different, it will impact the carrying value and write-downs of properties under development and completed properties for sale in the period in which such estimate is changed. The carrying amounts of properties under development and completed properties for sale at 31 March 2012 were HK$6,059,972,000 (2011: HK$9,008,028,000) and HK$2,668,152,000 (2011: HK$1,423,624,000) respectively.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

*Key sources of estimation uncertainty (Continued)*

*Fair value of warrants*

On issuance of warrants, the fair value of the warrants is determined and is carried as a derivative financial liability which is subsequently measured at fair value with movement recognised in profit or loss. In estimating the fair value of the derivative financial liability, the Group uses independent valuation which is based on various assumptions and estimates (see note 32). The carrying value of the derivative financial liability at 31 March 2012 was nil (2011: HK$960,000).

## 5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31, net of pledged bank deposits and cash and bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 6. Financial Instruments

### (a) Categories of financial instruments

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including pledged bank deposits, cash and bank balances) | 3,177,291 | 3,013,019 |
| Available-for-sale investments | 2,960 | 2,960 |
| **Financial liabilities** | | |
| Amortised cost | 7,517,775 | 6,724,787 |
| Derivative financial liability | – | 960 |

## 6. Financial Instruments (Continued)

### *(b) Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables, amounts due from/to associates, pledged bank deposits, bank balances, trade and other payables, amount due to a substantial shareholder of the Company, long term payable and interest-bearing bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *(i) Market risk*

*Currency risk*

The Group has bank balances and borrowings denominated in Hong Kong dollar and United States dollar, which are different from the functional currency of the respective group entity and accordingly expose the Group to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong dollar | **12,531** | 36,353 | **47,304** | 66,404 |
| United States dollar | **135,605** | 123,257 | **1,853,779** | 1,843,580 |

## 6. Financial Instruments (Continued)

### *(b) Financial risk management objectives and policies (Continued)*

#### *(i) Market risk (Continued)*

*Currency risk (Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) increase in RMB against Hong Kong dollar and United States dollar. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where RMB strengthens against the relevant foreign currencies. For a 5% (2011: 5%) weakening of RMB against the relevant currencies, there would be an equal but opposite impact on the profit for the year.

| | **2012 HK$'000** | 2011 HK$'000 |
|---|---|---|
| **Hong Kong dollar** | | |
| Increase in profit for the year | **1,715** | 1,466 |
| **United States dollar** | | |
| Increase in profit for the year | **84,891** | 84,301 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group is also exposed to cash flow interest rate in relation to variable-rate bank and other borrowings. The Group's cash flow interest rate is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and People's Bank of China ("PBOC") prescribed interest rate arising from the Group's United States dollar and RMB denominated borrowings. The management considers the exposure to interest rate risk in relation to pledged bank deposits and bank balances is insignificant due to the low level of bank interest rate. During the year, the Group has not entered into any derivative contracts to hedge against its cash flow and fair value interest rate risk.

## 6. Financial Instruments (Continued)

### (b) *Financial risk management objectives and policies (Continued)*

#### (i) *Market risk (Continued)*

*Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 (2011: 100) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If LIBOR and PBOC prescribed interest rate had been 100 (2011: 100) basis points higher/lower and all other variables were held constant, the Group's profit for the year (net of interest capitalisation effect) would be decreased/increased by HK$2,021,000 (2011: HK$2,043,000) and HK$16,900,000 (2011: HK$17,687,000) respectively after capitalisation of certain interest expenses in properties under development.

*Other price risk*

The Group is exposed to equity price risk arising from warrants. The fair value of the warrants was calculated using binomial option pricing model. Details of the warrants are set out in note 32.

Sensitivity analysis

If the share price input to the valuation model had been 5% (2011: 5%) lower/higher at the end of the reporting period and all other variables were held constant, the Group's profit for the year would be increased and decreased by approximately nil (2011: HK$214,000) and HK$4,000 (2011: HK$262,000) respectively as a result of the changes in fair value of derivative financial liability.

## 6. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (ii) Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee contracts issued by the Group as disclosed in note 39.

The Group reviews the recoverable amount of each individual trade, loan and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantee provided to a bank to secure the banking facility granted to an associate by the Group, the directors consider the credit risk is limited because the associate has strong financial position. The management considers the credit risk exposure to financial guarantee provided to banks to secure the banking facilities granted to property purchasers is also limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 March 2012, the Group has concentration of credit risk as 80.6% of the total trade receivables is due from the Group's largest debtor who is a corporate engaged in property investment business in the PRC. The management of the Group considered that the credit quality is good; the debtor has made payments in accordance with scheduled repayment terms.

In addition, the Group also has concentration of credit risk in respect of the amount due from a non-controlling interest, associates and loans receivable, who are engaged in the property development business in the PRC. The management closely monitors the financial position and repayment status of the debtors, and considered that the credit risk exposure is low.

Other than trade receivables, the amount due from a non-controlling interest, associates and loans receivable at 31 March 2012, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. At 31 March 2011, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-ratings agencies.

## 6. Financial Instruments (Continued)

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and continuously monitoring forecast and actual cash flows.

The Group relies on bank and other borrowings as a significant source of liquidity. The Group manages the maturities profile of its bank and other borrowings by designating a team to closely monitor the funding requirement and early negotiate with lenders for refinancing arrangement or seek for new sources of financing prior to maturity.

*Liquidity tables*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

## 6. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (iii) Liquidity risk (Continued)

*Liquidity tables (Continued)*

| | On demand or less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2012 HK$'000 |
|---|---|---|---|---|---|---|---|
| **As at 31 March 2012** | | | | | | | |
| Trade and other payables | 968,707 | 61,680 | 67,486 | – | – | 1,097,873 | 1,092,068 |
| Amount due to a substantial shareholder of the Company | 11,594 | – | – | – | – | 11,594 | 11,594 |
| Amounts due to associates | 67,085 | – | – | – | – | 67,085 | 67,085 |
| Interest-bearing bank and other borrowings | | | | | | | |
| – fixed rate | 49,569 | 34,495 | 2,613,453 | 564,166 | – | 3,261,683 | 2,708,905 |
| – variable rate | 43,376 | 1,192,506 | 1,734,931 | 518,540 | 436,964 | 3,926,317 | 3,638,123 |
| Financial guarantee contracts | 4,001,232 | – | – | 123,361 | – | 4,124,593 | – |
| | 5,141,563 | 1,288,681 | 4,415,870 | 1,206,067 | 436,964 | 12,489,145 | 7,517,775 |

| | On demand or less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2011 HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 March 2011 | | | | | | | |
| Trade and other payables | 847,310 | – | 62,603 | 66,017 | – | 975,930 | 906,676 |
| Amount due to a substantial shareholder of the Company | 12,156 | – | – | – | – | 12,156 | 12,156 |
| Interest-bearing bank and other borrowings | | | | | | | |
| – fixed rate | 23,746 | 18,319 | 410,747 | 1,693,351 | – | 2,146,163 | 1,767,243 |
| – variable rate | 45,119 | 279,067 | 1,127,124 | 2,533,517 | 432,432 | 4,417,259 | 3,979,347 |
| Financial guarantee contracts | 4,419,387 | – | – | 59,365 | – | 4,478,752 | – |
| | 5,347,718 | 297,386 | 1,600,474 | 4,352,250 | 432,432 | 12,030,260 | 6,665,422 |

## 6. Financial Instruments (Continued)

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk (Continued)*

Bank loan with a repayment on demand clause is included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2012, the undiscounted principal amount of such bank loan amounted to HK$26,400,000 (2011: HK$28,600,000). Taking into account the Group's financial position, the directors do not believe that the bank will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loan will be repaid in monthly instalment after the reporting date in accordance with the scheduled repayment dates up to 13 years (2011: 14 years) from the end of the reporting period set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$31,906,000 (2011: HK$33,775,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the amount is claimed by the counterparty to the guarantee. Based on expectation at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change, if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Notwithstanding the above, should there be any material unexpected impact on the Group's anticipated cash flow position, the Group has a number of alternative plans to meet its business development requirements, which include (1) obtaining further loans by pledging certain property projects as collateral; (2) accelerating property sales with flexible pricing; and (3) carrying out cost control measures and (4) disposing of certain commercial and development property projects. The Group will pursue such options as are appropriate with prudent assessment. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its needs.

## 6. Financial Instruments (Continued)

### (c) *Fair values of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as inputs; and

- the fair values of derivative instruments are determined based on the binomial option pricing model using the assumptions (see note 32) that are supported by observable market data.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

***Fair value measurements recognised in the consolidated statement of financial position***

The derivative financial liability including warrants of nil (2011: HK$960,000) is measured subsequent to initial recognition at fair value which is grouped into Level 3 fair value measurements.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Reconciliation of Level 3 fair value measurements of financial liabilities***

| | **Derivative financial liability – warrants** HK$'000 |
|---|---|
| At 1 April 2010 | 18,663 |
| Profit recognised in profit or loss | (17,703) |
| At 31 March 2011 | 960 |
| Profit recognised in profit or loss | (960) |
| **At 31 March 2012** | **–** |

## 7. Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors of the Company, being the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. Summary details of the Group's reportable and operating segments are as follows:

(a) the property development segment engages in the development of properties for sale in the PRC;

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation; and

(c) the property management segment engages in the management of properties in the PRC.

There were no intersegment sales and transfers for both years.

### *Segment revenue and results*

The Group's revenue and results are substantially derived from operations in the PRC. The following is an analysis of the Group's revenue and results by reportable and operating segments:

| | Property development | | Property investment | | Property management | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | **7,162,960** | 3,735,288 | **8,555** | 10,126 | **6,088** | 7,777 | **7,177,603** | 3,753,191 |
| Segment results | **2,054,208** | 1,022,901 | **(57,493)** | 61,478 | **1,907** | 2,824 | **1,998,622** | 1,087,203 |
| Net unallocated expenses | | | | | | | **(53,932)** | (64,206) |
| Income from hotel operation | | | | | | | **89,900** | 57,901 |
| Expenses of hotel operation | | | | | | | **(134,879)** | (120,988) |
| Net foreign exchange gains | | | | | | | **48,194** | 31,284 |
| Fair value gain on warrants | | | | | | | **960** | 17,703 |
| Interest income | | | | | | | **6,066** | 11,668 |
| Finance costs | | | | | | | **(394,677)** | (273,107) |
| Share of (loss) profit of associates | | | | | | | **(14,330)** | 7,939 |
| Profit before taxation | | | | | | | **1,545,924** | 755,397 |

## 7. Segment Information (Continued)

### *Segment revenue and results (Continued)*

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation made by each reportable segment without allocation of income and expenses of the Group's head office and hotel operation, net foreign exchange differences, change in fair value of warrants, interest income, finance costs, and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### *Segment assets and liabilities*

The Group's CODM does not review the segment assets and liabilities for the purposes of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

### *Other segment information*

Amounts included in the measure of segment profit:

| | Property development | | Property investment | | Property management | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 |
| Depreciation | 2,118 | 848 | 411 | 491 | 463 | 537 | 55,518 | 53,550 | 58,510 | 55,426 |
| Amortisation of prepaid land lease payments | – | – | – | – | – | – | 1,381 | 1,312 | 1,381 | 1,312 |
| (Gain) loss on disposal of property, plant and equipment | (559) | 6,541 | (285) | – | 53 | 45 | (171) | (45) | (962) | 6,541 |
| Decrease (increase) in fair value of investment properties | – | – | 56,291 | (55,685) | – | – | – | – | 56,291 | (55,685) |
| Gain on disposal of property-based subsidiaries | (131,007) | (27,650) | – | – | – | – | – | – | (131,007) | (27,650) |
| Provision for legal claims | 69,500 | – | – | – | – | – | – | – | 69,500 | – |
| Impairment loss on goodwill | 90,205 | – | – | – | – | – | – | – | 90,205 | – |

### *Geographical information*

No geographical segment information is presented as the Group's revenue and results are substantially derived from operations in the PRC and the Group's non-current assets are mainly located in the PRC.

### *Information about major customers*

The Group does not have major customers as no single external customer contributes more than 10% of the Group's revenue of respective years.

## 8. Revenue

Revenue represents gross proceeds, net of discounts and sales related taxes, from the sale of properties, together with rental income and property management income. An analysis of the Group's revenue for the year is as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Sale of properties | **7,162,960** | 3,735,288 |
| Rental income | **8,555** | 10,126 |
| Property management income | **6,088** | 7,777 |
| | **7,177,603** | 3,753,191 |

## 9. Other Income and Gains

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Interest income from banks | **6,066** | 11,668 |
| Gain on disposal of property, plant and equipment | **962** | – |
| Income from hotel operation (note a) | **89,900** | 57,901 |
| Net foreign exchange gains | **48,194** | 31,284 |
| Net project management service income from associates | **2,694** | 9,997 |
| Gain on reclamation of land use rights by local government (note b) | **–** | 200,834 |
| Gain on disposal of property-based subsidiaries (note 38) | **131,007** | 27,650 |
| Gain on repurchase of senior notes (note 31(e)) | **1,110** | – |
| Subsidies from the local government | **15,895** | 493 |
| Others | **61,439** | 32,416 |
| | **357,267** | 372,243 |

Notes:

(a) The Group regards the hotel operation as incidental to its main revenue-generating activities and accordingly, income from hotel operation is not regarded as revenue. Accordingly, expenses incurred for hotel operation are included in other expenses.

(b) During the year ended 31 March 2011, the Group received a compensation income of HK$505,542,000 in respect of reclamation of land use rights by local government. The carrying value of the land use rights reclaimed was HK$304,708,000 (note 24). Accordingly, a gain of HK$200,834,000 was arose from the reclamation.

## 10. Finance Costs

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Interest on bank loans wholly repayable within five years | 140,681 | 188,081 |
| Interest on bank loans not wholly repayable within five years | 52,297 | 43,047 |
| Interest on other loans wholly repayable within five years | 244,960 | 109,241 |
| Interest on senior notes | 155,995 | 151,292 |
| Interest on long term payable | – | 8,743 |
| | 593,933 | 500,404 |
| Less: Amounts capitalised in properties under development | (199,256) | (227,297) |
| | 394,677 | 273,107 |

Borrowing costs capitalised during the year arose on the funds borrowed specifically for the purpose of obtaining qualifying assets.

## 11. Taxation

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| PRC Enterprise Income Tax | | |
| Provision for the year | 323,381 | 396,800 |
| Under(over)provision in prior years | 1,889 | (3,129) |
| PRC LAT | 528,137 | 370,780 |
| Deferred tax | 107,057 | (177,801) |
| Total tax charge for the year | 960,464 | 586,650 |

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits sourced in Hong Kong for both years.

The Group's income tax expense represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 11. Taxation (Continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % |
| Profit before taxation | 1,545,924 | | 755,397 | |
| Tax at the statutory tax rate | 386,481 | 25.0 | 188,849 | 25.0 |
| Tax effect of income not taxable | (48,984) | (3.2) | (20,414) | (2.7) |
| Tax effect of expenses not deductible | 154,862 | 10.0 | 89,831 | 11.9 |
| Tax effect of tax losses not recognised | 49,054 | 3.2 | 57,552 | 7.6 |
| Tax effect of utilisation of tax losses previously not recognised | (22,929) | (1.5) | (5,280) | (0.7) |
| Tax effect of share of loss (profit) of associates | 3,583 | 0.2 | (1,985) | (0.3) |
| | 522,067 | 33.7 | 308,553 | 40.8 |
| PRC LAT | 528,137 | 34.2 | 370,780 | 49.1 |
| Income tax effect of PRC LAT | (132,034) | (8.5) | (92,695) | (12.2) |
| Changes in estimate of deferred tax liability which arose on a business combination | (10,796) | (0.7) | (41,634) | (5.5) |
| Deferred tax on undistributed earnings of PRC subsidiaries | 58,677 | 3.8 | 44,775 | 5.9 |
| Reversal of deferred tax liability upon disposal of investment properties | (7,476) | (0.5) | – | – |
| Under(over)provision in prior years | 1,889 | 0.1 | (3,129) | (0.4) |
| Tax charge and effective tax rate for the year | 960,464 | 62.1 | 586,650 | 77.7 |

## 12. Profit for the Year

Profit for the year has been arrived at after charging (crediting):

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Cost of completed properties sold | 4,835,873 | 2,673,886 |
| Depreciation of property, plant and equipment (note 16) | 61,501 | 57,837 |
| Less: Amounts capitalised in properties under development | (2,991) | (2,411) |
| | 58,510 | 55,426 |
| Amortisation of prepaid land lease payments (note 18) | 1,381 | 1,312 |
| (Gain) loss on disposal of property, plant and equipment | (962) | 6,541 |
| Minimum lease payments under operating leases for land and buildings | 4,145 | 4,262 |
| Less: Amounts capitalised in properties under development | (4,145) | (2,588) |
| | – | 1,674 |
| Auditor's remuneration | 3,400 | 3,300 |
| Staff costs: | | |
| Salaries and other benefits (including directors' remuneration – note 13) | 176,045 | 130,264 |
| Share-based payment (note 36) | 5,387 | 7,410 |
| Pension scheme contributions | 11,690 | 10,333 |
| Less: Amounts capitalised in properties under development | (70,828) | (47,753) |
| | 122,294 | 100,254 |
| Provision for (reversal of) long service payments | 5 | (12) |
| Share of tax of associates (included in share of (loss) profit of associates) | (716) | 1,384 |
| Reversal of impairment loss recognised on trade and other receivables | – | (264) |
| Hotel operating expenses including depreciation of HK$46,390,000 (2011: HK$44,187,000) (included in other expenses) | 134,879 | 120,988 |
| Interest compensation for late handover of completed properties (included in other expenses) | 22,546 | 50,923 |
| Provision for legal claims (included in other expenses) (note 30b) | 69,500 | – |
| Gross rental income | (8,555) | (10,126) |
| Less: Outgoings | 1,366 | 3,280 |
| Net rental income | (7,189) | (6,846) |

## 13. Directors' Remuneration

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

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Fees: | | |
| Executive directors | – | – |
| Non-executive directors | 20 | 20 |
| Independent non-executive directors | 260 | 260 |
| | 280 | 280 |
| Other emoluments: | | |
| Salaries and other benefits | 18,536 | 15,275 |
| Share-based payment | 1,491 | 3,121 |
| Pension scheme contributions | 143 | 36 |
| | 20,170 | 18,432 |
| | 20,450 | 18,712 |

## 13. Directors' Remuneration (Continued)

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Share-based payment HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2012** | | | | | |
| Executive directors: | | | | | |
| Mr. Chan Boon Teong | – | 2,800 | 305 | – | 3,105 |
| Mr. Jiang Ming | – | 3,033 | 305 | 12 | 3,350 |
| Mr. Tao Lin | – | 2,683 | 305 | 12 | 3,000 |
| Mr. Cheng Wing Bor | – | 2,450 | 305 | 12 | 2,767 |
| Mr. Lin Chen Hsin | – | 511 | 76 | – | 587 |
| Mr. Cai Shaobin | – | 2,085 | – | 18 | 2,103 |
| Mr. Zheng Hong Qing | – | 636 | – | – | 636 |
| Mr. Wang Jun (note) | – | 4,338 | – | 89 | 4,427 |
| | – | 18,536 | 1,296 | 143 | 19,975 |
| Non-executive directors: | | | | | |
| Mr. Guo Limin | 10 | – | – | – | 10 |
| Mr. Lu Hua | 10 | – | – | – | 10 |
| | 20 | – | – | – | 20 |
| Independent non-executive directors: | | | | | |
| Mr. Tang Lap Yan | 100 | – | 75 | – | 175 |
| Mr. Law Kin Ho | 80 | – | 60 | – | 140 |
| Mr. Wong Kai Cheong | 80 | – | 60 | – | 140 |
| | 260 | – | 195 | – | 455 |
| | 280 | 18,536 | 1,491 | 143 | 20,450 |

Note: Included in salaries and other benefits is an one-off compensation of HK$1,418,000 (2011: nil) paid by the Group to Mr. Wang Jun as inducement to join the Group.

## 13. Directors' Remuneration (Continued)

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Share-based payment HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Year ended 31 March 2011 | | | | | |
| Executive directors: | | | | | |
| Mr. Chan Boon Teong | – | 2,800 | 638 | – | 3,438 |
| Mr. Jiang Ming | – | 3,033 | 638 | 12 | 3,683 |
| Mr. Tao Lin | – | 2,683 | 638 | 12 | 3,333 |
| Mr. Cheng Wing Bor | – | 2,450 | 638 | 12 | 3,100 |
| Mr. Lin Chen Hsin | – | 511 | 160 | – | 671 |
| Mr. Cai Shaobin | – | 2,125 | – | – | 2,125 |
| Mr. Zheng Hong Qing | – | 709 | – | – | 709 |
| Mr. Wang Jun | – | 964 | – | – | 964 |
| | – | 15,275 | 2,712 | 36 | 18,023 |
| Non-executive directors: | | | | | |
| Mr. Guo Limin | 10 | – | – | – | 10 |
| Mr. Xu Ruxin | 10 | – | – | – | 10 |
| | 20 | – | – | – | 20 |
| Independent non-executive directors: | | | | | |
| Mr. Tang Lap Yan | 100 | – | 157 | – | 257 |
| Mr. Law Kin Ho | 80 | – | 126 | – | 206 |
| Mr. Wong Kai Cheong | 80 | – | 126 | – | 206 |
| | 260 | – | 409 | – | 669 |
| | 280 | 15,275 | 3,121 | 36 | 18,712 |

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK$80,000 (2011: HK$80,000) for both years. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 14. Five Highest Paid Individuals

The five highest paid individuals during the year included five (2011: five) directors, details of whose remuneration are set out in note 13 above.

Other than as disclosed in note 13 to the financial statements, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group for both years.

## 15. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$593,431,000 (2011: HK$148,539,000) and the number of 2,790,582,857 (2011: 2,790,582,857) ordinary shares in issue.

The calculation of diluted earnings per share for the years ended 31 March 2012 and 31 March 2011 did not assume the exercise of the Company's options and warrants as the exercise prices of the options and warrants were higher than the average market price of the Company's shares for both years.

