



Discovery Bay City Owners' Fund

31 March 2012



Independent auditor's report to the Owners of Discovery Bay City Owners' Fund ("the Fund")

We have audited the accounts of the Fund set out on pages 3 to 19, which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income, statement of changes in reserves and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Manager's responsibility for the accounts

The Manager of the Fund is responsible for the preparation of accounts 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 for such internal control as the Manager determines is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these accounts based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the accounts 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 Manager, as well as evaluating the overall presentation of the accounts.

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



Independent auditor's report to the Owners of
Discovery Bay City Owners' Fund ("the Fund")
(continued)

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Fund as at 31 March 2012 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Use of report

This report is intended solely for the information of, and use by, the owners of the Fund and is not intended for any other purpose. This report should not be disclosed, referred to or quoted in whole or in part without our prior written consent.

A handwritten signature in black ink, appearing to be 'J. B. M.' or similar, written in a cursive style.

Certified Public Accountants

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

27 SEP 2012

Statement of comprehensive income
for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

| | Note | 2012 | | | | | 2011 | | | | | | |
|--|------|-------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| | | Management Fund | Renovation Fund | Road Usage Fund | Maintenance Reserve | Cumulative Surplus | Total | Management Fund | Renovation Fund | Road Usage Fund | Maintenance Reserve | Cumulative Surplus | Total |
| Income | | | | | | | | | | | | | |
| Management fee income | 3 | \$ - | \$ - | \$ - | \$ - | \$ 142,109,285 | \$ 142,109,285 | \$ - | \$ - | \$ - | \$ - | \$ 136,203,761 | \$ 136,203,761 |
| Non-refundable deposit income | | 627,968 | - | - | - | - | 627,968 | 1,116,228 | - | - | - | - | 1,116,228 |
| Renovation fee income | | - | 14,242,665 | - | - | - | 14,242,665 | - | 28,007,633 | - | - | - | 28,007,633 |
| Other service income | | - | - | - | - | 1,651,158 | 1,651,158 | - | - | - | - | 1,547,095 | 1,547,095 |
| Interest income | | - | 196,624 | - | 1,878,082 | 1,082,017 | 3,156,723 | - | 145,000 | - | 1,036,331 | 527,027 | 1,708,358 |
| Road usage income | | - | - | 2,736,046 | - | - | 2,736,046 | - | - | 2,101,643 | - | - | 2,101,643 |
| Other income | | - | - | - | - | 4,140,883 | 4,140,883 | - | - | - | - | 3,550,368 | 3,550,368 |
| | | <u>\$ 627,968</u> | <u>\$ 14,439,289</u> | <u>\$ 2,736,046</u> | <u>\$ 1,878,082</u> | <u>\$ 148,983,343</u> | <u>\$ 168,664,728</u> | <u>\$ 1,116,228</u> | <u>\$ 28,152,633</u> | <u>\$ 2,101,643</u> | <u>\$ 1,036,331</u> | <u>\$ 141,828,251</u> | <u>\$ 174,235,086</u> |
| Expenditure | | | | | | | | | | | | | |
| Staff costs | 4(a) | \$ - | \$ - | \$ - | \$ - | \$ 35,740,279 | \$ 35,740,279 | \$ - | \$ - | \$ - | \$ - | \$ 34,303,033 | \$ 34,303,033 |
| Security | | - | - | - | - | 27,802,237 | 27,802,237 | - | - | - | - | 23,656,174 | 23,656,174 |
| Cleaning and pest control | | - | - | - | - | 15,776,323 | 15,776,323 | - | - | - | - | 15,134,828 | 15,134,828 |
| Concierge service | | - | - | - | - | 2,375,886 | 2,375,886 | - | - | - | - | 2,289,019 | 2,289,019 |
| Utilities | | - | - | - | - | 11,795,091 | 11,795,091 | - | - | - | - | 11,537,500 | 11,537,500 |
| Repairs and maintenance | | - | - | 302,494 | 1,587,188 | 15,030,613 | 16,920,295 | - | - | 17,688 | 1,755,615 | 14,058,851 | 15,832,154 |
| Landscape expenses | | - | - | - | - | 2,362,097 | 2,362,097 | - | - | - | - | 2,278,168 | 2,278,168 |
| Depreciation | | - | - | - | - | 646,807 | 646,807 | - | - | - | - | 523,204 | 523,204 |
| Rent and rates | | - | - | - | - | 2,621,058 | 2,621,058 | - | - | - | - | 2,417,826 | 2,417,826 |
| Manager's fee | 1 | - | 686,588 | 27,128 | 20,741 | 6,230,862 | 6,965,319 | - | 26,711 | 100,078 | - | 6,865,681 | 6,992,470 |
| Renovation works | | - | 13,375,126 | - | - | - | 13,375,126 | - | 28,035,843 | - | - | - | 28,035,843 |
| Other expenses | | 14,553 | 1,403,388 | 240,056 | 565,090 | 10,609,713 | 12,832,800 | 96,472 | 1,799,631 | 92,513 | 466,828 | 11,809,838 | 14,265,282 |
| | | <u>\$ 14,553</u> | <u>\$ 15,465,102</u> | <u>\$ 569,678</u> | <u>\$ 2,173,019</u> | <u>\$ 130,990,966</u> | <u>\$ 149,213,318</u> | <u>\$ 96,472</u> | <u>\$ 29,862,185</u> | <u>\$ 210,279</u> | <u>\$ 2,222,443</u> | <u>\$ 124,874,122</u> | <u>\$ 157,265,501</u> |
| Surplus/(deficit) and total comprehensive income for the year | | | | | | | | | | | | | |
| | 4 | <u>\$ 613,415</u> | <u>\$ (1,025,813)</u> | <u>\$ 2,166,368</u> | <u>\$ (294,937)</u> | <u>\$ 17,992,377</u> | <u>\$ 19,451,410</u> | <u>\$ 1,019,756</u> | <u>\$ (1,709,552)</u> | <u>\$ 1,891,364</u> | <u>\$ (1,186,112)</u> | <u>\$ 16,954,129</u> | <u>\$ 16,969,585</u> |

The notes on pages 9 to 19 form part of these accounts.

Balance sheet at 31 March 2012

(Expressed in Hong Kong dollars)

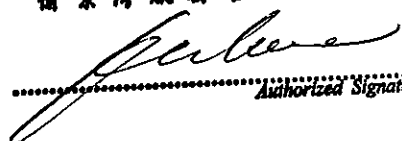
| | <i>Note</i> | <i>2012</i> | <i>2011</i> |
|--|-------------|-----------------------|-----------------------|
| Non-current asset | | | |
| Fixed assets | 5 | \$ 2,091,125 | \$ 1,686,186 |
| Current assets | | | |
| Inventories | | \$ 1,422,944 | \$ 1,363,748 |
| Debtors, other receivables, deposits and prepayments | | 10,411,522 | 12,489,016 |
| Amounts due from Hong Kong Resort Group Companies | 6 | 1,752,664 | 1,606,984 |
| Fixed deposits | 7 | 119,999,660 | 209,301,429 |
| Cash and cash equivalents | 8 | 130,537,530 | 23,009,295 |
| | | <u>\$ 264,124,320</u> | <u>\$ 247,770,472</u> |
| Current liabilities | | | |
| Creditors and accrued charges | | \$ 22,066,127 | \$ 24,424,832 |
| Amounts due to Hong Kong Resort Group Companies | 6 | 20,117 | 354,035 |
| | | <u>\$ 22,086,244</u> | <u>\$ 24,778,867</u> |
| Net current assets | | <u>\$ 242,038,076</u> | <u>\$ 222,991,605</u> |
| Net assets | | <u>\$ 244,129,201</u> | <u>\$ 224,677,791</u> |

Balance sheet at 31 March 2012 (continued)
(Expressed in Hong Kong dollars)

| | Note | 2012 | 2011 |
|---------------------|------|-----------------------|-----------------------|
| Reserves | 9 | | |
| Management Fund | | \$ 39,164,275 | \$ 41,219,860 |
| Renovation Fund | | 20,533,970 | 12,295,080 |
| Maintenance Reserve | | 147,650,371 | 137,559,643 |
| Cumulative Surplus | | 36,780,585 | 33,603,208 |
| | | <u>\$ 244,129,201</u> | <u>\$ 224,677,791</u> |

Approved and authorised for issue and on behalf of the Manager on 27 SEP 2012

For and on behalf of
DISCOVERY BAY SERVICES MANAGEMENT LIMITED
Discovery Bay Services Management Limited


.....
Authorized Signature(s)

)
)
) Manager
)
)

27 SEP 2012

The notes on pages 9 to 19 form part of these accounts.

Statement of changes in reserves
for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

| | <i>Management Fund (Note 9(b)(i))</i> | <i>Renovation Fund (Note 9(b)(ii))</i> | <i>Road Usage Fund (Note 9(b)(iii))</i> | <i>Maintenance Reserve (Note 9(b)(iv))</i> | <i>Cumulative Surplus</i> | <i>Total</i> |
|---|---|--|---|--|-------------------------------|-----------------------|
| Balance at 1 April 2010 | \$ 40,200,104 | \$ 5,108,465 | \$ - | \$ 126,421,000 | \$ 35,978,637 | \$ 207,708,206 |
| Transfers among various funds | - | 8,896,167 | (1,891,364) | (9,228,245) | 2,223,442 | - |
| Transfer from Cumulative Surplus to Maintenance Reserve | - | - | - | 21,553,000 | (21,553,000) | - |
| Total comprehensive income for the year | <u>1,019,756</u> | <u>(1,709,552)</u> | <u>1,891,364</u> | <u>(1,186,112)</u> | <u>16,954,129</u> | <u>16,969,585</u> |
| Balance at 31 March 2011 | <u>\$ 41,219,860</u> | <u>\$ 12,295,080</u> | <u>\$ -</u> | <u>\$ 137,559,643</u> | <u>\$ 33,603,208</u> | <u>\$ 224,677,791</u> |
| Balance at 1 April 2011 | \$ 41,219,860 | \$ 12,295,080 | \$ - | \$ 137,559,643 | \$ 33,603,208 | \$ 224,677,791 |
| Transfers among various funds | (2,669,000) | 9,264,703 | (2,166,368) | (7,098,335) | 2,669,000 | - |
| Transfer from Cumulative Surplus to Maintenance Reserve | - | - | - | 17,484,000 | (17,484,000) | - |
| Total comprehensive income for the year | <u>613,415</u> | <u>(1,025,813)</u> | <u>2,166,368</u> | <u>(294,937)</u> | <u>17,992,377</u> | <u>19,451,410</u> |
| Balance at 31 March 2012 | <u>\$ 39,164,275</u> | <u>\$ 20,533,970</u> | <u>\$ -</u> | <u>\$ 147,650,371</u> | <u>\$ 36,780,585</u> | <u>\$ 244,129,201</u> |

The notes on pages 9 to 19 form part of these accounts.

Cash flow statement
for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

| | <i>2012</i> | <i>2011</i> |
|---|----------------------|------------------------|
| Operating activities | | |
| Surplus for the year | \$ 19,451,410 | \$ 16,969,585 |
| Adjustments for: | | |
| Depreciation | 646,807 | 523,204 |
| Interest income | (3,156,723) | (1,708,358) |
| Loss on disposal of fixed assets | <u>5</u> | <u>3</u> |
| Operating surplus before changes in working capital | \$ 16,941,499 | \$ 15,784,434 |
| (Increase)/decrease in inventories | (59,196) | 84,282 |
| Decrease/(increase) in debtors, other receivables, deposits and prepayments | 2,077,494 | (194,708) |
| (Decrease)/increase in creditors and accrued charges | (2,358,705) | 3,841,800 |
| Increase in amounts due from Hong Kong Resort Group Companies, net | <u>(479,598)</u> | <u>(577,816)</u> |
| Net cash generated from operating activities | \$ 16,121,494 | \$ 18,937,992 |
| Investing activities | | |
| Payments for the purchase of fixed assets | \$ (1,051,751) | \$ (563,193) |
| Interest received | 3,156,723 | 1,708,358 |
| Decrease/(increase) in fixed deposits | <u>89,301,769</u> | <u>(14,301,429)</u> |
| Net cash generated from/(used in) investing activities | \$ 91,406,741 | \$ (13,156,264) |

Cash flow statement
for the year ended 31 March 2012 (continued)
(Expressed in Hong Kong dollars)

| | <i>Note</i> | <i>2012</i> | <i>2011</i> |
|--|-------------|-----------------------|----------------------|
| Net increase in cash and cash equivalents | | \$ 107,528,235 | \$ 5,781,728 |
| Cash and cash equivalents at 1 April 2011/2010 | | <u>23,009,295</u> | <u>17,227,567</u> |
| Cash and cash equivalents at 31 March 2012/2011 | 8 | <u>\$ 130,537,530</u> | <u>\$ 23,009,295</u> |

The notes on pages 9 to 19 form part of these accounts.

Notes to the accounts (Expressed in Hong Kong dollars)

1 General

The Discovery Bay City Owners' Fund (the "Fund") was established under the Deed of Mutual Covenant dated 30 September 1982 (the "Deed") which was registered with the District Lands Office on 10 November 1982, Memorial No. 112018. Discovery Bay Services Management Limited (the "Manager") was appointed as manager of the Fund pursuant to the Deed and was required to fulfil its obligations and duties stipulated in the Deed. The Manager's fee is calculated at 5% of the total expenditure as set out in Section IV Clause C.1 of the Deed.

2 Significant accounting policies

(a) *Statement of compliance*

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Fund. However, the adoption of them has no material impact on the results and financial position of the Fund.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

(b) *Basis of preparation of the accounts*

The measurement basis used in the preparation of the accounts is the historical cost basis.

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

2 Significant accounting policies (continued)

(b) Basis of preparation of the accounts (continued)

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.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

| | |
|-------------------------------------|--------------|
| - Furniture, fixtures and equipment | 3 - 5 years |
| - Plant and machinery | 3 - 7 years |
| - Motor vehicles | 5 - 10 years |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of the fixed assets are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of comprehensive income on the date of retirement or disposal.

2 Significant accounting policies (continued)

(d) Inventories

Inventories, which mainly consist of spare parts and consumable stores, are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(e) Debtors and other receivables

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

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Fund about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for debtors and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Fund is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors and others receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of comprehensive income.

2 Significant accounting policies (continued)

(f) *Creditors and other payables*

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

(g) *Cash and cash equivalents*

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

(h) *Employee benefits*

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

(i) *Provisions and contingent liabilities*

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

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

(j) *Revenue recognition*

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

- (i) Management fee, renovation fee, non-refundable deposit, road usage and other service income are recognised on an accruals basis.
- (ii) Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(k) *Operating lease charges*

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

(l) *Allocation of expenses*

Expenses relating specifically to a village or to the water works have been allocated directly to that village or to the water works. All other expenses have been allocated to the Discovery Bay City and recharged to the villages, residents club, golf club, marina club, commercial centres and schools on the basis of management units allocated to each in accordance with the Deed.

(m) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund or the Fund's parent.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.

2 Significant accounting policies (continued)

(m) Related parties (continued)

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3 Management fee income

Management fee income are calculated and charged to all residential units, residents club, golf club, marina club, the commercial centres and schools in proportion to the number of management units allocated.

4 Surplus/(deficit) for the year

Surplus/(deficit) for the year is arrived at after charging:

| | <i>2012</i> | <i>2011</i> |
|--|----------------------|----------------------|
| (a) Staff costs | | |
| Contributions to defined contribution retirement plan | \$ 1,448,299 | \$ 1,367,036 |
| Salaries, wages and other benefits | <u>34,291,980</u> | <u>32,935,997</u> |
| | <u>\$ 35,740,279</u> | <u>\$ 34,303,033</u> |
| (b) Other items | | |
| Auditor's remuneration | \$ 83,800 | \$ 78,800 |
| Operating lease charges in respect of land and buildings | <u>2,725,695</u> | <u>2,481,472</u> |

5 Fixed assets

| | <i>Furniture, fixtures and equipment</i> | <i>Plant and machinery</i> | <i>Motor vehicles (Note)</i> | <i>Total</i> |
|---------------------------|--|--------------------------------|--------------------------------------|-----------------------------|
| Cost: | | | | |
| At 1 April 2010 | \$ 1,598,079 | \$ 3,300,076 | \$ 2,015,041 | \$ 6,913,196 |
| Additions | 180,540 | 144,303 | 238,350 | 563,193 |
| Disposals | - | (6,800) | - | (6,800) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2011 | <u>\$ 1,778,619</u> | <u>\$ 3,437,579</u> | <u>\$ 2,253,391</u> | <u>\$ 7,469,589</u> |
| Depreciation: | | | | |
| At 1 April 2010 | \$ 893,828 | \$ 2,652,731 | \$ 1,720,437 | \$ 5,266,996 |
| Charge for the year | 222,712 | 255,848 | 44,644 | 523,204 |
| Written back on disposals | - | (6,797) | - | (6,797) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2011 | <u>\$ 1,116,540</u> | <u>\$ 2,901,782</u> | <u>\$ 1,765,081</u> | <u>\$ 5,783,403</u> |
| Net book value: | | | | |
| At 31 March 2011 | <u>\$ 662,079</u> | <u>\$ 535,797</u> | <u>\$ 488,310</u> | <u>\$ 1,686,186</u> |
| Cost: | | | | |
| At 1 April 2011 | \$ 1,778,619 | \$ 3,437,579 | \$ 2,253,391 | \$ 7,469,589 |
| Additions | 210,393 | 471,650 | 369,708 | 1,051,751 |
| Disposals | (24,920) | (9,106) | - | (34,026) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2012 | <u>\$ 1,964,092</u> | <u>\$ 3,900,123</u> | <u>\$ 2,623,099</u> | <u>\$ 8,487,314</u> |
| Depreciation: | | | | |
| At 1 April 2011 | \$ 1,116,540 | \$ 2,901,782 | \$ 1,765,081 | \$ 5,783,403 |
| Charge for the year | 258,614 | 305,889 | 82,304 | 646,807 |
| Written back on disposals | (24,916) | (9,105) | - | (34,021) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2012 | <u>\$ 1,350,238</u> | <u>\$ 3,198,566</u> | <u>\$ 1,847,385</u> | <u>\$ 6,396,189</u> |
| Net book value: | | | | |
| At 31 March 2012 | <u>\$ 613,854</u> | <u>\$ 701,557</u> | <u>\$ 775,714</u> | <u>\$ 2,091,125</u> |

Note: Motor vehicles are registered under the name of the Manager.

6 Amounts due from/to Hong Kong Resort Group Companies

The Hong Kong Resort Group Companies represent fellow subsidiaries or related companies of Hong Kong Resort Company Limited, the immediate holding company of the Manager. The amounts due from/to Hong Kong Resort Group Companies are unsecured, interest-free and have no fixed terms of repayment.

7 Fixed deposits

Fixed deposits represent bank deposits with more than three months of maturity at acquisition.

8 Cash and cash equivalents

| | <i>2012</i> | <i>2011</i> |
|---------------------------|-----------------------|----------------------|
| Deposits with banks | \$ 125,451,537 | \$ - |
| Cash at bank and in hand | <u>5,085,993</u> | <u>23,009,295</u> |
| Cash and cash equivalents | <u>\$ 130,537,530</u> | <u>\$ 23,009,295</u> |

Note: The bank accounts are opened under the name of Discovery Bay Services Management Limited on trust of Discovery Bay City Owners' Fund and Discovery Bay Services Management Limited on trust of Discovery Bay City Owners' Reserve Fund.

9 Reserves

(a) Component of the Fund's capital and reserves

The opening and closing balances of each component of the Fund's reserves and a reconciliation between these amounts are set out in the statement of changes in reserves.

(b) Nature and purpose of the reserves

- (i) The Management Fund represents deposits and miscellaneous funds received from the owners of the residential units which are non-refundable. Majority of the balance at the balance sheet date represents management fee deposits.
- (ii) The Renovation Fund represents fees received from the owners of certain villages for current renovations.
- (iii) The Road Usage Fund represents annual renewal license fees for motor vehicles and parking fees received from users less any road maintenance fees incurred during the year. The balance is transferred to Maintenance Reserve on a yearly basis.

9 Reserves (continued)

(b) Nature and purpose of the reserves (continued)

- (iv) In accordance with the Deed, certain management fee incurred for the year has to be set aside and transferred to the Maintenance Reserve. The Maintenance Reserve has been established in order to provide funds to cover the estimated costs of replacement of capital items and major repairs and maintenance. The amount to be transferred from Cumulative Surplus in each year is determined after consultation with the respective Owners' Committees

(c) Capital management

The Fund's primary objectives when managing capital are to safeguard the Fund's ability to continue as a going concern, so that it can continue to manage Discovery Bay City (the "City") and the matters incidental to or connected with the management of the City.

The Fund defines "capital" as including all reserves maintained by the Fund. The Fund actively and regularly reviews and manages its capital structure to ensure effective use of reserves and sound financial status of the Fund. The Fund's overall capital management strategy remains unchanged from prior year.

10 Financial risk management and fair values

Potential exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Fund's operations. The Fund exposure to these risks and the financial risk management policies and practices used by the Fund to manage these risks are described below.

(a) Credit risk

The Fund's credit risk is primarily attributable to bank deposits and management fees receivable. The Manager has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings to minimise credit exposure and the Fund has exposure limit to any single financial institution. Given their high credit ratings, the Manager does not expect any of these financial institutions will fail to meet their obligations.

At the balance sheet date, the Fund did not hold any other assets which would expose the Fund to significant credit risk.

(b) Liquidity risk

The manager's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

10 Financial risk management and fair values (continued)

(b) *Liquidity risk (continued)*

The earliest settlement dates of the Fund's financial liabilities at the balance sheet date are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

(c) *Interest rate risk*

At the balance sheet date, the Fund did not hold any assets or liabilities which would expose the Fund to significant interest rate risk.

(d) *Foreign currency risk*

The manager has no exposure to foreign currency risk as all of the Fund's transactions are denominated in Hong Kong dollars.

(e) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2012.

11 Commitments

- (a) Capital commitments in respect of the purchase of fixed assets, common facilities and improvement projects outstanding as at 31 March 2012 not provided for in the accounts were as follows:

| | <i>2012</i> | <i>2011</i> |
|----------------|---------------|---------------|
| Contracted for | \$ 31,968,664 | \$ 18,153,739 |

- (b) The Fund grants permission to telecommunication companies for installing antenna under license agreements. The agreements typically run for an initial period of one to three years.

At 31 March 2012, the total future minimum license fee income under non-cancellable license agreements are receivable as follows:

| | <i>2012</i> | <i>2011</i> |
|---------------|-------------|-------------|
| Within 1 year | \$ 500,700 | \$ 516,300 |

12 Material related party transactions

During the year, the Fund had the following material transactions with Hong Kong Resort Group Companies:

| | <i>2012</i> | <i>2011</i> |
|--|----------------|----------------|
| Management fees received/receivable | \$ 4,560,668 | \$ 4,025,077 |
| Other service fees and charges received/receivable | 1,980,086 | 1,882,533 |
| Rentals paid/payable | 1,438,815 | 1,346,682 |
| Administration and other service charges paid/payable | 2,265,828 | 2,355,283 |
| Ferry fares paid/payable | 616,505 | 629,371 |
| Manager's fee paid/payable | 6,965,319 | 6,992,470 |
| Purchase of inventories | <u>103,922</u> | <u>105,435</u> |

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2012

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these accounts.

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

Detailed statement of comprehensive income - Cumulative Surplus
for the year ended 31 March 2012
(Expressed in Hong Kong dollars)

| | Headland Village | Beach Village | Parkridge Village | Midvale Village | Parkvale Village | Hillgrove Village | Parkland Village | Peninsula Village | Greenvale Village | D.J. Plaza (Residential units) | La Vista Village | Bijou Hamlet Village | La Costa Village | Neo Horizon Village | Siena | Siena Two A | Siena Two B | Chianti | Commercial Centre/Clubs/Schools | City | 2012 Total | Elimination | 2012 Total | | |
|--|------------------|---------------|-------------------|-----------------|------------------|-------------------|------------------|-------------------|-------------------|--------------------------------|------------------|----------------------|------------------|---------------------|--------------|--------------|---------------|---------------|---------------------------------|--------------|---------------|----------------|-----------------|----------------|-----------|
| Income | | | | | | | | | | | | | | | | | | | | | | | | | |
| Management fee income | \$ 8,081,540 | \$ 7,504,464 | \$ 6,243,552 | \$ 6,859,824 | \$ 9,330,822 | \$ 4,395,384 | \$ 1,539,408 | \$ 21,330,336 | \$ 16,539,312 | \$ 2,336,850 | \$ 7,113,567 | \$ 1,462,116 | \$ 5,384,304 | \$ 3,238,416 | \$ 7,134,372 | \$ 2,722,888 | \$ 12,389,932 | \$ 15,316,088 | \$ - | \$ 3,186,058 | \$ - | \$ 142,109,285 | \$ - | \$ 142,109,285 | |
| Civil electrical and mechanical services | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,476,387 | 7,476,387 | (7,130,603) | 345,784 | |
| Landscape services | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,418,252 | 7,418,252 | (7,176,040) | 242,212 | |
| Water charges | 42,555 | 75,894 | 35,068 | 65,153 | 62,098 | 72,658 | 17,658 | 168,645 | 57,292 | 8,740 | 19,849 | 8,567 | 32,613 | 53,929 | 52,942 | 31,615 | 65,771 | 183,959 | 4,472,033 | - | 99 | 4,472,033 | (3,408,967) | 1,063,066 | |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 99 | 1,082,017 | - | 1,082,017 | |
| Sundry income | 135,668 | 2,720 | 76,736 | 14,802 | 32,140 | 3,162 | 7,623 | 353,024 | 246,372 | 17,519 | 7,987 | 316 | 2,531 | 1,997,752 | 5,467 | 2,840 | 61,020 | 107,189 | 222,000 | 8,440,15 | 4,140,883 | - | 4,140,883 | | |
| | \$ 8,259,761 | \$ 7,583,078 | \$ 6,355,356 | \$ 6,939,779 | \$ 9,425,060 | \$ 4,471,204 | \$ 1,564,749 | \$ 21,852,005 | \$ 16,843,476 | \$ 2,361,109 | \$ 7,141,403 | \$ 1,471,299 | \$ 5,419,448 | \$ 5,290,097 | \$ 7,192,781 | \$ 2,757,343 | \$ 12,516,723 | \$ 15,607,228 | \$ 4,720,145 | \$ 3,186,058 | \$ 15,738,853 | \$ 166,698,957 | \$ (17,715,614) | \$ 148,983,343 | |
| Expenditure | | | | | | | | | | | | | | | | | | | | | | | | | |
| Staff costs | \$ 344,617 | \$ 443,456 | \$ 332,182 | \$ 308,103 | \$ 389,506 | \$ 297,818 | \$ 36,950 | \$ 1,172,677 | \$ 630,380 | \$ 78,586 | \$ 260,213 | \$ 25,102 | \$ 182,160 | \$ 392,313 | \$ 289,126 | \$ 75,512 | \$ 304,012 | \$ 775,120 | \$ - | \$ - | \$ 29,402,446 | \$ 35,740,279 | \$ - | \$ 35,740,279 | |
| Repairs and maintenance | 451,339 | 519,698 | 949,855 | 1,002,345 | 912,411 | 584,475 | 192,633 | 4,094,050 | 1,999,678 | 389,829 | 997,784 | 207,095 | 747,188 | 925,134 | 1,171,378 | 566,780 | 1,664,672 | 1,912,809 | 374,100 | - | 2,415,783 | 22,079,636 | (7,048,423) | 15,030,613 | |
| Security | 1,593,146 | 809,955 | 629,616 | 789,132 | 1,526,259 | 637,584 | 380,794 | 2,947,295 | 1,840,388 | 357,977 | 737,300 | 616,402 | 748,395 | 736,952 | 1,362,667 | 504,873 | 2,718,725 | 1,587,991 | - | - | 7,476,766 | 27,802,237 | - | 27,802,237 | |
| Utilities | 242,217 | 436,784 | 564,614 | 538,103 | 857,333 | 464,451 | 69,358 | 2,299,603 | 1,737,729 | 177,892 | 629,756 | 105,303 | 525,657 | 541,434 | 631,003 | 227,095 | 1,087,318 | 1,103,851 | 851,193 | - | 2,096,164 | 15,204,058 | (3,408,967) | 11,795,091 | |
| Cleaning and pest control | 382,758 | 868,815 | 699,780 | 799,062 | 799,884 | 403,816 | 166,235 | 1,776,083 | 1,528,983 | 274,718 | 694,028 | 135,036 | 629,776 | 387,016 | 766,631 | 386,393 | 1,237,373 | 1,731,190 | 1,300 | - | 2,207,446 | 15,776,323 | - | 15,776,323 | |
| Landscape expenses | 554,184 | 836,845 | 223,415 | 276,681 | 370,430 | 98,241 | 56,759 | 854,445 | 305,600 | 18,752 | 630,478 | 109,206 | 469,646 | 115,544 | 387,981 | 152,939 | 631,414 | 498,561 | 50,350 | - | 2,896,168 | 9,538,141 | (7,176,044) | 2,362,097 | |
| Manager's fee | 144,155 | 145,497 | 144,672 | 173,327 | 222,329 | 110,845 | 26,056 | 573,396 | 349,685 | 61,197 | 154,421 | 52,891 | 133,421 | 152,066 | 292,707 | 88,910 | 355,675 | 472,087 | 195,784 | - | 2,561,741 | 6,230,862 | - | 6,230,862 | |
| Insurance | 125,818 | 108,340 | 54,824 | 70,937 | 84,570 | 43,924 | 16,936 | 274,558 | 178,922 | 17,900 | 73,417 | 14,209 | 47,141 | 35,278 | 75,848 | 26,148 | 93,604 | 133,619 | - | - | 433,800 | 1,941,211 | - | 1,941,211 | |
| Consumables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,154,234 | 4,154,234 | - | 4,154,234 | |
| Rent and rates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,801,298 | 2,621,058 | - | 2,621,058 | |
| Services charges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 998,395 | 998,395 | - | 998,395 | |
| Depreciation | 3,859 | 3,710 | 3,896 | 6,218 | 11,648 | 13,039 | - | 9,207 | 22,480 | 2,100 | 5,116 | - | 13,647 | 21,225 | 4,611 | 757 | 7,490 | 16,120 | 1,950 | - | 499,734 | 646,807 | - | 646,807 | |
| Motor vehicles expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Printing and stationery | 14,511 | 7,986 | 10,482 | 5,087 | 7,246 | 5,657 | 2,844 | 21,697 | 12,170 | 1,723 | 6,739 | 903 | 4,614 | 3,335 | 12,302 | 4,292 | 17,000 | 23,025 | - | - | 245,908 | 406,621 | - | 406,621 | |
| Concierge service | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,375,886 | - | - | 2,375,886 |
| Property tax | - | - | - | - | - | - | - | 28,800 | - | - | - | - | - | - | 234,948 | - | - | - | - | 2,640 | - | - | - | - | 289,488 |
| Auditors' remuneration | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 83,800 |
| Loss on disposal of fixed assets | - | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4 | 5 | - | 5 |
| Miscellaneous expenses | 35,012 | 74,621 | 48,718 | 60,085 | 35,782 | 52,152 | 9,487 | 149,573 | 73,536 | 9,808 | 45,564 | 16,079 | 60,931 | 79,265 | 51,177 | 8,923 | 63,407 | 204,492 | 200,939 | - | 1,082,555 | 2,362,106 | (82,180) | 2,279,926 | |
| | \$ 3,791,616 | \$ 4,255,007 | \$ 3,662,074 | \$ 4,029,080 | \$ 5,217,398 | \$ 2,712,003 | \$ 758,052 | \$ 14,201,384 | \$ 8,679,551 | \$ 1,390,542 | \$ 4,234,816 | \$ 1,282,226 | \$ 3,559,578 | \$ 3,623,610 | \$ 4,975,431 | \$ 2,042,622 | \$ 8,188,690 | \$ 10,876,410 | \$ 2,463,874 | \$ - | \$ 58,770,616 | \$ 148,706,580 | \$ (17,715,614) | \$ 130,990,966 | |
| Add/less | | | | | | | | | | | | | | | | | | | | | | | | | |
| Share of city expenses | 2,810,261 | 2,905,485 | 1,809,208 | 2,185,632 | 2,679,894 | 1,356,951 | 488,026 | 7,799,352 | 5,846,113 | 569,081 | 1,908,461 | 286,808 | 1,364,320 | 889,330 | 1,767,324 | 680,743 | 2,702,566 | 2,796,090 | - | 3,186,058 | (44,031,763) | - | - | - | |
| | \$ 6,601,877 | \$ 7,160,492 | \$ 5,471,282 | \$ 6,214,712 | \$ 7,897,292 | \$ 4,069,854 | \$ 1,246,078 | \$ 22,000,736 | \$ 14,525,664 | \$ 1,959,623 | \$ 6,143,277 | \$ 1,569,034 | \$ 4,923,898 | \$ 4,512,940 | \$ 6,742,755 | \$ 2,723,365 | \$ 10,883,256 | \$ 13,672,500 | \$ 2,463,874 | \$ 3,186,058 | \$ 14,738,853 | \$ 148,706,580 | \$ (17,715,614) | \$ 130,990,966 | |
| Surplus/(deficit) and total comprehensive income for the year | \$ 1,657,886 | \$ 422,586 | \$ 884,014 | \$ 725,067 | \$ 1,527,768 | \$ 402,250 | \$ 318,671 | \$ (148,731) | \$ 2,317,812 | \$ 403,486 | \$ 998,126 | \$ (97,735) | \$ 495,550 | \$ 777,157 | \$ 450,026 | \$ 33,978 | \$ 1,633,467 | \$ 1,934,728 | \$ 2,256,271 | \$ - | \$ 1,000,000 | \$ 17,992,377 | \$ - | \$ 17,992,377 | |
| Transfer from management fund | 50,000 | 56,000 | 11,000 | 15,000 | 21,000 | 24,000 | 8,000 | 569,000 | 729,000 | 89,000 | 327,000 | 37,000 | 225,000 | 155,000 | 54,000 | 23,000 | 276,000 | - | - | - | - | 2,669,000 | - | 2,669,000 | |
| Transfer from maintenance reserve to cumulative surplus | - | - | - | - | - | - | - | - | 2,338,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,338,000 | - | 2,338,000 |
| Transfer from cumulative surplus to maintenance reserve | (1,692,000) | (600,000) | (960,000) | (730,000) | (1,221,000) | (600,000) | (384,000) | (1,200,000) | (2,729,000) | (240,000) | (1,320,000) | (424,000) | (600,000) | (960,000) | (960,000) | (192,000) | (1,200,000) | (720,000) | (2,100,000) | - | (1,000,000) | (19,822,000) | - | (19,822,000) | |
| Net surplus/(deficit) for the year | \$ 15,886 | \$ (121,414) | \$ (64,986) | \$ 20,067 | \$ 327,768 | \$ (173,750) | \$ (57,329) | \$ (779,731) | \$ 2,655,812 | \$ 252,486 | \$ 5,126 | \$ (484,735) | \$ 120,550 | \$ (37,843) | \$ (455,974) | \$ (135,022) | \$ 709,467 | \$ 1,214,728 | \$ 156,271 | \$ - | \$ - | \$ 3,177,377 | \$ - | \$ 3,177,377 | |