漢國置業有限公司
Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2011-12 ANNUAL RESULTS ANNOUNCEMENT

RESULTS

The directors (the "Directors") of Hon Kwok Land Investment Company, Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**899,422**	145,534
Cost of sales		**(587,277)**	(82,557)
Gross profit		**312,145**	62,977
Other income and gains	*3*	**11,319**	8,446
Fair value gains on investment properties, net		**177,734**	630,385
Gain on disposal of investment properties, net		**-**	1,130
Administrative expenses		**(63,162)**	(60,866)
Other operating expenses, net		**(19,115)**	(8,309)
Finance costs	*4*	**(48,412)**	(41,651)
Share of profits and losses of jointly-controlled entities		**1,824**	194
Profit before tax	*5*	**372,333**	592,306
Income tax expense	*6*	**(102,851)**	(126,902)
Profit for the year		**269,482**	465,404
Attributable to:			
Owners of the Company		**206,487**	464,285
Non-controlling interests		**62,995**	1,119
		269,482	465,404
Dividend – proposed final		**60,036**	60,036

CONSOLIDATED INCOME STATEMENT *(Continued)*

		For the year ended 31 March	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		HK**43.0** cents	HK96.7 cents
Diluted		HK**42.6** cents	HK92.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**269,482**	465,404
Other comprehensive income		
Exchange differences on translation of foreign operations	**122,269**	126,094
Other comprehensive income for the year, net of tax	**122,269**	126,094
Total comprehensive income for the year	**391,751**	591,498
Attributable to:		
Owners of the Company	**322,313**	584,411
Non-controlling interests	**69,438**	7,087
	391,751	591,498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2012 HK$'000**	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**51,371**	50,386
Investment properties		**5,226,846**	4,776,851
Investments in jointly-controlled entities		**199**	257
Total non-current assets		**5,278,416**	4,827,494
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**-**	31
Tax recoverable		**387**	32,198
Properties held for sale under development and properties held for sale		**1,775,360**	1,794,748
Trade receivables	*8*	**3,076**	2,389
Prepayments, deposits and other receivables		**41,760**	74,123
Pledged deposits		**120,371**	96,974
Cash and cash equivalents		**828,734**	992,403
Total current assets		**2,769,688**	2,992,866
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**145,375**	94,160
Interest-bearing bank borrowings		**817,265**	730,802
Customer deposits		**23,612**	670,433
Convertible bonds	*11*	**-**	108,355
Tax payable		**79,485**	59,676
Total current liabilities		**1,065,737**	1,663,426
NET CURRENT ASSETS		**1,703,951**	1,329,440
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,982,367**	6,156,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	31 March 2012 *HK$'000*	31 March 2011 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,980,897**	1,541,687
Deferred tax liabilities	**495,661**	440,607
Total non-current liabilities	**2,476,558**	1,982,294
Net assets	**4,505,809**	4,174,640
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**480,286**	480,286
Equity component of convertible bonds	**-**	7,802
Reserves	**3,717,421**	3,447,342
Proposed final dividend	**60,036**	60,036
	4,257,743	3,995,466
Non-controlling interests	**248,066**	179,174
Total equity	**4,505,809**	4,174,640

Notes:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

The principal effects of adopting these HKFRSs are as follows:

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

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

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

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

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

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

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

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

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

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2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

	For the year ended 31 March 2012			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**735,687**	**125,158**	**38,577**	**899,422**
Segment results	**211,183**	**252,701**	**(9,219)**	**454,665**
Reconciliation:				
Interest income				**7,065**
Unallocated expenses				**(42,809)**
Finance costs				**(48,412)**
Share of profits and losses of jointly-controlled entities				**1,824**
Profit before tax				**372,333**

	For the year ended 31 March 2011			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	28,318	83,880	33,336	145,534
Segment results	3,650	681,261	(10,085)	674,826
Reconciliation:				
Interest income				3,658
Unallocated expenses				(44,721)
Finance costs				(41,651)
Share of profits and losses of jointly-controlled entities				194
Profit before tax				592,306

2. OPERATING SEGMENT INFORMATION *(Continued)*

	At 31 March 2012			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,841,417**	**5,631,837**	**1,527,101**	**9,000,355**
Reconciliation:				
Elimination of intersegment receivables				**(1,901,942)**
Investments in jointly-controlled entities				**199**
Corporate and other unallocated assets				**949,492**
Total assets				**8,048,104**
Segment liabilities	**1,216,258**	**453,471**	**401,200**	**2,070,929**
Reconciliation:				
Elimination of intersegment payables				**(1,901,942)**
Corporate and other unallocated liabilities				**3,373,308**
Total liabilities				**3,542,295**

	For the year ended 31 March 2012			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Other segment information:				
Fair value gains on investment properties, net	**-**	**177,734**	**-**	**177,734**
Depreciation	**2,148**	**544**	**5,271**	**7,963**
Capital expenditure *	**300**	**192,610**	**6,533**	**199,443**