## 16. Property, Plant and Equipment

| | Leasehold land and buildings HK$'000 | Leasehold land and hotel building HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| COST OR VALUATION | | | | | | |
| At 1 April 2010 | 213,380 | 429,201 | 149,060 | 218,048 | 11,919 | 1,021,608 |
| Exchange realignment | 5,663 | 18,840 | 6,490 | 9,446 | 457 | 40,896 |
| Additions | – | – | 2,446 | 5,873 | 1,399 | 9,718 |
| Acquired on acquisition of property-based subsidiaries (note 37) | – | – | – | 98 | 207 | 305 |
| Disposals | (8,339) | – | – | (2,644) | (1,782) | (12,765) |
| Disposal of a property-based subsidiary (note 38) | – | – | – | (85) | – | (85) |
| Adjustment on revaluation | 22,539 | – | – | – | – | 22,539 |
| At 31 March 2011 | 233,243 | 448,041 | 157,996 | 230,736 | 12,200 | 1,082,216 |
| Exchange realignment | 7,072 | 17,476 | 6,053 | 8,863 | 441 | 39,905 |
| Additions | 16,299 | – | 185 | 3,293 | 3,697 | 23,474 |
| Acquired on acquisition of a property-based subsidiary (note 37) | 13,105 | – | – | 142 | 299 | 13,546 |
| Disposals | (4,206) | – | (3,918) | (2,556) | (922) | (11,602) |
| Disposal of a property-based subsidiary (note 38) | – | – | – | (90) | – | (90) |
| Adjustment on revaluation | 15,971 | – | – | – | – | 15,971 |
| **At 31 March 2012** | **281,484** | **465,517** | **160,316** | **240,388** | **15,715** | **1,163,420** |
| Comprising | | | | | | |
| At cost | – | 465,517 | 160,316 | 240,388 | 15,715 | 881,936 |
| At valuation 2012 | 281,484 | – | – | – | – | 281,484 |
| | 281,484 | 465,517 | 160,316 | 240,388 | 15,715 | 1,163,420 |

## 16. Property, Plant and Equipment (Continued)

| | Leasehold land and buildings | Leasehold land and hotel building | Leasehold improvements | Furniture, fixtures and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| DEPRECIATION | | | | | | |
| At 1 April 2010 | – | 2,944 | 13,902 | 23,156 | 5,615 | 45,617 |
| Exchange realignment | 76 | 430 | 988 | 1,482 | 215 | 3,191 |
| Provided for the year | 3,859 | 12,076 | 17,532 | 23,208 | 1,162 | 57,837 |
| Eliminated on disposals | – | – | – | (1,874) | (1,488) | (3,362) |
| Eliminated on disposal of a property-based subsidiary (note 38) | – | – | – | (78) | – | (78) |
| Adjustment on revaluation | (3,935) | – | – | – | – | (3,935) |
| At 31 March 2011 | – | 15,450 | 32,422 | 45,894 | 5,504 | 99,270 |
| Exchange realignment | 929 | 778 | 1,456 | 2,055 | 238 | 5,456 |
| Provided for the year | 4,156 | 12,666 | 18,293 | 24,632 | 1,754 | 61,501 |
| Eliminated on disposals | – | – | (573) | (2,396) | (678) | (3,647) |
| Eliminated on disposal of a property-based subsidiary (note 38) | – | – | – | (4) | – | (4) |
| Adjustment on revaluation | (5,085) | – | – | – | – | (5,085) |
| **At 31 March 2012** | **–** | **28,894** | **51,598** | **70,181** | **6,818** | **157,491** |
| CARRYING VALUES | | | | | | |
| **At 31 March 2012** | **281,484** | **436,623** | **108,718** | **170,207** | **8,897** | **1,005,929** |
| At 31 March 2011 | 233,243 | 432,591 | 125,574 | 184,842 | 6,696 | 982,946 |

## 16. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account their estimated residual values at the following rates per annum:

| | |
|---|---|
| Land and buildings | Shorter of land lease term or 2% to 5% |
| Land and hotel building | Shorter of land lease term or 2% to 5% |
| Leasehold improvements | 10% – 20% |
| Furniture, fixtures and equipment | 10% – 20% |
| Motor vehicles | 20% |

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Land and buildings in Hong Kong | | |
| Long lease | 84,061 | 84,061 |
| Land and buildings in the PRC | | |
| Long lease | 39,661 | 33,465 |
| Medium-term lease | 157,762 | 115,717 |
| | 197,423 | 149,182 |
| | 281,484 | 233,243 |

The Group's land and hotel building is located in the PRC and is held under medium-term lease.

The Group's land and buildings were revalued individually at 31 March 2012 and 31 March 2011 by DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group, by reference to market evidence of recent transaction prices for similar properties.

The allocation of leasehold land and buildings elements of certain properties located in the PRC cannot be made reliably, thus the entire amount is classified as a finance lease and accounted for as a property, plant and equipment.

Had the Group's land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts at 31 March 2012 would have been HK$190,531,000 (2011: HK$170,706,000).

## 17. Investment Properties

| | Completed investment properties at fair value HK$'000 | Investment property under construction at cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| FAIR VALUE/COST | | | |
| At 1 April 2010 | 1,509,618 | 202,452 | 1,712,070 |
| Exchange realignment | 67,062 | 8,886 | 75,948 |
| Additions | 138 | – | 138 |
| Disposals | (23,614) | – | (23,614) |
| Transferred to assets classified as held for sales (note 28) | (60,072) | – | (60,072) |
| Increase in fair value recognised in profit or loss | 55,685 | – | 55,685 |
| At 31 March 2011 | 1,548,817 | 211,338 | 1,760,155 |
| Exchange realignment | 58,565 | 8,245 | 66,810 |
| Additions | 1,054 | 1,480 | 2,534 |
| Disposals | (76,640) | – | (76,640) |
| Transferred to assets classified as held for sales (note 28) | (51,042) | – | (51,042) |
| Decrease in fair value recognised in profit or loss | (56,291) | – | (56,291) |
| **At 31 March 2012** | **1,424,463** | **221,063** | **1,645,526** |

The Group's investment properties are all situated in the PRC and held under the following lease terms:

| | **2012 HK$'000** | 2011 HK$'000 |
|---|---|---|
| Long lease | **4,305** | 4,144 |
| Medium-term lease | **1,641,221** | 1,756,011 |
| | **1,645,526** | 1,760,155 |

## 17. Investment Properties (Continued)

In 2009, the Group entered into a cooperative agreement with a PRC party to develop a commercial property in Beijing, the PRC. Pursuant to the agreement, the Group is mainly responsible for the demolition of the existing properties and construction of the property at the estimated total costs of not less than RMB340 million. Upon the completion of the property development, the Group is entitled to 65% of rental income from leasing of the property for 35 years. Such a property as at 31 March 2012 and 31 March 2011 was measured at cost as the development of the investment property is still at early stage and the fair value cannot be reliably determined. As the Group is considering a possible disposal of this investment property under construction, only insignificant amount of development cost was incurred during the year.

The fair values of the Group's completed investment properties at 31 March 2012 and 31 March 2011 have been arrived at on the basis of valuations carried out on those dates by DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors.

For completed investment properties, the valuations have been arrived at by considering the capitalised net rental income or where appropriate, by reference to market evidence of recent transaction prices for similar properties in similar location and condition. In arriving at the capitalised net rental income, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors.

All of the Group's property interests held under operating leases to earn rentals or remained vacant and being held to be leased out or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. At the end of the reporting period, the completed investment properties located in Suzhou Coastal International Centre, with aggregate carrying value of HK$1,016,493,000 (2011: HK$978,332,000) remained vacant. The directors of the Company are in the process for determining whether to continue holding the properties or to dispose of the properties.

## 18. Prepaid Land Lease Payments

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| At beginning of year | **56,428** | 55,343 |
| Exchange realignment | **2,182** | 2,397 |
| Amortisation during the year (note 12) | **(1,381)** | (1,312) |
| At end of year | **57,229** | 56,428 |
| Analysed for reporting purposes as: | | |
| Non-current asset | **55,832** | 55,084 |
| Current asset (included in prepayments, deposits and other receivables) | **1,397** | 1,344 |
| | **57,229** | 56,428 |

The Group's leasehold lands are all located in the PRC and held under medium-term lease.

## 19. Goodwill

| | HK$'000 |
|---|---|
| COST | |
| At 1 April 2010 | 83,123 |
| Exchange realignment | 3,648 |
| At 31 March 2011 | 86,771 |
| Exchange realignment | 3,434 |
| Impairment loss on goodwill | (90,205) |
| **At 31 March 2012** | **–** |

## 19. Goodwill (Continued)

### *Impairment testing of goodwill*

Goodwill acquired through business combinations or acquisition of additional interests in subsidiaries prior to 1 April 2010 has been allocated to CGU that are expected to benefit from that business combination. These subsidiaries are principally engaged in property development. Goodwill has been allocated to CGU in property development segment.

At 31 March 2011, the recoverable amount of the CGU is determined based on estimated fair value less costs to sell. The fair value of properties under development less costs to sell was estimated based on the fair values of the comparable properties in similar locations and conditions. No impairment loss was made in prior year as the fair value less costs to sell is higher than the recoverable amount.

During the year, the Group fully impaired the amount of goodwill of HK$90,205,000 (2011: nil) as the properties in the CGU to which the goodwill had been allocated were substantially sold at 31 March 2012 and no further future economic benefits are expected to generate from the CGU.

## 20. Interest in a Jointly Controlled Entity

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

| | **2012**<br>**HK$'000** | 2011<br>HK$'000 |
|---|---|---|
| Non-current assets | **–** | – |
| Current assets | **–** | – |
| Current liabilities | **–** | – |
| Net assets | **–** | – |
| Income | **–** | 1,670 |
| Expenses | **–** | – |
| Profit for the year | **–** | 1,670 |

## 20. Interest in a Jointly Controlled Entity (Continued)

As at 31 March 2012 and 2011, the Group had interest in the following jointly controlled entity:

| Name of jointly controlled entity | Registered capital | Place of registration and operation | Proportion of registered capital held by the Group | | Group's percentage of Voting power | | Group's percentage of Profit sharing (Note) | | Principal activity |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2012 % | 2011 % | 2012 % | 2011 % | 2012 % | 2011 % | |
| New Shanghai Property International Management Co., Ltd. | US$1,000,000 | PRC | 30 | 30 | 43 | 43 | 30 | 30 | Inactive |

Note: The Group is entitled to share the operating results of the jointly controlled entity based on the Group's profit sharing ratio.

## 21. Interests in Associates

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Cost of investment in associates | | |
| Listed in the PRC | 150,699 | 145,042 |
| Unlisted | 243,873 | 182,379 |
| Share of post-acquisition profits and other comprehensive income | 25,315 | 31,802 |
| Unrealised profit on disposal of a subsidiary to the associate (note 24) | – | (9,957) |
| | 419,887 | 349,266 |
| Fair value of listed investment | 365,037 | 472,832 |

## 21. Interests in Associates (Continued)

The fair value of the above listed investment in associate at the end of the reporting period was determined based on the quoted market bid price available on the relevant exchange.

As at 31 March 2012 and 2011, the Group had interests in the following significant associates:

| Name of associate | Place of registration and operation | Proportion of registered capital held by the Group | | Principal activities |
|---|---|---|---|---|
| | | 2012 % | 2011 % | |
| **Listed in the PRC** | | | | |
| Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa") | PRC | 21.13 | 21.13 | Property development and investment |
| **Unlisted** | | | | |
| 上海沿海股權投資基金管理有限公司 | PRC | 35 | – | Asset management |
| Shenyang Rongtian Real Estate Development Co., Ltd. | PRC | 20 | 20 | Property development |
| Beijing Zi Guang Yan Hai Lian He Investment Co., Ltd. ("Beijing Zi Guang") | PRC | 25 | 25 | Investment holding |
| Foshan Harmonious Realty Development Co., Ltd. ("Foshan Harmonious Realty") | PRC | 20 | – | Property development |

## 21. Interests in Associates (Continued)

During the year ended 31 March 2012, the Group disposed of 80% equity interest in Foshan Harmonious Realty and lost control over Foshan Harmonious Realty. After the disposal, Foshan Harmonious Realty became an associate of the Group (see note 38).

During the year ended 31 March 2011, the Group injected capital of HK$108,045,000 to Beijing Zi Guang for 25% equity interest in Beijing Zi Guang. At 31 March 2011, Beijing Zi Guang hold 100% equity interest in Beijing Lian Hai Co., Ltd. of which 50% was acquired from the Group by Beijing Zi Guang for a consideration of RMB85,310,000. The 50% equity interest in Beijing Lian Hai Co., Ltd. disposed of was acquired by the Group from Shanghai Fenghwa for a consideration of RMB88,500,000 during the year ended 31 March 2011.

The financial year end of the associates is 31 December of each year. The summarised financial information in respect of the Group's listed and unlisted associates prepared using accounting policies in conformity with those adopted by the Group for the year ended is set out below:

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total assets | **2,679,254** | 2,473,177 |
| Total liabilities | **(1,091,873)** | (1,078,741) |
| Net assets | **1,587,381** | 1,394,436 |
| Group's share of net asset of associates | **419,887** | 349,266 |
| Revenue | **676,366** | 415,130 |
| (Loss) profit for the year | **(26,307)** | 37,643 |
| Group's share of results of associates for the year | **(14,330)** | 7,939 |

## 22. Available-for-sale Investments

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Club membership debentures | 2,960 | 2,960 |

The above unlisted investments represent investments in unlisted club membership debentures in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 23. Pledged Bank Deposits/Cash and Bank Balances

Pledged bank deposits represent (i) deposits with an aggregate carrying amount of approximately HK$423 million (2011: HK$401 million) pledged to banks for banking facilities granted to the Group (note 31(c)(v)); (ii) deposits with an aggregate carrying amount of approximately HK$116 million (2011: HK$143 million) pledged to banks in respect of mortgage loan facilities granted to the buyers of certain properties developed by the Group; and (iii) deposits with carrying amount of approximately HK$62 million (2011: HK$62 million) pledged for the senior notes of the Company (note 31(e)).

The pledged bank deposits will be released upon the issuance of title deeds to the buyers of properties for bank deposits pledged for the purpose as stated in (ii) above or the settlement of relevant bank loans and senior notes for bank deposits pledged for the purposes as stated in (i) and (iii) above. The pledged bank deposits with carrying amount of nil (2011: HK$62 million) and HK$601 million (2011: HK$544 million) will be released from 1 to 5 years and within 1 year respectively.

Included in cash and bank balances are restricted bank balances of HK$425,951,000 (2011: HK$492,097,000) which are limited to be used in the development of certain property projects.

Bank balances carry interest at market rates which range from 0.10% to 0.50% (2011: 0.36% to 0.50%) per annum. The pledged bank deposits carry fixed interest rates which range from 0.10% to 2.79% (2011: 0.01% to 2.79%) per annum.

## 24. Properties under Development

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| CARRYING AMOUNT | | |
| At beginning of year | **9,008,028** | 7,768,062 |
| Exchange realignment | **317,885** | 387,573 |
| Additions | **2,455,539** | 2,474,815 |
| Acquisition of property-based subsidiaries (note 37) | **474,432** | 1,631,334 |
| Transferred to completed properties for sale | **(6,079,837)** | (3,175,226) |
| Transferred from deposits for acquisition of land use rights | **–** | 374,413 |
| Disposal of property-based subsidiaries (note 38) | **(98,928)** | (148,235) |
| Disposal (note 9) | **–** | (304,708) |
| Reversal of unrealised profit (Note) | **(10,345)** | – |
| Elimination of unrealised profit relating to Shanghai Fenghwa's profit on disposal of Coastal Development (Anshan) to the Group | **(6,802)** | – |
| At end of year | **6,059,972** | 9,008,028 |

Note: The amount represents unrealised profit on disposal of Coastal Development (Anshan) to Shanghai Fenghwa in prior year (note 21). The unrealised profit was reversed upon acquisition of 100% equity interest in Coastal Development (Anshan) from Shanghai Fenghwa (note 37).

The properties under development of the Group are situated in the PRC and are held under the following lease terms:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Long lease | **3,476,698** | 6,551,318 |
| Medium-term lease | **2,574,197** | 2,456,710 |
| | **6,050,895** | 9,008,028 |

Properties under development with carrying amount of HK$2,138,721,000 (2011: HK$4,600,927,000) are expected to be completed and available for sale after twelve months from the end of the reporting period.

## 25. Completed Properties for Sale

The Group's completed properties for sale are situated in the PRC and are stated at cost less impairment loss.

## 26. Trade Receivables

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

An aged analysis of trade receivables as at the end of the reporting period based on contract date, net of allowance for bad and doubtful debts, is as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Balance HK$'000 | Percentage | Balance HK$'000 | Percentage |
| 0 – 30 days | 14,584 | 6 | 3,694 | 8 |
| 31 – 60 days | 618 | – | 1,015 | 2 |
| 61 – 90 days | 11,208 | 4 | 1,022 | 2 |
| Over 90 days | 239,209 | 90 | 38,627 | 88 |
| | 265,619 | 100 | 44,358 | 100 |

The Group has minimal trade receivable balances which have been past due at the reporting date. The trade receivable balance with age over 90 days at the end of the reporting period represents the receivable from sales of completed properties to customers which is not impaired at the end of the reporting period as the management of the Group expects the balances will be fully settled in accordance with repayment schedules set out in the relevant agreements.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. At 31 March 2012, the Group has concentration of credit risk as 80.6% of the total trade receivables is due from the Group's largest debtor who is a private corporate engaged in property investment business in the PRC. The trade receivable from this debtor is scheduled to be repaid by three instalments in May, November and December 2012. Subsequent to the end of the reporting period, HK$45,872,000 has been settled in accordance with the repayment schedules. At 31 March 2011, the concentration of credit risk is limited as the customer base is large and unrelated, the directors of the Company believe that there is no provision required as at the end of the reporting period.

## 27. Prepayments, Deposits and Other Receivables

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Other receivables (note a) | **222,191** | 261,850 |
| Deposits for acquisition of land use rights (note b) | **804,862** | 1,129,635 |
| Prepaid operating expenses and other deposits | **277,651** | 295,593 |
| Loans receivable (note c) | **61,680** | 166,221 |
| | **1,366,384** | 1,853,299 |

Notes:

(a) Included in other receivables at 31 March 2012 is an amount of HK$61,059,000 (2011: HK$56,990,000) due from a non-controlling interest which is unsecured, non-trade, interest-free and expected to be recovered within one year.

(b) The amounts represent payments made for the possible acquisition of land use rights in the PRC which will be developed for sales purpose. An amount of HK$62,328,000 (2011: HK$59,365,000) was paid to a non-controlling interest which is fully secured by a land use right pledged to the Group. An amount of HK$92,669,000 (2011: nil) was paid to an independent third party which is secured by the equity interests of certain PRC companies owned by the independent third party. An amount of nil (2011: HK$356,189,000) was placed in a bank account in the PRC under joint custody of the Group and the counterparty. For the remaining deposits paid, no assets were pledged to secure the amounts paid by the Group. These deposits will be wholly refundable if the acquisition were terminated subsequently.

(c) Loan receivable of HK$61,680,000 due from a non-controlling interest as at 31 March 2012 was unsecured, interest bearing at 6.56% per annum and are repayable within twelve months from the end of the reporting period.

Loans receivable of HK$166,221,000 outstanding as at 31 March 2011 were interest-free, secured by the equity interests of certain PRC companies that are independent third parties to the Group and were received during the year.

## 28. Assets Classified as Held for Sale

During the year ended 31 March 2012, the Group entered into agreements with independent third parties for the disposal of certain units of the Group's investment properties located in the PRC (the "2012 Properties"), which are expected to be sold within the next twelve months from the end of the reporting period. The fair value of the 2012 Properties classified as held for sale at 31 March 2012 amounted to HK$51,042,000, which is determined by reference to the consideration set out in the relevant agreements. Deposits of HK$20,035,000 were received by the Group during the year.

During the year ended 31 March 2011, the Group entered into agreements with independent third parties for the disposal of certain units of the Group's investment properties located in the PRC (the "2011 Properties"), which are expected to be sold within the next twelve months from the end of the reporting period. The fair value of the 2011 Properties classified as held for sale at 31 March 2011 amounted to HK$60,072,000, which is determined by reference to the consideration set out in the relevant agreements. Deposits of HK$3,562,000 were received by the Group during the year ended 31 March 2011. The disposal was completed and the remaining consideration of HK$56,510,000 was settled during the year ended 31 March 2012.

## 29. Trade Payables

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Balance HK$'000 | Percentage | Balance HK$'000 | Percentage |
| 0 – 30 days | **277,717** | **55** | 152,126 | 48 |
| 31 – 60 days | **21,445** | **4** | 37,277 | 12 |
| 61 – 90 days | **12,425** | **3** | 55,355 | 17 |
| Over 90 days | **188,998** | **38** | 73,170 | 23 |
| | **500,585** | **100** | 317,928 | 100 |

## 30. Other Payables and Accruals

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Sales and other taxes payable | **105,917** | 16,177 |
| Other payables (note a) | **591,483** | 588,748 |
| Accrued construction costs | **730,264** | 709,489 |
| Other accrued operating expenses (note b) | **224,337** | 156,900 |
| | **1,652,001** | 1,471,314 |

Notes:

(a) Included in other payables as at 31 March 2012 are payables to the local government in the PRC of HK$123,361,000 (2011: HK$59,365,000) in connection with a property development project acquired in prior years (see note 34) and an amount due to a former shareholder of a subsidiary of HK$25,132,000 (2011: HK$59,807,000) which is interest-free and repayable on demand.

(b) Included in other accrued expenses as at 31 March 2012 are provision for legal claims of HK$69,500,000 (2011: nil). The provision represents management's best estimate of the Group's compensation amount payable to the plaintiff in a litigation, based on the court decision which is final and conclusive during the year.

## 31. Interest-bearing Bank and Other Borrowings

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| CURRENT | | |
| Bank loans – secured | 2,525,408 | 1,234,084 |
| Bank loans – unsecured | – | 23,746 |
| Other loans – secured | 1,529,305 | 273,717 |
| Senior notes – secured | 982,223 | – |
| | 5,036,936 | 1,531,547 |
| NON-CURRENT | | |
| Bank loans – secured | 791,977 | 2,387,652 |
| Other loans – secured | 518,115 | 855,280 |
| Senior notes – secured | – | 972,111 |
| | 1,310,092 | 4,215,043 |
| | 6,347,028 | 5,746,590 |

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | 2,499,008 | 1,229,230 |
| In the second year | 74,017 | 1,716,830 |
| In the third to fifth years inclusive | 302,502 | 277,293 |
| Beyond five years | 415,458 | 393,529 |
| | 3,290,985 | 3,616,882 |
| Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | 26,400 | 28,600 |
| | 3,317,385 | 3,645,482 |
| Other loans repayable: | | |
| Within one year | 2,511,528 | 273,717 |
| In the second year | 518,115 | 1,827,277 |
| In the third to fifth years inclusive | – | 114 |
| | 3,029,643 | 2,101,108 |
| | 6,347,028 | 5,746,590 |

## 31. Interest-bearing Bank and Other Borrowings (Continued)

Notes:

(a) Included in other loans is an amount of HK$1,134,550,000 (2011: HK$498,308,000) in relation to trust arrangements with PRC trust companies. The trust arrangements in general involve (i) the transfer of the Group's equity interests in a particular project company to a trust company in return for a fixed consideration; (ii) the Group retains control over, and hence the residual interest in, the project company; (iii) the trust company receives a fixed income during a pre-set period; (iv) the Group is committed to repurchase while the trust company has the obligation to sell such equity interests within the pre-set period. Accordingly, such trust arrangements have been accounted for as financing arrangements rather than disposals of equity interests in project companies.

During the year ended 31 March 2012, a trust arrangement of HK$616,804,000 was entered into by the Group and such arrangement carries fixed rate interest at 17.30% per annum and has a repayment term of 18 months. The trust arrangement at 31 March 2011 carried interest at fixed rate of 14.19% per annum and has term of 24 months.

(b) The Group's remaining other loans as at 31 March 2012 are borrowed from PRC trust companies and carry interest ranging from 12.82% to 17.55% (2011: 12.82% to 13.56%) per annum and have terms ranging from 15 months to 3 years (2011: 15 months to 3 years). They are secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of nil (2011: HK$9 million);

(ii) certain investment properties of the Group with an aggregate carrying value of nil (2011: HK$77 million);

(iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$570 million (2011: HK$464 million);

(iv) certain completed properties for sale of the Group with an aggregate carrying value of nil (2011: HK$37 million);

(v) the Group's 90% and 100% equity interests respectively in two property-based subsidiaries; and

(vi) corporate guarantees from certain subsidiaries of the Company.

(c) Certain of the Group's bank loans as at 31 March 2012 are secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$86 million (2011: HK$135 million);

(ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK$437 million (2011: HK$419 million);

(iii) certain investment properties of the Group with an aggregate carrying value of approximately HK$849 million (2011: HK$978 million);

(iv) prepaid land lease payments of the Group with an aggregate carrying value of nil (2011: HK$56 million);

(v) certain bank deposits of the Group with an aggregate carrying value of approximately HK$380 million (2011: HK$401 million);

(vi) certain properties under development of the Group with an aggregate carrying value of approximately HK$2,852 million (2011: HK$5,175 million);

(vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$202 million (2011: HK$166 million); and

(viii) corporate guarantees from the Company and certain of its subsidiaries.

## 31. Interest-bearing Bank and Other Borrowings (Continued)

Notes: (Continued)

(d) The ranges of effective interest rates per annum (which also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings, other than the senior notes, are as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Borrowings HK$'000** | **Interest rate** | Borrowings HK$'000 | Interest rate |
| Effective interest rate: | | | | |
| Fixed-rate borrowings | **1,726,682** | **6.10% to 17.55%** | 795,132 | 6.44% to 14.19% |
| Variable-rate borrowings | **3,638,123** | **1.55% to 13.56%** | 3,979,347 | 1.39% to 13.56% |

The effective interest rate of variable-rate borrowings is based on PBOC prescribed interest rate or Hong Kong Interbank Offered Rate or LIBOR plus a specified margin.

The Group's borrowings that are denominated in currencies other than RMB, the functional currency of the respective group entities, are set out below:

| | **2012 HK$'000** | 2011 HK$'000 |
|---|---|---|
| United States dollar | **1,803,791** | 1,793,679 |
| Hong Kong dollar | **28,600** | 30,800 |
| | **1,832,391** | 1,824,479 |

(e) Senior notes

Pursuant to a purchase agreement dated 30 November 2007, the Company issued 1,500 units consisting of 12% guaranteed senior notes (the "2007 Senior Notes") with the principal amount of US$150 million (equivalent to approximately HK$1,167 million) and 111,622,500 warrants conferring rights to subscribe for up to 111,622,500 new ordinary shares of HK$0.10 each in the Company from the issue date to 8 November 2012 at the exercise price of HK$2.46 per share, which has been adjusted to HK$1.23 per share during the year ended 31 March 2009. The 2007 Senior Notes bear fixed interest at 12% per annum and are wholly repayable on 8 November 2012. The 2007 Senior Notes are secured by bank deposits of the Group amounting to approximately HK$62 million (2011: HK$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group. The fair value of warrants is determined, upon issuance, and is carried as a derivative financial liability which is measured at fair value with movement recognised in profit or loss. The fair values of warrants at the dates of issue is deducted from the proceeds from the issue of the units to arrive at the initial carrying amount of the senior notes and hence have been allocated to the senior notes on initial recognition.

During the year ended 31 March 2012, the Company repurchased the senior notes with the principal amount and amortised cost of US$3,000,000 (equivalent to HK$23,340,000) and US$2,930,000 (equivalent to HK$22,795,000) respectively at a total consideration of US$2,780,000 (equivalent to HK$21,628,000), resulting in a gain of HK$1,110,000.

As at 31 March 2012, the principal amount of the 2007 Senior Notes outstanding is US$129 million (equivalent to HK$1,004 million) (2011: US$132 million, equivalent to HK$1,027 million).

## 32. Derivative Financial Liability – Warrants

At 31 March 2012, the Company had outstanding 111,622,500 (2011: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (2011: 111,622,500) new ordinary shares of HK$0.10 each in the Company at the adjusted exercise price of HK$1.23 per share at any time on or before 8 November 2012.

These warrants are classified as derivative financial liabilities which are measured at fair value with changes recognised in profit or loss.

The fair values of warrants as at 31 March 2012 and 31 March 2011 were nil and HK$960,000 respectively, which were calculated using binomial option pricing model. The inputs into the model are as follows:

| | **2012** | 2011 |
|---|---|---|
| Exercise price | **HK$1.23** | HK$1.23 |
| Share price | **HK$0.27** | HK$0.49 |
| Volatility | **62.3%** | 43.67% |
| Risk free rate | **0.126%** | 0.537% |
| Dividend yield | **0%** | 0% |

Since the model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

## 33. Share Capital

### *Shares*

| | **Number of ordinary shares** | **Nominal value** HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.10 each at 1 April 2010, 31 March 2011 and 31 March 2012 | 7,000,000,000 | 700,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.10 each at 1 April 2010, 31 March 2011 and 31 March 2012 | 2,790,582,857 | 279,058 |

## 33. Share Capital (Continued)

### *Share options*

Details of the Company's share option scheme and the share options granted under the scheme are included in note 36.

## 34. Long Term Payable

At 31 March 2011, the long term payable represented a payable to the local government in the PRC of HK$59,365,000 in connection with a property development project acquired in prior year. In accordance with the supplementary agreement entered into between the Group and the local PRC government during the year ended 31 March 2011, the amount is repayable by instalments and carries interest at market rate. The repayment term is analysed into:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Within one year | **123,361** | 59,365 |
| In the second year | **–** | 59,365 |
| | **123,361** | 118,730 |
| Less: Amount due within one year included in other payables and accruals under current liabilities (note 30) | **(123,361)** | (59,365) |
| Amount due after one year shown under non-current liabilities | **–** | 59,365 |

## 35. Deferred Tax Liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | Business combinations (Note a) HK$'000 | Fair value adjustments of investment properties HK$'000 | Tax losses (Note b) HK$'000 | Undistributed profits of PRC subsidiaries HK$'000 | Others (Note c) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2010 | 496,487 | 130,987 | (12,796) | 58,082 | (19,196) | 653,564 |
| Exchange realignment | 18,207 | 6,121 | (562) | 3,664 | (3,437) | 23,993 |
| (Credited) charged to profit or loss during the year | (144,144) | 14,921 | – | 44,775 | (93,353) | (177,801) |
| Elimination of deferred tax resulting from disposal of a property-based subsidiary (note 38) | (20,929) | – | – | – | – | (20,929) |
| Charged to other comprehensive income during the year | – | – | – | – | 6,397 | 6,397 |
| At 31 March 2011 | 349,621 | 152,029 | (13,358) | 106,521 | (109,589) | 485,224 |
| Exchange realignment | 12,567 | 5,630 | (330) | 4,971 | (2,284) | 20,554 |
| Acquired on acquisition of a property-based subsidiary (note 37) | 8,787 | – | – | – | 700 | 9,487 |
| (Credited) charged to profit or loss during the year | (80,442) | (14,073) | 13,688 | 58,677 | 136,683 | 114,533 |
| Reversal of deferred tax resulting from disposal of investment properties | – | (7,476) | – | – | – | (7,476) |
| Charged to other comprehensive income during the year | – | – | – | – | 4,178 | 4,178 |
| **At 31 March 2012** | **290,533** | **136,110** | **–** | **170,169** | **29,688** | **626,500** |

## 35. Deferred Tax Liabilities (Continued)

Notes:

(a) This represents the tax effect of the temporary differences arising from the fair value adjustments to the carrying amounts of properties under development upon acquisition of subsidiaries under business combinations.

(b) At the end of the reporting period, the Group has unused tax losses of HK$755,816,000 (2011: HK$688,005,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$53,431,000 of such losses as at 31 March 2011. No deferred tax asset has been recognised in respect of HK$755,816,000 (2011: HK$634,574,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$639,434,000 (2011: HK$514,900,000) that will gradually expire until 2015. Other losses will be carried forward indefinitely.

(c) This represents the tax effect of the temporary differences arising from determining the accounting profit and taxable profit in respect of sale of certain properties, as well as capitalisation of interest expenses and other property development costs.

## 36. Share Option Scheme

On 24 September 2002, the Company adopted a share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange. The Company subsequently terminated the Scheme 2002 as the Scheme 2002 is due to expire on 23 September 2012 and adopted a new share option scheme (the "Scheme 2011") on 14 September 2011 at the Company's annual general meeting. All the outstanding share options granted under the Scheme 2002 prior to its termination shall continue to valid and exercisable in accordance with the provisions of the Scheme 2002. A summary of the principal terms of the Scheme 2011 is set out as follows:

### *(a) Purpose of the Scheme 2011*

The purpose of the Scheme 2011 is to enable the Company to grant options to any employee, executive or officer of the Company or any of the subsidiaries (including executive and non-executive directors of the Company or any of the subsidiaries) and any suppliers, consultants, agents, advisers, shareholders, customers, partners, business associates who, in the sole discretion of the board of directors of the Company, have contributed to the Company and/or any of the subsidiaries (the "Eligible Participants").

### *(b) Administration of the Scheme 2011*

The Scheme 2011 shall be subject to the administration of the directors of the Company whose decision on all matters arising in relation to the Scheme 2011 or their interpretation or effect shall (save as otherwise provided therein) be final and binding on all persons who may be affected thereby.

## 36. Share Option Scheme (Continued)

### *(c) Grant and acceptance of options*

An offer for the grant of an option (the "Offer") shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the board of directors of the Company may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days inclusive of, and from the date of which an Offer is made to an Eligible Participant provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date of the Scheme 2011 or the termination of the Scheme 2011. A non-refundable nominal consideration of HK$1 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Participant together with the said consideration of HK$1 is received by the Company. Any Offer may be accepted in respect of less than the number of shares in respect of which it is offered provided that it is accepted in such number of shares as represents a board lot for the time being for the purpose of trading on main board or an integral multiple thereof.

### *(d) Exercise of options and price of shares*

An option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate from the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

The exercise price for the shares under the Scheme 2011 shall be determined by the board of directors of the Company at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of an option, which must be a business day; and (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant of an option.

### *(e) Maximum number of shares available for issue*

(i) Subject to the Listing Rules, the overall limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme 2011 and any other scheme of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time (the "Overall Limit"). No options shall be granted under any share option schemes of the Company (including the Scheme 2011) if this will result in the Overall Limit being exceeded.

(ii) Subject to the Overall Limit, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme 2011 and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue as at the date of the approval of the Scheme 2011 (the "Scheme Mandate Limit"), unless shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Scheme 2011 will not be counted for the purpose of calculating the Scheme Mandate Limit.

## 36. Share Option Scheme (Continued)

### *(f) Grant of options to connected persons or any of their associates*

Any grant of options to a connected person or its associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the share options granted and to be granted (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued).

### *(g) Maximum entitlement of each Participant*

The total number of shares issued and to be issued upon exercise of the options granted to each Participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant (the "Individual Limit"). Where it is proposed that any offer is to be made to a Participant (or where approximate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.

### *(h) Time of Exercise of Options*

Subject to the terms of the Scheme 2011, an option may be exercised in whole or in part at any time during the period to be determined and identified by the board of directors of the Company to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Scheme 2011. There is no specified minimum period under the Scheme 2011 for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme 2011.

### *(i) Duration of the Scheme 2011*

Scheme 2011 shall continue in force for the period commencing from the date of adoption of the Scheme 2011 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Scheme 2011 shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

## 36. Share Option Scheme (Continued)

Up to the date these consolidated financial statements were authorised for issuance, no options under the Scheme 2011 were granted since its adoption on 14 September 2011.

The following table discloses movements of the Company's share options by the vesting period granted under the Scheme 2002 during the current and prior years:

| | Number of share options | | | | |
|---|---|---|---|---|---|
| **Option type** | **Outstanding at 1 April 2010** | **Forfeited during the year** | **Outstanding and exercisable at 31 March 2011** | **Forfeited during the year** (Note 1) | **Outstanding and exercisable at 31 March 2012** |
| Granted on 14 May 2007 | | | | | |
| – with vesting period from 14 May 2007 to 14 May 2008 | 12,200,000 | – | 12,200,000 | – | 12,200,000 |
| – with vesting period from 14 May 2007 to 14 May 2009 | 26,012,000 | – | 26,012,000 | – | 26,012,000 |
| – with vesting period from 14 May 2007 to 14 May 2010 | 12,200,000 | – | 12,200,000 | – | 12,200,000 |
| – with vesting period from 14 May 2007 to 14 May 2011 | 12,200,000 | – | 12,200,000 | – | 12,200,000 |
| – with vesting period from 14 May 2007 to 14 May 2012 | 44,428,000 | – | 44,428,000 | (23,200,000) | 21,228,000 |
| | 107,040,000 | – | 107,040,000 | (23,200,000) | 83,840,000 |

## 36. Share Option Scheme (Continued)

The following table discloses movements of the Company's share options granted under the Scheme 2002 during the current and prior years:

| | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name or category of Participant | Outstanding at 1 April 2010 | Forfeited during the year | Outstanding and exercisable at 31 March 2011 | Forfeited during the year | Outstanding and exercisable at 31 March 2012 | Date of grant of share options [2] | Exercise period of share options [3] | Exercise price of share options [4] HK$ |
| **Directors** | | | | | | | | |
| Chan Boon Teong | 10,000,000 | – | 10,000,000 | – | 10,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Jiang Ming | 10,000,000 | – | 10,000,000 | – | 10,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Tao Lin | 10,000,000 | – | 10,000,000 | – | 10,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Cheng Wing Bor | 10,000,000 | – | 10,000,000 | – | 10,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Lin Chen Hsin | 2,500,000 | – | 2,500,000 | – | 2,500,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Tang Lap Yan | 2,500,000 | – | 2,500,000 | – | 2,500,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Law Kin Ho | 2,000,000 | – | 2,000,000 | – | 2,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| Wong Kai Cheong | 2,000,000 | – | 2,000,000 | – | 2,000,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| **Other employees and participants** | | | | | | | | |
| In aggregate | 58,040,000 | – | 58,040,000 | (23,200,000) | 34,840,000 | 14 May 2007 | 15 May 2008 to 23 September 2012 | 1.20 |
| | 107,040,000 | – | 107,040,000 | (23,200,000) | 83,840,000 | | | |

## 36. Share Option Scheme (Continued)

Notes:

(1) 23,200,000 (2011: nil) share options were forfeited due to resignation of the employees and other participants participated in the Schemes.

(2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(3) The share options are exercisable in tranches during the period from 15 May 2008 to 23 September 2012, as specified in the share option certificates.

(4) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 March 2012, the Company had 83,840,000 (2011: 107,040,000) share options outstanding under the Scheme 2002, which represented approximately 3.0% (2011: 3.8%) of the Company's shares in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 83,840,000 (2011: 107,040,000) additional ordinary shares of the Company and additional share capital of HK$8,384,000 (2011: HK$10,704,000) and share premium of HK$92,224,000 (2011: HK$117,744,000) (before issue expenses).

The total fair value of the share options granted was HK$76,077,000 of which a share option expense of HK$5,387,000 (2011: HK$7,410,000) was recognised for the year ended 31 March 2012.

## 37. Acquisition of Property-based Subsidiaries

(a) During the year ended 31 March 2012, the Group acquired 100% equity interest in Coastal Greenland Development (Anshan) Ltd. ("Coastal Development (Anshan)") from an associate of the Group, Shanghai Fenghwa for a cash consideration of HK$146,626,000. This acquisition has been accounted for using the acquisition method because Coastal Development (Anshan) is engaged in the property development business in the PRC. Coastal Development (Anshan) was acquired so as to continue the expansion of the Group's property development business.

(b) During the year ended 31 March 2011, the Group acquired the 100% equity interest in Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd, an entity which held a parcel of land for property development in the PRC, for a consideration of HK$1,437,588,000 from certain third parties. The acquisition was accounted for as purchases of assets and liabilities, if any, rather than as business combination as the subsidiary acquired is a property holding company which is not a business.

## 37. Acquisition of Property-based Subsidiaries (Continued)

(c) The net assets acquired in these transactions are as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Net assets acquired: | | |
| Property, plant and equipment (note 16) | 13,546 | 305 |
| Properties under development (note 24) | 474,432 | 1,631,334 |
| Completed properties for sale | 26,025 | – |
| Prepayments, deposits and other receivables | 22,679 | – |
| Prepaid tax | 13,680 | – |
| Cash and bank balances | 49,300 | 3,039 |
| Trade payables | (5,761) | – |
| Deposits received from pre-sale of properties | (338,805) | – |
| Other payables and accruals | (49,903) | (197,090) |
| Bank borrowings | (49,080) | – |
| Deferred tax liabilities (note 35) | (9,487) | – |
| | 146,626 | 1,437,588 |
| Satisfied by: | | |
| Cash | 146,626 | 553,901 |
| Deposits paid in prior years | – | 826,831 |
| Other payables | – | 56,856 |
| | 146,626 | 1,437,588 |

## 37. Acquisition of Property-based Subsidiaries (Continued)

(d) An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of property-based subsidiaries is as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Cash consideration | (146,626) | (553,901) |
| Cash and bank balances acquired | 49,300 | 3,039 |
| Net outflow of cash and cash equivalents in respect of the acquisition of property-based subsidiaries | (97,326) | (550,862) |

Included in the consolidated revenue and profit for the year ended 31 March 2012 is HK$282,899,000 and HK$34,596,000 respectively attributable to the additional business generated by Coastal Development (Anshan).

The results of the subsidiary acquired during the year ended 31 March 2011 had no significant impact on the Group's consolidated revenue or profit after taxation for the year.

## 38. Disposal of Property-based Subsidiaries

During the year ended 31 March 2012, the Group disposed of 80% equity interest in Foshan Harmonious Realty which is engaged in property development in the PRC to an independent third party for a consideration of HK$113,395,000. Pursuant to the agreement, the acquirer has a put option to sell the 80% equity interest to the Group at any time after not less than 90% of the saleable area of the developed properties held by Foshan Harmonious Realty has been sold or on or after 31 December 2013 at a consideration equals to the fair value of the 80% equity interest in Foshan Harmonious Realty on the put option exercise date. In the opinion of the directors, the risks and rewards associated with the 80% equity interest were passed to the acquirer and the Group lost control over Foshan Harmonious Realty on disposal date. In addition, the directors of the Company consider that the fair value of the put option is minimal and hence no derivative financial instrument is recognised.

Besides, subsequent to the disposal, Foshan Harmonious Realty appointed the Group as the project manager of the property development project in the PRC held by Foshan Harmonious Realty.

Following completion of the disposal, the Group is able to exercise significant influence over Foshan Harmonious Realty which has then become an associate of the Group (see note 21). The fair value of the 20% retained interest in an associate at the date on which the control was lost was regarded as the cost in initial recognition of the Group's interest in an associate.

## 38. Disposal of Property-based Subsidiaries (Continued)

During the year ended 31 March 2011, the Group disposed of a subsidiary which is engaged in property development in the PRC to an independent third party.

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Net assets disposed of: | | |
| Property, plant and equipment (note 16) | 86 | 7 |
| Properties under development (note 24) | 98,928 | 148,235 |
| Prepayments, deposits and other receivables | 926 | 10 |
| Cash and bank balances | 714 | 30 |
| Other payables and accruals | (29) | (29,055) |
| Amount due to the Group | (89,888) | – |
| Deferred tax liability (note 35) | – | (20,929) |
| | 10,737 | 98,298 |
| Non-controlling interests | – | (13,638) |
| | 10,737 | 84,660 |
| The gain on disposal is calculated as follows: | | |
| Cash | 113,395 | 70,644 |
| Other receivables | – | 41,666 |
| Fair value of 20% retained interest in an associate | 28,349 | – |
| | 141,744 | 112,310 |
| Net assets of subsidiary disposed of | (10,737) | (84,660) |
| Gain on disposal (note 9) | 131,007 | 27,650 |
| Satisfied by: | | |
| Cash | 113,395 | 70,644 |
| Other receivables | – | 41,666 |
| Fair value of 20% retained interest in an associate | 28,349 | – |
| | 141,744 | 112,310 |

## 38. Disposal of Property-based Subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of property-based subsidiaries was as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Cash consideration | 113,395 | 70,644 |
| Cash and bank balances disposed of | (714) | (30) |
| | 112,681 | 70,614 |
| Settlement of consideration receivable | 41,666 | – |
| Net inflow of cash and cash equivalents in respect of the disposal of property-based subsidiaries | 154,347 | 70,614 |

Included in the gain on disposal for the year ended 31 March 2012 was an amount of HK$26,202,000 representing the difference between the fair value of retained interest in the disposed subsidiary of HK$28,349,000 and the carrying amount of the net asset value of HK$2,147,000.

The results of the subsidiaries disposed of during the year ended 31 March 2012 and 31 March 2011 had no significant impact on the Group's consolidated revenue or profit after taxation for the year.

## 39. Contingent Liabilities

At the end of the reporting period, the Group had given guarantees as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Guarantees given to banks in connection with: | | |
| – mortgage loans granted to property purchasers | 4,001,232 | 4,419,387 |
| – banking facilities granted to an associate | 123,361 | 59,365 |
| | 4,124,593 | 4,478,752 |

The directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant. At the end of the reporting period, the directors of the Company consider that the possibility of default is low due to the basis of short maturity periods and low default rates.

## 40. Operating Lease Arrangements

### *(a) As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years at fixed rentals. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Within one year | 2,038 | 2,076 |
| In the second to fifth years inclusive | 1,852 | 3,095 |
| Over five years | 859 | 928 |
| | 4,749 | 6,099 |

### *(b) As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to over 5 years with fixed rentals.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Within one year | 5,571 | 4,739 |
| In the second to fifth years inclusive | 5,574 | 1,636 |
| | 11,145 | 6,375 |

## 41. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Acquisition of property-based subsidiaries | **61,680** | 59,365 |
| Authorised but not contracted for: | | |
| Acquisition of investment properties | **212,181** | 204,215 |

## 42. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Cash and bank balances | **1,913,030** | 1,897,256 |
| Less: Restricted bank balances (note 23) | **(425,951)** | (492,097) |
| | **1,487,079** | 1,405,159 |

## 43. Related Party Transactions

*(a)* In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following significant transactions with related parties:

(i) Prior to 2005, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans in aggregate amounting to HK$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as other loans in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 31 March 2011, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated statement of financial position amounted to approximately HK$8.9 million and HK$1.4 million respectively. During the year ended 31 March 2012, the Properties were disposed of and the Loans were repaid accordingly.

(ii) During the year ended 31 March 2012, the Group received project management service income of HK$2,694,000 (2011: HK$9,997,000) from associates.

### *(b) Outstanding balances with related parties*

(i) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited, which holds 36.58% interests in the Company. The amount is unsecured, interest-free and repayable on demand.

(ii) The Group's balances with its associates are unsecured, interest-free, repayable on demand and expected to be recovered within one year.

### *(c) Compensation of key management personnel of the Group who are the executive directors of the Company*

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short term benefits | **18,536** | 15,275 |
| Share-based payment | **1,296** | 2,712 |
| Post-employment benefits | **143** | 36 |
| Total compensation paid to key management personnel | **19,975** | 18,023 |

Further details of directors' emoluments are included in note 13.

## 44. Statement of Financial Position of the Company

| | Note | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Interests in subsidiaries | | 2,939,040 | 2,843,761 |
| Available-for-sale investments | | 2,400 | 2,400 |
| Pledged bank deposits | | – | 61,940 |
| Total non-current assets | | 2,941,440 | 2,908,101 |
| **CURRENT ASSETS** | | | |
| Amount due from a substantial shareholder of the Company | | 1,306 | 1,306 |
| Pledged bank deposits | | 62,002 | – |
| Cash and bank balances | | 1,706 | 23,391 |
| Total current assets | | 65,014 | 24,697 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | | 54,608 | 54,899 |
| Amounts due to subsidiaries | | 292,467 | 218,724 |
| Interest-bearing borrowings | | 982,222 | – |
| Derivative financial liability – warrants | | – | 960 |
| Total current liabilities | | 1,329,297 | 274,583 |
| **NET CURRENT LIABILITIES** | | (1,264,283) | (249,886) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 1,677,157 | 2,658,215 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | 279,058 | 279,058 |
| Reserves | a | 1,398,099 | 1,407,046 |
| Total equity | | 1,677,157 | 1,686,104 |
| **NON-CURRENT LIABILITY** | | | |
| Interest-bearing borrowings | | – | 972,111 |
| | | 1,677,157 | 2,658,215 |

## 44. Statement of Financial Position of the Company (Continued)

Note:

(a) Reserves of the Company

| | Share premium HK$'000 | Contributed surplus HK$'000 | Exchange fluctuation reserve HK$'000 | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2010 | 1,126,800 | 2,315,240 | 135,806 | 48,476 | (2,155,362) | 1,470,960 |
| Exchange differences arising on translation to presentation currency | – | – | 50,801 | – | – | 50,801 |
| Recognition of equity-settled share-based payment | – | – | – | 7,410 | – | 7,410 |
| Loss for the year | – | – | – | – | (122,125) | (122,125) |
| At 31 March 2011 | 1,126,800 | 2,315,240 | 186,607 | 55,886 | (2,277,487) | 1,407,046 |
| Exchange differences arising on translation to presentation currency | – | – | 42,712 | – | – | 42,712 |
| Recognition of equity-settled share-based payment | – | – | – | 5,387 | – | 5,387 |
| Loss for the year | – | – | – | – | (57,046) | (57,046) |
| **At 31 March 2012** | **1,126,800** | **2,315,240** | **229,319** | **61,273** | **(2,334,533)** | **1,398,099** |

## 45. Particulars of Principal Subsidiaries

Particulars of principal subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2012 | 2011 | Principal activities |
|---|---|---|---|---|---|
| **Directly held subsidiaries:** | | | | | |
| Coastal Commercial Developments Limited | Hong Kong | HK$1 Ordinary | 100 | 100 | Investment holding |
| Coastal Realty (BVI) Limited | British Virgin Islands/ Hong Kong | US$200 Ordinary | 100 | 100 | Investment holding |
| Coastal Realty Investment (China) Limited # | PRC | US$100,000,000 | 100 | 100 | Investment holding |

## 45. Particulars of Principal Subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | (Note i) | 2012 | 2011 | |
| **Indirectly held subsidiaries:** | | | | | |
| Beijing Coastal Green Sea Bay Real Estate Co., Ltd. ^ | PRC | RMB50,000,000 | 90 | 90 | Property development |
| Beijing Gaosheng Real Estate Company Limited # | PRC | RMB466,800,000 | 100 | 100 | Property development and investment and investment holding |
| Beijing Xing Gang Real Estate Co., Ltd. # | PRC | US$13,500,000 | 100 | 100 | Property development and investment holding |
| Capital Top Trading Limited | Hong Kong | US$1,000,000 | 100 | 100 | Trading |
| Coastal Development (Anshan) | PRC | RMB50,000,000 | 100 | – (note iii) | Property development |
| Coastal Greenland Development Jiangxi Limited # | PRC | US$12,000,000 | 100 | 100 | Property development |
| Coastal Greenland Development (Shenyang) Ltd. # | PRC | US$20,000,000 | 100 | 100 | Investment holding |
| Coastal Greenland Development (Shenzhen) Ltd. # | PRC | US$12,000,000 | 100 | 100 | Property development |
| Coastal Greenland Development (Wuhan) Ltd. # | PRC | RMB50,000,000 | 100 | 100 | Property development |
| Coastal Greenland Development (Xiamen) Ltd. # | PRC | RMB100,000,000 | 100 | 100 | Property development |

## 45. Particulars of Principal Subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2012 | 2011 | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries: *(Continued)*** | | | | | |
| Coastal Realty Development Co. Limited | Hong Kong | HK$10 Ordinary HK$20,000,000 Non-voting deferred shares (Note ii) | 100 | 100 | Investment holding |
| Coastal Realty Development (Shanghai) Co., Ltd. # | PRC | US$12,000,000 | 100 | 100 | Investment holding |
| Coastal Realty Management Company Limited | Hong Kong | HK$500,000 Ordinary | 100 | 100 | Investment holding |
| Coastal Riviera Garden (Anshan) Development Co., Ltd. # | PRC | RMB42,000,000 | 100 | 100 | Investment holding |
| Dongguan Riviera Garden Development Co., Ltd. | PRC | RMB10,000,000 | 100 | 100 | Property development |
| Dragon Gain Investment Limited | Hong Kong | HK$1,000 Ordinary | 100 | 100 | Investment holding |
| Fenhall Development Limited | Hong Kong/ PRC | HK$10,000 Ordinary | 100 | 100 | Property investment |
| Fenson Development Limited | Hong Kong/ PRC | HK$10,000 Ordinary | 100 | 100 | Property investment |
| Frenwick Development Limited | Hong Kong/ PRC | HK$10,000 Ordinary | 100 | 100 | Property investment |
| Globe Gain Limited | Hong Kong | HK$3 Ordinary | 100 | 100 | Investment holding |

## 45. Particulars of Principal Subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2012 | 2011 | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries: *(Continued)*** | | | | | |
| Innovative Marketing and Strategy (Shenzhen) Ltd. # | PRC | HK$1,000,000 | 100 | 100 | Provision of management services |
| Jingdian Construction Co., Ltd. | PRC | RMB50,000,000 | 100 | 100 | Construction |
| Joinwell Investment Limited | Hong Kong | HK$2 Ordinary | 100 | 100 | Investment holding |
| Kings Crown Holdings Ltd. | British Virgin Islands/ Hong Kong | US$50,000 Ordinary | 100 | 100 | Investment holding |
| Liaoning Baocheng Real Estate Development Co., Ltd. # | PRC | US$50,000,000 | 100 | 100 | Property development |
| My Home Services (Shenzhen) Ltd. # | PRC | US$1,400,000 | 100 | 100 | Property management |
| North Coastal Real Estate Development (Dalian) Co., Ltd. # | PRC | US$15,000,000 | 100 | 100 | Property development |
| Pearl Square Enterprises Limited | Hong Kong | HK$2 Ordinary | 100 | 100 | Investment holding |
| Shanghai Coastal Commercial Investment Management Co., Ltd. | PRC | RMB10,000,000 | 100 | 100 | Investment holding |
| Shanghai Coastal Greenland Real Estate Ltd. ^ | PRC | RMB110,000,000 | 100 | 100 | Investment holding |
| Shanghai Ling Zhi Properties Co., Ltd. # | PRC | US$25,000,000 | 100 | 100 | Property investment |

## 45. Particulars of Principal Subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2012 | 2011 | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries: *(Continued)*** | | | | | |
| Shanghai Xinhongda Real Estate Ltd. | PRC | RMB248,292,951 | 100 | 100 | Property development |
| Shenyang Coastal Huicheng Real Estate Co., Ltd. | PRC | RMB220,000,000 | 85 | 85 | Property development |
| Shenyang Coastal Rongtian Real Estate Co., Ltd. # | PRC | US$18,000,000 | 100 | 100 | Property development |
| Shenyang Market Real Estate Development Co., Ltd. | PRC | RMB12,000,000 | 100 | 100 | Property investment |
| Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd. | PRC | RMB200,000,000 | 100 | 100 | Property development |
| Shenzhen Coastal Property Investment Limited # | PRC | US$11,000,000 | 100 | 100 | Investment holding |
| Shenzhen Tongzhe Culture Limited | PRC | RMB1,000,000 | 100 | 100 | Provision of management services |
| Smooth Land Limited | Hong Kong | HK$1 | 100 | 100 | Investment holding |
| Super Investment Development Limited | Hong Kong | HK$2 Ordinary | 100 | 100 | Investment holding |
| Suzhou Gaotong Information Services and Consultation Ltd. # | PRC | US$45,000,000 | 100 | 100 | Investment holding |

## 45. Particulars of Principal Subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2012 | 2011 | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries: *(Continued)*** | | | | | |
| Suzhou New Development Investment Co., Ltd. | PRC | RMB350,000,000 | 100 | 100 | Property development and investment and hotel operation |
| Tacklemate Investment Limited | Hong Kong | HK$2 Ordinary | 100 | 100 | Property investment |
| Wuhan Zhisheng Group Co., Ltd. | PRC | RMB150,000,000 | 90 | 90 | Property development |

Notes:

(i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.

(ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares pari passu among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.

(iii) During the year ended 31 March 2012, the Group acquired 100% equity interest in Coastal Development (Anshan) which was a wholly owned subsidiary of an associate of the Group as at 31 March 2011 (see note 37).

# wholly foreign owned enterprise
^ contractual joint venture

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

## Properties Held for Sale and Investment

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held by the Group at 31 March 2012 (sq.m.) | Interest in the development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **The PRC** | | | | | | |
| Anshan Greenland IT City | 268 Qianshan Road Gaoxin District Anshan | Residential | 438,358 | 2,101 | 100% | |
| Phase I | | | | | | Jun 2000/Jun 2000 |
| Phase II | | | | | | Dec 2000/Dec 2000 |
| Phase III | | | | | | Apr 2002/Apr 2002 |
| Phase IV | | | | | | May 2003/Jun 2003 |
| Phase V | | | | | | Jun 2005/Oct 2005 |
| Phase VI A | | | | | | Dec 2006/May 2007 |
| Phase VI B's E | | | | | | Dec 2007/Apr 2008 |
| Phase VI B's L | | | | | | Jul 2008/Oct 2008 |
| Anshan Wisdom New City | 275 North Shengli Road Lishan District Anshan | Residential | 126,600 | 23,763 | 100% | |
| Phase I | | | | | | Dec 2009/Dec 2009 |
| Phase II | | | | | | Oct 2011/Oct 2011 |
| Beijing Silo City | 5 Baizi Bay Chaoyang District Beijing | Residential/ commercial | 846,285 | 59,769 | 100% | |
| Phase I | | | | | | Mar 2007/Mar 2007 |
| Phase II | | | | | | Mar 2007/Jun 2007 |
| Phase III | | | | | | Sep 2007/Oct 2007 |
| Phase IV the Loft | | | | | | Dec 2010/Dec 2010 |
| Phase IV East | | | | | | Dec 2010/Dec 2010 |
| Phase IV West A3 | | | | | | Jun 2011/Sep 2011 |
| Phase V | | | | | | Mar 2008/Jun 2008 |
| Phase VI | | | | | | Sep 2009/Sep 2009 |
| Phase VII North | | | | | | Mar 2009/Jun 2009 |
| Phase VII South | | | | | | Aug 2009/Aug 2009 |
| Beijing Sunvilla Realhouse | Panggezhuang Town Daxing District Beijing | Residential | 134,660 | 4,976 | 100% | |
| Phase I | | | | | | Dec 2004/Apr 2005 |
| Phase II A | | | | | | Mar 2007/May 2007 |
| Phase II B | | | | | | Aug 2008/Aug 2008 |
| Phase III | | | | | | Jul 2011/Sep 2011 |
| Chengdu Dujiangyan Project | Zone 4, 5, 6 East of Zouma River Xingfu Town Dujiangyan City Chengdu | Residential | 77,200 | 3,344 | 21.13% | Dec 2010/Mar 2011 |

## Properties Held for Sale and Investment (Continued)

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held by the Group at 31 March 2012 (sq.m.) | Interest in the development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| Dalian Coastal International Centre Phase I | Zone A, Xinghai Bay Shahekou District Dalian | Residential/ commercial | 217,200 | 24,410 | 100% | Jan 2012/Jan 2012 |
| Dalian Jianzhu Project Phase I | South of Huabei Road and West of Huadong Road Ganjingzi District Dalian | Residential | 62,200 | 9,549 | 100% | Oct 2011/Oct 2011 |
| Dongguan Riviera Villa | Cai Bai Cun Dao Jiao Town Dongguan | Residential | 181,500 | 35,896 | 100% | |
| Phase I | | | | | | Jul 2007/Jul 2007 |
| Phase II | | | | | | Mar 2008/May 2008 |
| Phase III A | | | | | | Nov 2010/Mar 2011 |
| Phase III B | | | | | | Jun 2011/Jul 2011 |
| Jiangxi Riviera Garden | South of Gaoxin Avenue Changling Town Xinjian County Jiangxi | Residential | 284,600 | 3,243 | 100% | |
| Phase I | | | | | | Sep 2006/Sep 2006 |
| Phase II | | | | | | Mar 2007/Sep 2007 |
| Phase III | | | | | | Mar 2008/Jul 2008 |
| Phase IV | | | | | | Nov 2008/Mar 2009 |
| Shanghai Golden Bridge Garden | 103 Dong Zhu An Bin Road Changning District Shanghai | Residential | 65,908 | 2,419 | 100% | Nov 1997/Dec 1997 |
| Shanghai Golden Bridge Mansion | 2077 Yanan West Road Changning District Shanghai | Commercial | 35,768 | 1,898 | 100% | August 1993 (Note 1) |
| Shanghai Riviera Garden | 1588 Mingzhong Road Xinqiao Town Songjiang District Shanghai | Residential | 298,900 | 21,979 | 100% | |
| Phase I | | | | | | Sep 2007/Nov 2007 |
| Phase II A | | | | | | Jun 2010/Dec 2010 |
| Phase II B | | | | | | Dec 2011/Mar 2012 |
| Shenyang Dongbei Furniture and Ornaments Plaza | 319 Shenliao Road Yuhong District Shenyang | Commercial | 149,752 | 80,752 | 100% | 2000 (Notes 2 and 3) |

## Properties Held for Sale and Investment (Continued)

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held by the Group at 31 March 2012 (sq.m.) | Interest in the development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| Shenyang Hunnan Residential Project | 8 Tiantan South Street Hunnan New Street Shenyang | Residential | 228,600 | 7,809 | 20% | |
| Phase I | | | | | | May 2009/May 2009 |
| Phase II | | | | | | Jul 2011/Sep 2011 |
| Shenzhen Dragon Court | Junction of Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen | Residential | 45,582 | 3,381 | 100% | |
| Phase I | | | | | | Mar 2000/Mar 2000 |
| Phase II | | | | | | May 2003/May 2003 |
| Shenzhen Noble Center | 38/F., Noble Center No.1006, 3 Fuzhong Road Futian District Shenzhen | Commercial – offices | N/A | 1,957 | 100% | 2006 (Notes 2 and 4) |
| Suzhou Coastal International Centre | 1296 West Ganjiang Road Jinchang District Suzhou | Commercial (offices/ serviced apartments/ shops/hotel) | 115,700 | 115,700 | 100% | Dec 2009/Mar 2010 |
| Wuhan Lakeside Apartment | West Airport Road and north of Jinyin Lake Dongxihu District Wuhan | Residential | 282,242 | 1,972 | 100% | |
| Phase I | | | | | | Apr 2003/Jun 2003 |
| Phase II | | | | | | May 2004/May 2004 |
| Phase III | | | | | | Aug 2005/Aug 2005 |
| Phase IV | | | | | | Mar 2006/Jun 2006 |
| Wuhan Silo City | West of Zhangbo Freeway and north of Jinshan Avenue Dongxihu District Wuhan | Residential | 714,900 | 68,347 | 100% | |
| Phase IA | | | | | | Sep 2007/Nov 2007 |
| Phase IB | | | | | | Mar 2008/Aug 2008 |
| Phase II A, B and C | | | | | | Mar 2009/Aug 2009 |
| Phase II D | | | | | | Jul 2009/Dec 2009 |
| Phase III A | | | | | | Jul 2011/Sep 2011 |
| Phase III B | | | | | | Sep 2010/Sep 2010 |
| Phase IV A | | | | | | Nov 2011/Jan 2012 |
| | | | | 473,265 | | |

Note 1: The properties were developed by other PRC developers and the marketing and sales of which were underwritten by the Group.

Note 2: The properties were developed by other PRC independent developers.

Note 3: The Group is in the process of negotiating to dispose of the property to the local government for redevelopment.

Note 4: The property is used by the Group as its office.

## Properties Held for Sale and Investment (Continued)

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held by the Group at 31 March 2012 (sq.m.) | Interest in the development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **HONG KONG** | | | | | | |
| Shun Tak Centre | Suite 1712-16, 17th Floor<br>China Merchants Tower<br>Shun Tak Centre<br>200 Connaught Road Central<br>Hong Kong | Commercial – office | N/A | 434 | 100% | 1986 (Notes 1 & 3) |
| Vienna Mansion | Flat B, 10th Floor<br>55 Paterson Street<br>Causeway Bay<br>Hong Kong | Residential | N/A | 113 | 100% | 1958 (Notes 2 & 3) |
| | | | | 547 | | |

Note 1: This commercial property is occupied by the Group as its office.

Note 2: This residential property is occupied by the Group as staff quarter.

Note 3: The Group's properties in Hong Kong were developed by other independent developers.

## Properties under Development

| Property description | Address | Type of development | Estimated GFA of the development (sq.m.) | Interest in the development attributable to the Group | Estimated completion/ delivery time (Note) |
|---|---|---|---|---|---|
| Anshan Qianshan Road Project | 268 Qianshan Road Gaoxin District Anshan | Residential/ commercial | 59,000 | 100% | 2014 |
| Anshan Wisdom New City Phase III | 275 North Shengli Road Lishan District Anshan | Residential | 89,300 | 100% | 2012 |
| Beijing Jian Guo Men Wai Project | North of 1A Jian Guo Men Wai Avenue Chaoyang District Beijing | Commercial | 44,900 | 65% | To be determined |
| Beijing Shengming Kexueyuan Project | Lot No. 18 Qingnian Apartment Zhongguanchun Live and Science Park Huilongguan Town Changping District Beijing | Commercial – serviced apartments | 39,200 | 21.13% | To be determined |
| Beijing Silo City Phase IV West A1 & A2 | 5 Baizi Bay Chaoyang District Beijing | Residential/ commercial | 16,415 | 100% | 2012 |
| Dalian Coastal International Centre Phase II | Zone A, Xinghai Bay Shahekou District Dalian | Residential/ commercial | 162,600 | 100% | To be determined |
| Dalian Jianzhu Project Phase II | South of Huabei Road and West of Huadong Road Ganjingzi District Dalian | Residential | 76,800 | 100% | 2013 |

## Properties under Development (Continued)

| Property description | Address | Type of development | Estimated GFA of the development (sq.m.) | Interest in the development attributable to the Group | Estimated completion/ delivery time (Note) |
|---|---|---|---|---|---|
| Dongguan Riviera Villa (excluding Phases I, II, III A & III B) | Cai Bai Cun Dao Jiao Town Dongguan | Residential | 265,000 | 100% | 2012 |
| Shenyang Hunnan Commercial Project | 8 Tiantan South Street Hunnan New District Shenyang | Commercial | 187,100 | 100% | 2013 |
| Shenyang Hunnan Residential Project Phase III | 8 Tiantan South Street Hunnan New District Shenyang | Residential | 117,900 | 20% | 2012 |
| Shenyang Sujiatun Project | Sujiatun District Shenyang | Residential/ commercial | 1,914,900 | 100% | To be determined |
| Wuhan Silo City (excluding Phases I, II & III and IV A) | West of Zhangbo Freeway and north of Jinshan Avenue Dongxihu District Wuhan | Residential | 745,100 | 100% | 2012 |
| Wuhan Tushu Dashijie Project | Tangjiadun Street Huanzihu Village Jianghan District Wuhan | Commercial | 172,300 | 90% | 2013 |
| Foshan Chancheng Project | Chancheng District Foshan | Residential | 138,000 | 20% | 2013 |
| | | | 4,028,515 | | |

Note: For projects to be completed and delivered in phases, the year given refers to the estimated year of completion/delivery of the first mentioned phase. The estimated year of completion is the estimation of the directors of the Company based on existing market conditions and assuming no unforeseen circumstances.

Please see further discussion on the properties and development projects of the Group in the "Review of Major Properties and Development Projects" section on pages 16 to 23 of the Annual Report.