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

	At 31 March 2011			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	1,881,536	5,118,093	1,713,348	8,712,977
Reconciliation:				
Elimination of intersegment receivables				(2,014,480)
Investments in jointly-controlled entities				257
Amounts due from jointly-controlled entities				31
Corporate and other unallocated assets				1,121,575
Total assets				7,820,360
Segment liabilities	1,789,186	664,562	325,325	2,779,073
Reconciliation:				
Elimination of intersegment payables				(2,014,480)
Corporate and other unallocated liabilities				2,881,127
Total liabilities				3,645,720

	For the year ended 31 March 2011			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information:				
Fair value gains on investment properties, net	-	630,385	-	630,385
Depreciation	2,105	363	1,695	4,163
Capital expenditure *	1,495	134,361	9,601	145,457

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

2. **OPERATING SEGMENT INFORMATION** *(Continued)*

Geographical information

(a) Revenue

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

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

(b) Non-current assets

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

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

3. OTHER INCOME AND GAINS

	2012 *HK$'000*	2011 *HK$'000*
Bank interest income	**7,065**	3,658
Gain on bargain purchase	**-**	1,246
Others	**4,254**	3,542
	11,319	8,446

4. FINANCE COSTS

	2012 *HK$'000*	2011 *HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**72,371**	62,939
Interest on bank loans wholly repayable after five years	**2,642**	2,308
	75,013	65,247
Less: Interest capitalised under property development projects	**(26,601)**	(23,596)
	48,412	41,651

5. PROFIT BEFORE TAX

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

	2012 *HK$'000*	2011 *HK$'000*
Cost of properties sold	**510,853**	17,898
Depreciation	**7,963**	4,163
Minimum lease payments under operating leases on land and buildings	**20,878**	25,759
Auditors' remuneration	**1,850**	1,833
Foreign exchange differences, net	**3,388**	81
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**30,383**	30,502
Pension scheme contributions	**1,037**	1,020
	31,420	31,522
Less: Amounts capitalised under property development projects	**(5,135)**	(6,200)
	26,285	25,322
Gross rental income	**(161,504)**	(115,045)
Less: Outgoing expenses	**76,424**	64,659
	(85,080)	(50,386)

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

6. INCOME TAX

	2012 *HK$'000*	2011 *HK$'000*
Group:		
Current tax		
Mainland China corporate income tax	**45,355**	1,126
Land appreciation tax in Mainland China	**15,105**	568
Overseas profits tax	**478**	2,334
	60,938	4,028
Deferred tax		
Hong Kong profits tax	**10,425**	64,300
Mainland China corporate income tax	**31,488**	58,574
	41,913	122,874
Total tax charge for the year	**102,851**	126,902

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

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

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

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

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

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

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

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

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

8. **TRADE RECEIVABLES**

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

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

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in cases of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

9. **TRADE PAYABLES AND ACCRUED LIABILITIES**

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

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

10. CONTINGENT LIABILITIES

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

11. CONVERTIBLE BONDS

During the year, the outstanding principal of the 3.5% Convertible Bonds due June 2011 in the amount of HK$88 million was redeemed in full upon maturity on 27 June 2011 together with the redemption premium. The aggregate redemption amount was HK$109,602,000.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2012.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices which was in effect before 1 April 2012 (the "CG Code") as set out in former Appendix 14 of the Listing Rules for the year ended 31 March 2012, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

   During the year ended 31 March 2012, the board of directors of the Company (the "Board") met twice for approving the annual results of the Company for the year ended 31 March 2011 and the interim results for the period ended 30 September 2011. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2012.

2. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   Currently, Dr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

3. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

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

4. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the Remuneration Committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management). On 30 March 2012, the Company had adopted the revised terms of reference of the Remuneration Committee in order to comply with the revised Appendix 14 of the Listing Rules.

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2012.

FINANCIAL REVIEW

Liquidity and financial resources

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

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

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

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

Funding and treasury policies

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

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

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

Pledge of assets

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

Employees and remuneration policies

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

FINANCIAL RESULTS

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

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

BUSINESS REVIEW

Syndicated Loans

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

Property Development and Sales

Botanica Phase 2 寶翠園二期, Guangzhou, PRC

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

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

Metropolitan Oasis* 雅瑤綠洲*, Nanhai, PRC

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

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

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

Property Investment

Shenzhen, PRC

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

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

Guangzhou, PRC

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

Chongqing, PRC

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

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

Hong Kong

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

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

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

Recurrent rental income

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

OUTLOOK

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

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

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

James Sai-Wing Wong
Chairman

Hong Kong, 19 June 2012

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong, Madam Madeline May-Lung Wong, Mr. Herman Man-Hei Fung, Mr. Yuen-Keung Chan, Mr. Xiao-Ping Li and Dr. Emily Yen Wong (alternate director to Madam Madeline May-Lung Wong) and the independent non-executive directors are Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang.