



Capital Strategic
Investment Limited

資本策略

Stock code : 497

A NEW ANGLE

Annual Report 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director:

Chung Cho Yee, Mico (*Chairman*)

Executive Directors:

Hubert Chak

Kan Sze Man (*Company Secretary*)

Chow Hou Man (*Qualified Accountant*)

Independent Non-Executive Directors:

Lam Lee G.

Wong Sin Just

Cheng Yuk Wo

AUDIT COMMITTEE

Lam Lee G.

Wong Sin Just

Cheng Yuk Wo

REMUNERATION COMMITTEE

Chung Cho Yee, Mico

Lam Lee G.

Cheng Yuk Wo

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

The Bank of East Asia Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Dah Sing Bank, Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HONG KONG HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3203

Bank of America Tower

12 Harcourt Road

Central, Hong Kong

SHANGHAI OFFICE

Suites 901B-902A

9/F., CITIC Square

1168, Nanjing Road West

Shanghai, 200041, China

AUDITORS

Deloitte Touche Tohmatsu

35/F., One Pacific Place

88 Queensway

Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

STOCK CODE

497

COMPANY WEBSITE

www.csigroup.hk

FINANCIAL REVIEW

REVIEW OF THE RESULTS

The Group reported a total gross revenue of approximately HK\$680.5 million for the year ended 31st March, 2008, which was mainly generated from sale of properties and rental income of approximately HK\$402.5 million, securities investment of approximately HK\$278 million, representing an increase of 22.5% from approximately HK\$555.4 million recorded in last year.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of HK\$325.4 million for the year ended 31st March, 2008, represented an increase of 17.6% compared with HK\$276.6 million reported in 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$1,066.3 million, and liquid investments held for trading of approximately HK\$86.2 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31st March, 2008, the Group had net current assets of approximately HK\$4,503.7 million (31st March, 2007: net current assets of approximately HK\$2,407.1 million) and a current ratio of 15.5 (31st March, 2007: 7.7).

On 13th July, 2007, the Company raised a total of approximately HK\$390 million from the issuance of convertible notes to renowned international institutional investors, and the total liabilities portion of convertible notes increased from approximately HK\$121.2 million as at 31st March, 2007 to approximately HK\$475.5 million as at 31st March, 2008.

The Group's short-term bank borrowing decreased from approximately HK\$290.3 million as at 31st March, 2007 to approximately HK\$121.8 million as at 31st March, 2008, and long-term bank borrowing increased from approximately HK\$928.1 million as at 31st March, 2007 to approximately HK\$1,846.9 million as at 31st March, 2008. All the bank borrowings were utilized in financing the Group's properties acquisitions. As a result, the Group's total bank borrowing increased from approximately HK\$1,218.4 million as at 31st March, 2007 to approximately HK\$1,968.7 million as at 31st March, 2008, and the Group's ratio of total debt to total assets was 47.3% (At 31st March, 2007: 37.2%). All bank borrowings were denominated in Hong Kong dollars and were on a floating rate basis at short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$121.8 million repayable within one year, HK\$966 million repayable between one to five years, and HK\$880.9 million over five years.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, result and operation of the Group.

FINANCIAL REVIEW

CONTINGENT LIABILITIES

	2008 HK\$'000	2007 HK\$'000
Corporate guarantee given by the Group for banking facilities granted to associates	107,976	107,976
Corporate guarantee given by the Group for banking facilities granted to jointly-controlled entities	244,133	65,000
	352,109	172,976

At 31st March, 2008, amounts of HK\$71,800,000 (2007: HK\$65,708,000) had been utilised by its associates and HK\$204,633,000 (2007: HK\$60,200,000) had been utilised by its jointly-controlled entities.

At 31st March, 2008, included in trade and other payables amounted to HK\$92,000 and HK\$3,495,000 (2007: HK\$2,120,000 and HK\$3,495,000) represented the deferred income in respect of the financial guarantee contracts given to jointly-controlled entities and associates respectively.

PLEDGE OF ASSETS

At balance sheet date, the following assets were pledged to secure banking facilities granted to the Group:

	2008 HK\$'000	2007 HK\$'000
Investment properties	—	700,000
Property, plant and equipment	2,128	—
Prepaid lease payments	93,047	—
Properties held for sales	3,028,300	1,480,615
Bank deposits	136,701	272,396
	3,260,176	2,453,011

The Group also executed the assignment of rental income and sales proceeds on disposal of properties over the investment properties and properties held for sale to banks to secure the banking facilities granted to the Group.

FINANCIAL REVIEW

CAPITAL COMMITMENTS

	2008 HK\$'000	2007 HK\$'000
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,095	5,321
— the establishment of a subsidiary in the People's Republic of China	9,797	13,082
	10,892	18,403

資本策略

Capital Strategic Investment Ltd



CHUNG CHO YEE, MICO
Chairman

On behalf of the Board of Directors (the “Board”), I am pleased to present the annual report of Capital Strategic Investment Limited (the “Company”) and its subsidiaries (together the “Group”) for the financial year ended 31st March, 2008.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31st March, 2008, the Group reported a consolidated profit attributable to the equity shareholders of the Company of HK\$325.4 million, compared with HK\$276.6 million reported in 2007. Total gross revenue for the Group was HK\$680.5 million, compared with HK\$555.4 million for the year ended 31st March, 2007.

HONG KONG

We are pleased to report that we have successfully managed to timely unlock capital appreciations in a number of our property investments during the earlier part of this financial year.

For commercial properties, more sizeable disposals completed during this year included Paul Y. Centre, Kwun Tong, Hong Kong, which was jointly owned by us and other strategic partners including Lehman Brothers, as well as our wholly-owned investment in No. 88 Gloucester Road, Hong Kong. For residential properties, two luxury residential houses at Nos. 12-16 Tai Tam Road, Hong Kong were also disposed of during the year.

These disposals have once again highlighted our management’s strength in property repositioning and value enhancement. Through our efforts, these properties were successfully repackaged and up-graded, and their hidden values were timely unlocked, each resulting in significant returns to our shareholders.

CHAIRMAN'S STATEMENT

Towards efficiently re-deploying capital to create further value and growth for our shareholders, we have during the second half of the financial year acquired a majority stake in Eton Building, No. 288 Des Voeux Road Central, Hong Kong. Subsequent to the end of the financial year, we have also acquired a majority stake in Yue Thai Commercial Building, No. 128 Connaught Road Central, Hong Kong, and two luxury residential developments with substantial capital enhancement potentials, namely The Amber, No. 45 Blue Pool Road, Hong Kong and The Morning Side, No. 2 Cape Road, Hong Kong. These newly acquired properties, together with our other prime en-bloc properties situated in the core retail hub of Tsimshatsui, Kowloon and CBD areas in Hong Kong, will continue to constitute the focus of our property repositioning and value enhancement efforts.

On existing projects, our two commercial buildings on Ashley Road have become very popular "Ginza-style" entertainment, food and beverage centres and are a major attraction on Ashley Road which is becoming an increasingly trendy place in Tsimshatsui. Renovation and construction work at Mohan's Building, Hankow Road, No. 8 Hau Fook Street, both in Tsimshatsui and Nos. 77 to 85 Jervois Street in Sheung Wan are on-going and we are confident that we will be able to successfully execute our repositioning strategy and significantly enhance the capital value of these properties.

Our ability to identify a "**NEW ANGLE**" is the key to the success in our property repositioning strategy. We have successfully executed our repositioning strategy in both commercial and residential properties such as Paul Y. Building in Kwun Tong, Ashley Road in Tsimshatsui and Nos. 12 - 14, Tai Tam Road. We are confident that we will be able to execute our repositioning strategy on recently acquired properties to significantly enhance the value and continue our success as a unique "**PROPERTY INVESTOR WITH A NEW ANGLE**".

CHINA

Since the establishment of our Shanghai office in September 2006, we have been growing our PRC experience and expertise in repeating our Hong Kong repositioning business model. Extensive renovation works for The International Capital Plaza (formerly known as "Fuhai Building") in Hongkou district of Shanghai, which we co-invested with Lehman Brothers, is due to complete in 2008 and we expect it to become one of the landmark buildings in the district.

Earlier in the year, we have, in equal partnership with Tian An China Investments Company Limited, completed the acquisition of our second investment in Shanghai, namely The Novel Plaza, No. 128 Nanjing West Road, Shanghai, and have since successfully strengthened its tenants' profile and enhanced its rental yield.

Major PRC cities will continue to be the focus of our development in the next few years. Nonetheless, in light of the domestic economic issues and the Central Government's macroeconomic response measures, we will proceed cautiously with our efforts in exploring suitable investment opportunities.

CORPORATE ACTIVITIES

In July 2007, the Group successfully raised a total of approximately HK\$390 million from the issuance of convertible notes to renowned international institutional investors. The proceeds from the issuance of the convertible notes not only strengthened our balance sheet but also allowed the Group to continue to pursue sizable investment opportunities in Hong Kong and China.

CHAIRMAN'S STATEMENT

OUTLOOK

2008 would no doubt be a very challenging year. Global economic problems and the tightening in the credit market worldwide stemming from the U.S. sub-prime mortgage market, coupled with PRC Central Government's macroeconomic measures to curb domestic inflation, have adversely affected business environments but investment opportunities have also been created at the same time. Indeed, on the one hand we nonetheless expect continuing commitment on our internal capital resources in repositioning and enhancing value for those properties already in our portfolio, whilst on the other hand our ability to realize and redeploy our investments, and to obtain external financing for new investment opportunities, is clearly not as favourable as before.

We shall remain vigilant to the challenges ahead and are confident that with our strong platform built in the past few years, we are well positioned to withstand any forthcoming market turbulence, grasp business opportunities, and excel to create higher growth and value for our shareholders.

APPRECIATION

I would like to take this opportunity to express my appreciation to the support of our board members, shareholders, business partners and bankers throughout the years. I would also like to express my sincere thanks to our management team and all staff for their dedication and efforts to the continued success of the Group.

Chung Cho Yee, Mico

Chairman

Hong Kong, 24th July, 2008

CORPORATE GOVERNANCE REPORT

The Company is obliged to comply with the requirements for continuing listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is committed to practice high standard of corporate governance in its daily management and operations. The Company follows and applies the principles of the Code on Corporate Governance Practices (the “Corporate Governance Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in the year under review, save for exceptions explained in the following relevant paragraphs.

The board of directors of the Company (the “Board”) acknowledged in this Corporate Governance Report that it is its responsibility for preparing the accounts for the year ended 31st March, 2008 together with the relevant notes. In this Corporate Governance Report, significant matters were discussed with appropriate cross-reference to relevant parts in this annual report.

THE BOARD OF DIRECTORS

The Board has 1 non-executive director, 3 executive directors and 3 independent non-executive directors (“INED”). Biographies of all current directors are set out on pages 14 and 17 of this annual report. All directors pay sufficient time and attention to the affairs of the Company. Every member of the Board is fully aware of his responsibilities as a director of the Company under the applicable laws and regulations. Non-executive directors provide their skills and expertise and serve different board committees of the Company. The Company provides appropriate cover on directors and officers liabilities insurance and the latest policy was renewed in May, 2008.

Bye-laws 102 (A) and 102 (B) are amended by a special resolution passed on 25th August, 2005 to the effect that all directors are subject to rotation at least once every three years. No specific term is imposed on the non-executive directors who are required to retire in accordance with the bye-laws of the Company. Additional and new directors filing up casual vacancy are subject to election in the next following general meeting.

The Company does not have the position of Chief Executive Officer. The Board is chaired by the non-executive director. The roles of chairman were adopted on 21st July, 2005. The Company created the position of Group Chief Operating Officer on 1st April, 2007 to oversee the daily management and operations of the Company.

The Board has resolved to meet regularly 4 times a year. During the year under review, the Board met on 19th July, 15th October and 20th December, 2007 and 5th March, 2008 and the attendance of each director is set out below:-

Name of Director	Number of Attendance
Chung Cho Yee, Mico	4/4
Hubert Chak	4/4
Kan Sze Man	4/4
Chow Hou Man	4/4
Wong Sin Just	3/4
Lam Lee G.	4/4
Cheng Yuk Wo	4/4

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (Continued)

In addition to the above regular board meetings, all board members met on 18th April and 4th June, 2007 and 6 written board resolutions were duly executed during the year. There were also various casual meetings and telephone conversations between non-executive directors and executive directors from time to time to discuss the businesses and overall direction of the Company.

Draft board minutes were circulated to all directors for comments after the meetings. The original board minutes are kept by the Company Secretary for inspection of the directors.

BOARD COMMITTEES

The Company has 3 regular board committees to oversee the businesses and corporate governance of the Group. All minutes are circulated to committee members and full records are kept by the Company Secretary.

Remuneration Committee, which comprises majority of INED, was established on 21st July, 2005. Its written terms of reference, which deal clearly with its authority and duties for a formal and transparent procedure to fix the remuneration package for all directors, were adopted on 21st July, 2005. The remuneration paid to the directors for the year ended 31st March, 2008 was set out on pages 65 to 67. During the year under review, the Remuneration Committee met on 19th July, 2007 and 18th March, 2008.

Audit Committee which comprised of only INED, was established pursuant to the board meeting held on 2nd June, 1999 with its terms of reference adopted on the same day and revised on 21st July, 2005. During the year under review, the Audit Committee met on 19th July and 20th December, 2007.

Name of Non-executive Director	Number of Attendance Audit Committee	Number of Attendance Remuneration Committee
Chung Cho Yee, Mico	N/A	2/2
Wong Sin Just	1/2	N/A
Lam Lee G.	2/2	2/2
Cheng Yuk Wo	2/2	2/2

A General Executive Board Committee comprised of the executive directors was formed with terms of reference on 21st June, 2005. In addition, 3 executive board committees, with delegated power for specific purposes, were established in the year under review pursuant to board resolutions.

During the year, 1 independent board committee comprised of only INED of the Company was formed for the purpose of giving independent advice to independent shareholders of the Company for a specific transaction.

The members of the above committees had full access to board minutes, records, materials as well as the management and staff of the Company. The Company provides full supports to the above committees and arranges for professional advisors to give incidental advice whenever necessary.

CORPORATE GOVERNANCE REPORT

DIRECTORS' DEALING IN SHARES OF THE COMPANY

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules relating to dealings in securities. Memorandum was sent to directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each director and had received their written confirmation of full compliance with the Model Code for the year ended 31st March, 2008.

AUDIT AND INTERNAL CONTROL

Deloitte Touche Tohmatsu was appointed as the auditors of the Company in the annual general meeting held on 28th August, 2007. The Audit Committee with the mandate given by the shareholders at the general meeting fixed the audit fee of HK\$833,000 for the financial year of 2008. The Company also engages Deloitte Touche Tohmatsu on taxation and other services during the year at a total fee of HK\$410,000.

The Board acknowledged that it has the overall responsibility of the internal control system to enhance the awareness of risk management and assets protection. The internal control system is designed to provide reasonable policies and procedures to manage business risk and to avoid misstatement of the performance of the Company and its subsidiaries (the "Group"). The Company has a clearly defined organisation chart by functions, an effective filing system to maintain proper records for accounting and business transactions, well established procedures in approving payments and safeguarding the appropriate use of assets. The Group Legal Counsel of the Company also acts as the head of compliance to ensure the Group's compliance with applicable laws and regulations. The Company reviews its internal control system annually with the Audit Committee thereafter, taking effective actions on recommendation, if any, to improve its system.

COMMUNICATION WITH SHAREHOLDERS, GENERAL MEETINGS AND VOTING BY POLL

All company announcements, circulars and notice of general meetings include an update list of directors with their designation. In the year under review, the Company had published 23 announcements on the websites of the Company and the Stock Exchange and 5 circulars, convened 3 special general meetings and 1 annual general meeting.

All company circulars relating to general meetings contains specific paragraph with reference to Bye-laws to clearly draw the attention of shareholders to procedures and their rights in demanding a poll vote. The chairman of general meetings provided extracts from Company's Bye-laws relating to voting procedures and the Chairman drew the attention of the shareholders to their rights to vote at the beginning of all meetings. With the assistance of the share registrar of the Company, all voting results are counted and recorded clearly. The results and the number of votes (for and against) were announced by the Chairman in the meeting and published on the websites of the Company and the Stock Exchange as soon as practicable and in the newspapers on the following day.

DIRECTORS' REPORT



FORM RIGHT TO LEFT: LEE KWAN YEE, HO LOK FAI, CHOW HOU MAN, KAN SZE MAN, CHUNG CHO YEE, MICO, HUBERT CHAK, WONG CHUNG KWONG, MAK CHI WING, FOK PAUL ANTHONY

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly-controlled entities are set out in notes 45, 23 and 22, respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year are set out in the consolidated income statement on page 27.

The directors recommended the payment of a final dividend of 0.8 HKcent per share of HK\$0.008 each, to shareholders of the Company whose names appear on the register of members on 27th August, 2008 and payable on or around 19th September, 2008. The register of members will be closed from 22nd August, 2008 to 27th August, 2008, both dates inclusive.

INVESTMENT PROPERTIES

Details of these and other movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

DIRECTORS' REPORT

BORROWINGS

Details of bank borrowings of the Group are set out in note 32 to the consolidated financial statements. No interest was capitalised by the Group during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st March, 2008 including contributed surplus and accumulated profits amounted to HK\$945,090,000 (2007: HK\$543,497,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 83.2% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 36.5% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 27.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 17.9% of the Group's total purchases.

Save as disclosed in Note 43 to the consolidated financial statements, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of 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:

NON-EXECUTIVE DIRECTOR:

Mr. Chung Cho Yee, Mico

EXECUTIVE DIRECTORS:

Mr. Hubert Chak

Mr. Kan Sze Man

Mr. Chow Hou Man

Ms. Ma Wai Man, Catherine (resigned on 30th September, 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Lam Lee G.

Dato' Wong Sin Just

Mr. Cheng Yuk Wo

DIRECTORS' REPORT

DIRECTORS (Continued)

Pursuant to Bye-law 99(A) of the Bye-Laws, Dr. Lam Lee G., Dato' Wong Sin Just and Mr. Kan Sze Man shall retire by rotation. All retiring directors, being eligible, offer themselves for re-election.

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The terms of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Chung Cho Yee, Mico, aged 47, Chairman and Non-Executive Director of the Company, joined the Group in 2004, graduated from the University College, University of London, England, with a law degree in 1983. He qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently holding directorships in PCCW Limited and Hong Kong Construction (Holdings) Limited, all being companies listed on the Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Hubert Chak, aged 47, joined the Company as Group Chief Operating Officer in 2007. He was an executive director of Pacific Century Premium Developments Limited and was also the company secretary and director of mergers and acquisitions of PCCW Limited until February, 2007. He is a non-executive director of Tradelink Electronic Commerce Limited. Prior to joining the Pacific Century group in 1999, he worked for a number of international investment banks in Hong Kong and has more than 10 years' experience in corporate finance transactions in the region. He was a graduate of the University of Wales (now known as Cardiff University) in the United Kingdom and holds a Master of Business Administration degree and a Bachelor of Science degree in Mechanical Engineering.

Mr. Kan Sze Man, aged 36, joined the Company as Group General Counsel in 2001. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, Oxford University, England in 1993 and qualified as solicitor in Hong Kong in 1997. He has worked in the commercial department of a leading Hong Kong law firm and a U.K. city firm, until joining Hikari Tsushi International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan was also an executive director of the Company from 2001 to 2003. Mr. Kan is the brother-in-law of Mr. Chung Cho Yee, Mico, the non-executive Chairman of the Company and the controlling shareholder of the Company.

Mr. Chow Hou Man, aged 37, joined the Company as Group Chief Financial Officer in 2001. Mr. Chow graduated from the Baptist University and holds a MBA degree from the Hong Kong Polytechnic University. He has over 10 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G., aged 49, joined the Company as an Independent Non-Executive Director in 2001. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the UK, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 25 years of international experience as a chief executive officer, company director and investment banker in the telecommunications, media and technology, retail, property and financial services sectors. He is a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organization, a fellow of the Hong Kong Institute of Directors and a member of its Corporate Governance Policies Committee, a member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region. He is a chairman of Monte Jade Science and Technology Association of Hong Kong and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. He is an independent non-executive director of Hutchison Harbour Ring Limited, Mingyuan Medicare Development Company Limited, Far East Holdings International Limited, SW Kingsway Capital Holdings Limited, Vongroup Limited and Mei Ah Entertainment Group Limited and a non-executive director of Glorious Sun Enterprises Limited, the shares of all of which are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of China.com Inc, Finet Group Limited and Timeless Software Ltd., the shares of all of which are listed on the Growth Enterprise Market of the Stock Exchange. He is an independent non-executive director of Rowsley Limited (whose shares are listed on the Main Board of the Singapore Stock Exchange) and TeleCard Limited (whose shares are listed on Karachi Stock Exchange (Guarantee) Limited, Pakistan). Previously Dr. Lam was an independent non-executive director of Hutchison Global Communications Holdings Limited (whose shares were formerly listed on the Main Board of the Stock Exchange), Pearl Oriental Innovation Limited (whose shares are listed on the Main Board of the Stock Exchange) and China Cyber Port (International) Company Limited (whose shares are listed on the Growth Enterprise Market of the Stock Exchange), and a non-executive director of True Corporation Public Company Limited (whose shares are listed on Thailand Stock Exchange). He was also an executive director, vice chairman and chief executive officer of Chia Tai Enterprises International Limited (whose shares are listed on the Main Board of the Stock Exchange) and resigned with effect from 15th September, 2006.

DIRECTORS' REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Dato' Wong Sin Just, aged 42, Independent Non-Executive Director, joined the Group in 2001. Dato' Wong possesses over 19 years of accounting, investment banking and venture capital experience. He held senior positions with a number of premier international investment banks prior to joining the Company. Dato' Wong is currently the chief investment officer of SBI E2-Capital Asset Management Limited and the chairman of SBI E2-Capital Asia Securities Pte Ltd.. He is the executive director and vice chairman of China Renji Medical Group Limited and the non-executive director and chairman of Suncorp Technologies Limited, the shares of all of which are listed on the Main Board of the Stock Exchange. Dato' Wong holds a Bachelor Degree in Engineering (First Class Honours) from Imperial College, University of London and was qualified as an associate of the Institute of Chartered Accountants, England and Wales. Dato' Wong is also an independent non-executive director of China.com Inc. whose shares are listed on the Growth Enterprise Market of the Stock Exchange in Hong Kong and China Zenith Chemical Group Limited whose shares are listed on the Main Board of the Stock Exchange. He is also a director and member of the Audit Committee of CDC Software Corporation and a non-executive director of Intelligent Edge Technologies Berhad, the shares of which are listed on the Malaysia MESDAQ. Dato' Wong was the executive co-chairman and executive director of E2-Capital (Holdings) Limited, the shares of which are listed on the Main Board of the Stock Exchange, and resigned with effect from 31st May, 2008.

Mr. Cheng Yuk Wo, aged 47, Independent Non-Executive Director, joined the Group in 2002. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng worked at Coopers and Lybrand in London and with Swiss Bank Corporation in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is an independent non-executive director of several listed companies and the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a M.Sc. (Econ) degree and a B.A. (Hon) degree.

SENIOR MANAGEMENT

HONG KONG

Mr. Lee Kwan Yee, joined the Group in 2007 and is responsible for the property related investments of the Group. Mr Lee has almost 20 years of experience in real estate investments having advised local and international investors on various types of projects. Mr Lee was a Director of Colliers International in HK and worked for a number of international surveying firms before joining the Group. Mr Lee is a member of the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors.

Mr. Mak Chi Wing, joined the Group in 2007 and is responsible for the design and project management of the Group's property projects. Mr. Mak has more than 25 years experience in the property development business, and worked for major property developers including Sun Hung Kai, Swire and Hopewell. He has extensive practical experience in project management and development process from the inception stage, planning, design coordination, all the way to handing over the finished product. Mr. Mak was a Development Consultant for 7 years and has handled numerous development studies, project management cases. He is a member of the Chartered Institute of Building.

DIRECTORS' REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

SENIOR MANAGEMENT (Continued)

HONG KONG (Continued)

Mr. Wong Chung Kwong, joined the Group in 2004 and is responsible for property related investments of the Group. Mr. Wong has been working in the local and mainland real estate markets for 30 years and has solid experience in properties related projects such as leasing, sales and marketing, tenders and property management. Before joining the Group, Mr. Wong had worked in property development and management companies in Mainland China and Hong Kong.

Mr. Ho Lok Fai, joined the Group in 2005 and is responsible for the sales and leasing of properties of the Group. Mr. Ho possesses more than 15 years experience in the office and commercial property market in Hong Kong and is specialized in analyzing market data and trend. Mr. Ho had worked in several property agency companies before joining the Group.

Mr. Fok Paul Anthony, joined the Company in 2008 and is responsible for the design and project management of the Group's property projects. Prior to joining the Group, Mr Fok has worked almost 5 years at Aedas, a leading international architecture firm and has participated in various projects involving with design, tendering, foundation and superstructure. Mr Fok was a graduate of the Hong Kong University and holds a Master of Architecture. He is a member of Hong Kong Institute of Architect.

SHANGHAI

Ms. Dong Yan, General Manager of the Group's PRC Property Division, joined the Group in 2006. Ms. Dong was the Deputy General Manager of the Shanghai Real Estate Co. Ltd. Group, one of the largest real estate players in Shanghai for over 10 years and sat on the board of several of its wholly owned or shareholding real estate development and project companies. In this capacity, Ms. Dong oversaw development phase master planning and design work, as well as market positioning and sales activities. Before she joined the Group, she was a vice president of H&Q Asia Pacific. Ms. Dong received a post-graduated diploma on urban planning and inner city renewal course from Institute of Housing and Urban Development Studies, Rotterdam, Netherlands in 1993 and a management master degree from Norwegian School of Management (BI), and an EMBA from Antai School of Management, Jiao Tong University.

DIRECTORS' INTERESTS IN SHARES

Save as disclosed in sections headed "Substantial Shareholders" and "Share Option Schemes", as at 31st March, 2008, none of the Company's directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") and as recorded in the register kept by the Company under Section 352 of the Securities Future Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 35 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Option scheme type	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1.4.2007	Granted during the year	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2008
Directors									
Kan Sze Man (Note 2)	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	19,375,000	—	—	—	19,375,000
	2002 (Note 1)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Chow Hou Man	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	4,187,500	—	—	—	4,187,500
	2002 (Note 1)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Hubert Chak	2002 (Note 1)	3.10.2007	0.405	3.10.2007 — 25.8.2012	—	35,000,000	—	—	35,000,000
Total for directors					54,812,500	35,000,000	—	—	89,812,500
Employees and consultants									
	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	71,156,250	—	(40,000,000)	—	31,156,250
	2002 (Note 1)	23.9.2002	0.112	23.9.2002 — 25.8.2012	71,250,000	—	—	—	71,250,000
	2002 (Note 1)	8.1.2004	0.112	8.1.2004 — 25.8.2012	37,500,000	—	—	—	37,500,000
	2002 (Note 1)	9.1.2004	0.112	9.1.2004 — 25.8.2012	18,750,000	—	—	—	18,750,000
	2002 (Note 1)	3.10.2007	0.405	3.10.2007 — 25.8.2012	—	40,000,000	—	—	40,000,000
Total for employees and consultants					198,656,250	40,000,000	(40,000,000)	—	198,656,250
Grand total					253,468,750	75,000,000	(40,000,000)	—	288,468,750
Exercisable at the end of the year									288,468,750

DIRECTORS' REPORT

SHARE OPTION SCHEMES (Continued)

Notes:

- (1) There is a limit on the number of share options under the 2002 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.
- (2) Mr. Kan Sze Man was appointed as director of the Company on 1st June, 2007 and his holding of share options were reclassified under the categories of director.
- (3) Ms. Ma Wai Man, Catherine resigned as director and appointed as consultant of the Company on 30th September, 2007, and her holding of share options were reclassified under to category of employees and consultants.
- (4) The above information has been adjusted to reflect the effect of Share Sub-division as set out in note 33 to the consolidated financial statements.
- (5) The closing prices of the Company's shares immediately before the date of grant and the date of exercise were HK\$0.43 and HK\$0.36, respectively.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above and in notes 33 and 35 to the consolidated financial statements, at no time during the year, was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

LONG POSITION

Name	Capacity	Number of shares	Derivative interests	Approximate shareholding percentage
Chung Cho Yee, Mico ("Mr. Chung")	Beneficial owner (Note 1)	1,626,446,250	163,535,735	32.89% 3.3%
Earnest Equity Limited ("Earnest Equity")	Interest of controlled corporation (Note 2)	1,624,346,250	163,535,735	32.85% 3.3%
Stark Investments (Hong Kong) Limited	Investment manager (Note 3)	518,080,000	176,328,241	10.48% 3.57%
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 4)	367,670,000	477,273,873	7.44% 9.65%
Stark Master Fund, Ltd.	Beneficial owner (Note 5)	448,470,000	67,418,921	9.07% 1.36%
Cheah Capital Management Limited	Interest of controlled corporation (Note 6)	397,140,000	—	8.03% —
Cheah Cheng Hye	Person who set up a discretionary trust (Note 6)	397,140,000	—	8.03% —
Cheah Company Limited	Interest of controlled corporation (Note 6)	397,140,000	—	8.03% —
Hang Seng Bank Trustee International Limited	Trustee (Note 6)	397,140,000	—	8.03% —
To Hau Yin	Interest of child under 18 or spouse (Note 6)	397,140,000	—	8.03% —
Value Partners Group Limited	Interest of controlled corporation (Note 6)	397,140,000	—	8.03% —
Value Partners Limited	Investment manager (Note 6)	397,140,000	—	8.03% —
Third Avenue Management LLC	Investment manager	348,180,000	—	7.04% —

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS (Continued)

LONG POSITION (Continued)

Notes:

1. Mr. Chung is the beneficial owner of 1,626,446,250 shares in the Company (being the aggregate of personal interest of Mr. Chung of 2,100,000 shares and the corporate interest held by Earnest Equity of 1,624,346,250) and 163,535,735 shares relate to the derivative interests held by Earnest Equity in 2011 Convertible Notes and 2012 Convertible Notes.
2. Earnest Equity, the entire issued share capital of which is held by Digisino Assets Limited ("Digisino"), as trustee of a discretionary trust founded by Mr. Chung, who together with his spouse and children are the current discretionary beneficiaries. Further, the entire issued share capital of Digisino is held by Mr. Chung and that both Digisino and Earnest Equity are corporations wholly owned and controlled by him.
3. Stark Investments (Hong Kong) Limited, being an investment manager, is deemed to be interested in 518,080,000 shares in the Company and 176,328,241 shares relate to the derivative interests in 2011 Convertible Notes and 2012 Convertible Notes.
4. Lehman Brothers Commercial Corporations Asia Limited, a company that held 367,670,000 shares in the Company and 477,273,873 shares relate to the derivative interests in 2011 Convertible Notes and 2012 Convertible Notes, is a company owned as to 50% by LBCCA Holdings I Inc. and owned as to 50% by LBCCA Holdings II Inc., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.
5. Stark Master Fund, Ltd. is the beneficial owner of 448,470,000 shares in the Company and 67,418,921 shares relate to the derivative interests in 2011 Convertible Notes.
6. The 397,140,000 shares in the Company held by Cheah Capital Management Limited, Cheah Cheng Hye, Cheah Company Limited, Hang Seng Bank Trustee International Limited, To Hau Yin, Value Partners Group Limited and Value Partner Limited are the same parcel of shares.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March, 2008.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The connected transactions undertaken by the Company during the year and up to date of this report are set out below:

- (i) Pursuant to the announcement dated 7th June, 2007, the Company on the same day, entered into several conditional subscription agreements with Centar Investment (Asia) Limited (“Centar”), Lehman Brothers Commercial Corporation Asia Limited (“Lehman”) and five independent third parties in relation to the subscription of HK\$390,000,000 2% unsecured convertible notes redeemable on the fifth anniversary from the date of issue (the “Maturity Date”) (the “2012 Convertible Notes”) with principal amounts of HK\$54,600,000, HK\$78,000,000 and HK\$257,400,000, respectively. Centar is a fund managed by Stark Investments (Hong Kong) Limited (“Stark Investments”). As at the announcement date, Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries and Stark Investments was a substantial shareholder of the Company. Therefore, Lehman and Stark Investments were connected persons of the Company under the Listing Rules. The transactions were completed on 13th July, 2007.

The holders of the 2012 Convertible Notes have the right to convert the 2012 Convertible Notes into shares of HK\$0.008 each of the Company at the initial conversion price of HK\$0.51 (subject to adjustments) at any time during the period from the 7th day after the date of issue of the 2012 Convertible Notes up to and including the date which is 7 days prior to the maturity date of the 2012 Convertible Notes.

Unless previously converted or purchased or redeemed by the Company, the Company will redeem the 2012 Convertible Notes at the redemption amount which is 119.38% of the principal amount of the 2012 Convertible Notes outstanding.

Upon full conversion of the 2012 Convertible Notes at the initial conversion price of HK\$0.51, an aggregate of 764,705,880 conversion shares of HK\$0.008 each will be issued by the Company. The net proceeds from the issue of the 2012 Convertible Notes of approximately HK\$387,000,000 is intended to be used for future property and property-related investments.

- (ii) Pursuant to the announcement dated 13th August, 2007, Mark Well Investments Limited, a wholly-owned subsidiary of the Company has subscribed equity linked structured notes (the “Notes”) issued by Lehman Brothers Treasury Co BV, a subsidiary of Lehman Brothers Holdings Inc. for an aggregate amount of US\$1,500,000 (approximately HK\$11,700,000). The Notes are 2 year equity link notes quoted in US dollars with interest bearing and redeemable on the second anniversary from the date of issue. The Notes are linked to three blue-chips Hong Kong listed companies. The Notes were redeemed on 14th November, 2007.

Lehman Brothers was indirectly interested in approximately 9.35% of the issued share capital of the Company and it was also a substantial shareholder of a non-wholly owned subsidiary of the Company as at the announcement date.

DIRECTORS' REPORT

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK\$592,919,000, which represented approximately 11.5% of the Group's total assets value as at 31st March, 2008. In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies and the Group's attributable interests in those affiliated companies based on their latest financial statements available are presented below:

	Combined balance sheet HK\$'000	Group's attributable interests HK\$'000
Non-current assets	1,952,802	850,978
Current assets	514,328	163,754
Current liabilities	(792,287)	(348,992)
Non-current liabilities	(1,334,681)	(523,553)
	<u>340,162</u>	<u>142,187</u>

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the board of directors on the basis of their merit, qualifications and competence with reference to the prevailing market terms. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

The emoluments of the directors of the Company are determined by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 35 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its listed securities through the Stock Exchange as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
September 2007	17,680,000	0.395	0.365	6,761,000
January 2008	4,650,000	0.390	0.390	1,813,500

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES (Continued)

The above shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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.

CORPORATE GOVERNANCE

The Company is obliged to comply with the requirements for continuing listing on the Stock Exchange and is committed to practice high standard of corporate governance in its daily management and operations. The Company follows and applies the principles of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules in the year under review with exception of few deviations. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 9 to 11 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2008.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

CHUNG CHO YEE, MICO
CHAIRMAN

24th July, 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CAPITAL STRATEGIC INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Capital Strategic Investment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 27 to 106, which comprise the consolidated balance sheet as at 31st March, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

INDEPENDENT AUDITOR'S REPORT

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 and true and fair presentation of the consolidated financial statements 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 31st March, 2008 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

24th July, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Revenue	7	402,534	101,558
Cost of sales		(194,885)	(30,160)
Gross profit		207,649	71,398
Other income	9	48,818	36,410
Administrative expenses		(68,822)	(51,327)
Finance costs	10	(120,842)	(42,110)
Change in fair value of investment properties		63,637	142,919
Investment income and net (loss) gain from financial instruments	11	(28,312)	64,500
Share of results of jointly-controlled entities		151,624	(369)
Share of results of associates		3,280	492
Loss on disposal of interests in subsidiaries	36	(16,174)	—
Gain on disposal of partial interests in subsidiaries	36	1,715	—
Gain on disposal of interests in investment properties	36	—	9,060
Gain on disposal of prepaid lease payments		—	90,320
Profit before taxation		242,573	321,293
Taxation			
— Current and deferred tax	12	(27,316)	(42,681)
— Release of deferred taxation upon disposal of subsidiaries	12	98,529	—
Profit for the year	13	313,786	278,612
Attributable to:			
Equity holders of the Company		325,369	276,644
Minority interests		(11,583)	1,968
		313,786	278,612
Dividends paid	15	39,734	15,290
Dividends proposed	15	39,525	39,734
Earnings per share			
Basic	16	HK6.57 cents	HK 6.69 cents
Diluted	16	HK5.89 cents	HK 6.18 cents

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-Current Assets			
Investment properties	17	36,500	736,000
Property, plant and equipment	18	10,951	10,131
Prepaid lease payments	19	105,137	14,857
Available-for-sale investments	20	7,941	7,786
Club memberships	21	6,860	6,860
Interests in jointly-controlled entities	22	106,396	13,268
Interests in associates	23	39,378	7,868
Amount due from an associate	24	33,586	34,120
Deferred tax asset	25	2,675	1,467
		349,424	832,357
Current Assets			
Trade and other receivables	26	8,620	15,198
Prepaid lease payments	19	2,767	381
Deposit paid for acquisition of properties held for sales		176,201	185,256
Investments held for trading	20	86,242	118,797
Properties held for sale	27	3,190,668	1,789,030
Amounts due from jointly-controlled entities	24	274,646	44,917
Amounts due from associates	24	8,254	5,023
Taxation recoverable		1,231	1,376
Pledged bank deposits	28	136,701	272,396
Bank balances and cash	28	929,650	336,093
		4,814,980	2,768,467
Current Liabilities			
Trade and other payables	29	119,660	39,566
Derivative financial instruments	30	18,666	—
Convertible notes — due within one year	34	3,310	1,596
Taxation payable		33,456	22,286
Amounts due to minority shareholders	31	10,376	7,604
Amount due to an associate	24	4,000	—
Bank borrowings — due within one year	32	121,818	290,280
		311,286	361,332
Net Current Assets		4,503,694	2,407,135
		4,853,118	3,239,492

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Capital and Reserves			
Share capital	33	39,555	39,413
Reserves		2,438,240	2,062,609
Equity attributable to equity holders of the Company		2,477,795	2,102,022
Minority interests		43,160	—
Total Equity		2,520,955	2,102,022
Non-Current Liabilities			
Bank borrowings — due after one year	32	1,846,880	928,118
Convertible notes — due after one year	34	472,224	119,606
Deferred tax liabilities	25	13,059	89,746
		2,332,163	1,137,470
		4,853,118	3,239,492

The consolidated financial statements on pages 27 to 106 were approved and authorised for issue by the Board of Directors on 24th July, 2008 and are signed on its behalf by:

Chung Cho Yee, Mico
DIRECTOR

Hubert Chak
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Convertible		Contributed surplus	Translation reserve	Share		Total	Minority interest	Total equity
				Capital reserve	note equity reserve			option reserve	Accumulated profits			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st April, 2006	23,391	237,950	—	—	—	276,058	—	—	673,689	1,211,088	1,056	1,212,144
Profit for the year and total recognised income and expenses for the year	—	—	—	—	—	—	—	—	276,644	276,644	1,968	278,612
Issue of shares	16,140	616,425	—	—	—	—	—	—	—	632,565	—	632,565
Recognition of equity components												
of convertible notes	—	—	—	—	18,398	—	—	—	—	18,398	—	18,398
Exercise of share options	45	603	—	—	—	—	—	—	—	648	—	648
Expenses related to issue of shares	—	(18,765)	—	—	—	—	—	—	—	(18,765)	—	(18,765)
Shares repurchased and cancelled	(163)	—	163	—	—	—	—	—	(5,158)	(5,158)	—	(5,158)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	—	—	—	(18)	(18)	—	(18)
Share of changes in reserve of an associate	—	—	—	1,910	—	—	—	—	—	1,910	—	1,910
Dividend paid	—	—	—	—	—	—	—	—	(15,290)	(15,290)	(3,024)	(18,314)
At 31st March, 2007	39,413	836,213	163	1,910	18,398	276,058	—	—	929,867	2,102,022	—	2,102,022
Exchange differences arising on transaction of foreign operations	—	—	—	—	—	—	17,450	—	—	17,450	11,192	28,642
Profit for the year	—	—	—	—	—	—	—	—	325,369	325,369	(11,583)	313,786
Total recognised income and expenses for the year	—	—	—	—	—	—	17,450	—	325,369	342,819	(391)	342,428
Recognition of equity — settled share based payments	—	—	—	—	—	—	—	2,967	—	2,967	—	2,967
Recognition of equity component of convertible notes	—	—	—	—	49,252	—	—	—	—	49,252	—	49,252
Deferred tax	—	—	—	—	(11,839)	—	—	—	—	(11,839)	—	(11,839)
Exercise of share options	320	5,056	—	—	—	—	—	—	—	5,376	—	5,376
Shares repurchased and cancelled	(178)	—	178	—	—	—	—	—	(8,575)	(8,575)	—	(8,575)
Expense related to shares repurchase and cancelled	—	—	—	—	—	—	—	—	(31)	(31)	—	(31)
Share of changes in reserve of an associate/a jointly-controlled entity	—	—	—	(212)	—	—	35,750	—	—	35,538	—	35,538
Dividend paid	—	—	—	—	—	—	—	—	(39,734)	(39,734)	—	(39,734)
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	43,551	43,551
At 31st March, 2008	39,555	841,269	341	1,698	55,811	276,058	53,200	2,967	1,206,896	2,477,795	43,160	2,520,955

The capital reserve represents the Group's share of the deemed capital contribution arising from interest free loans granted to the associate by its shareholders.

The contributed surplus of the Group represents the amount arising from capital reorganisation carried out by the Company during the year ended 31st March, 2003.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	242,573	321,293
Adjustments for:		
Dividend income	—	(664)
Finance costs	120,842	42,110
Interest income	(31,534)	(29,255)
Income from amortisation of financial guarantee contracts	(1,155)	(1,310)
Depreciation of property, plant and equipment	4,178	3,840
Release of prepaid lease payments	2,767	427
Loss on disposal of property, plant and equipment	597	1,760
Increase in fair value of investment properties	(63,637)	(142,919)
Decrease (increase) in fair value of financial instruments	63,097	(11,141)
Share based payment expenses	2,967	—
Share of results of jointly-controlled entities	(151,624)	369
Share of results of associates	(3,280)	(492)
Loss on disposal of interests in subsidiaries	16,174	—
Gain on disposal of partial interests in subsidiaries	(1,715)	—
Gain on disposal of prepaid lease payments	—	(90,320)
Gain on disposal of interests in investment properties	—	(9,060)
Operating cash flow before movements in working capital	200,250	84,638
Increase in investments held for trading	(12,031)	(3,501)
Increase in trade and other receivables	(7,535)	(8,383)
Increase in deposit paid for acquisition of properties held for sale	(176,201)	(157,526)
Increase in properties held for sale	(684,275)	(900,202)
Increase in accruals and other payables	56,250	14,759
Net cash used in operations	(623,542)	(970,215)
Interest paid	(45,654)	(33,692)
Hong Kong Profits paid	(6,920)	(2,477)
NET CASH USED IN OPERATING ACTIVITIES	(676,116)	(1,006,384)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of interests in subsidiaries (net of cash and cash equivalents disposed of)	36	785,635	—
Increase/(decrease) in pledged bank deposits		135,695	(107,030)
Proceeds from disposal of partial interests in subsidiaries	36	67,038	—
Dividend received from a jointly-controlled entity		88,250	—
Interest received		29,756	27,461
Dividend received from an associate		7,816	890
Increase in amounts due from jointly-controlled entities		(253,864)	(3)
Additions of prepaid lease payments		(95,433)	—
Acquisition of assets/additional interest in subsidiaries (net of cash and cash equivalents acquired)	37	(92,532)	(851,386)
Increase in amounts due from associates		(5,499)	(33,142)
Investments in associates		(33,456)	—
Purchase of investment properties		(26,863)	(1,526)
Purchase of property, plant and equipment		(5,586)	(672)
Proceeds from disposal of interests in investment properties (net of cash and cash equivalents disposed of)	36	—	33,312
Proceeds from disposal of investment properties		—	42,000
Proceeds from disposal of prepaid lease payments		—	330,000
Proceeds from disposal of available-for-sale investments		—	3,810
Purchase of available-for-sale investments		—	(2,781)
Decrease in amount due from an investee		—	11,069
NET CASH FROM (USED IN) INVESTING ACTIVITIES		600,957	(547,998)
FINANCING ACTIVITIES			
New bank borrowings raised		553,800	1,127,720
Proceeds from issue of convertible notes		390,000	133,000
Proceeds from exercise of share options		5,376	—
Advance from an associate		4,000	—
Advance from a jointly-controlled entity		3,968	—
Advance from minority shareholders		2,772	3,729
Repayment of bank borrowings		(233,500)	(180,150)
Dividends paid		(39,734)	(15,290)
Expenses on the issue of convertible notes		(9,360)	—
Shares repurchased and cancelled		(8,606)	(5,176)
Dividends paid to a minority shareholder of a subsidiary		—	(3,024)
Proceeds from issue of shares, net of issue expenses		—	614,448
NET CASH FROM FINANCING ACTIVITIES		668,716	1,675,257
NET INCREASE IN CASH AND CASH EQUIVALENTS		593,557	120,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		336,093	215,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		929,650	336,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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 section headed “Corporate Information” in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly-controlled entities are set out in note 45, 23 and 22 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on or after 1st April, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions

Except for the changes in disclosures as set out below, the adoption of these new HKFRSs has no material impact on the Group’s results and financial position for the current or prior years, and does not result in any significant changes in the accounting policies of the Group.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 12	Service Concession Arrangements ³
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the HKFRS 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 income statement from the effective date of acquisition or 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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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 carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group’s share of net assets of the associates, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS IN ASSOCIATES (Continued)

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 assessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

JOINT VENTURES

JOINTLY-CONTROLLED ENTITIES

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 results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly-controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

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.

When a group entity transacts with a jointly-controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity.

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.

Sales of completed properties are recognised upon execution of the binding sales and purchase agreements.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

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.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

INVESTMENT PROPERTIES

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

LEASEHOLD LAND HELD FOR UNDETERMINED FUTURE USE

Leasehold land held for undetermined future use is classified as a prepaid lease payment under an operating lease. It is stated at cost and released to profit or loss on a straight line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost or net realisable value. Cost comprises all costs of purchase (including prepaid lease payments) and other direct cost to acquire the properties. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

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 the consolidated income statement on a straight-line basis over the term of the relevant lease.

THE GROUP AS LESSEE

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

LEASEHOLD LAND AND BUILDING

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

BORROWING COSTS

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

RETIREMENT BENEFIT SCHEME

Payments to state-managed retirement benefit schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

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 income statement 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 at the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 on points paid or received that form an integral 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.

Income is recognised on an effective interest basis for debt instruments. Other than those financial assets at fair value through profit or loss of which interest income is excluded in net gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from jointly-controlled entities, amounts due from associates, pledged bank deposits and bank balances and cash) 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 and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

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 each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

For all other financial assets of the Group, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- 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 assets such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 credit period of 30-90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

CONVERTIBLE NOTES

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into the respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL LIABILITIES AND EQUITY (Continued)

OTHER FINANCIAL LIABILITIES

Other financial liabilities including trade and other payables, amounts due to associate/minority shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Upon repurchase of the Company's own shares, the respective shares are subsequently cancelled and accordingly, the issued share capital of the Company is reduced by the nominal value thereof. The premium payable on repurchase was charged against the Company's accumulated profits. An amount equal to the nominal value of the shares repurchased is transferred from accumulated profits to capital redemption reserve.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 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 HKAS 18 "Revenue".

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 directly in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

DERECOGNITION (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

CLUB MEMBERSHIPS

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of club memberships are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

SHARE OPTIONS GRANTED TO EMPLOYEES OF THE GROUP WHICH VEST PRIOR TO 1ST APRIL, 2005

The financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior their exercise date are removed from the register of outstanding options.

SHARE OPTIONS GRANTED TO EMPLOYEES OF THE GROUP WHICH VESTED ON OR AFTER 1ST APRIL, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to accumulated profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT LOSS

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, club memberships with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. 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 obtainable 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives financial instruments are carried at the balance sheet at fair value, as disclosed in note 30. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the quoted prices provided by independent financial institution as the basis for fair value. The use of methodologies, models and assumptions in pricing and valuing these financial liabilities is subjective and requires varying degrees of judgment by independent financial institutions, which may result in significantly different fair values and results.

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 debt, which includes the bank borrowings disclosed in note 32 and convertible notes disclosed in note 34, and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2008 HK\$'000	2007 HK\$'000
Financial assets		
<i>Financial asset at fair value through profit and loss</i>		
Investments held for trading	86,242	118,797
<i>Loans and receivables</i>		
Trade and other receivables	6,119	9,249
Amounts due from jointly-controlled entities	274,646	44,917
Amounts due from associates	41,840	39,143
Pledged bank deposits	136,701	272,396
Bank balances and cash	929,650	336,093
	1,388,956	701,798
<i>Available-for-sale financial assets</i>	7,941	7,786
Financial liabilities		
<i>Financial liabilities stated at amortised cost</i>		
Trade and other payables	22,903	24,562
Amounts due to minority shareholders	10,376	7,604
Amount due to an associate	4,000	—
Convertible notes — due within one year	3,310	1,596
Convertible notes — due after one year	472,224	119,606
Bank borrowings — due within one year	121,818	290,280
Bank borrowings — due after one year	1,846,880	929,118
	2,481,511	1,372,766
<i>Derivative financial instruments</i>	18,666	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, available-for-sale investments, investments held for trading, amounts due from jointly-controlled entities, amounts due from associates, pledged bank deposits, bank balances and cash, trade and other payables, derivative financial instruments, amounts due to minority shareholders, amount due to an associate, convertible notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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. The Group's overall policies remain unchanged from prior year.

(I) MARKET RISKS

(1) INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt securities of available-for-sale investments and investments held for trading and liability component of convertible note as set out in notes 20 and 34 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (Note 28) and bank borrowings (Note 32). It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate mainly concentrated on the fluctuation of HIBOR arising from the Group's bank borrowings denominated in Hong Kong dollars.

The sensitivity analyses below have been determined based on the exposure to interest rates on bank borrowings at the balance sheet date carried variable interest rate. The analysis is prepared assuming the amounts outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st March, 2008 would decrease/increase by HK\$9,834,000 (2007: decrease/increase by HK\$6,092,000).

The Group's sensitivity to interest rate increase during the current year mainly due to increase in variable-rate bank borrowing. In management's opinion, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(I) MARKET RISKS (Continued)

(II) CURRENCY RISK

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars, the functional currency of relevant group entities.

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

	Assets		Liabilities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
US dollars	435,938	491,250	—	—
Singapore dollars	457	32,456	(4,000)	—

Sensitivity analysis

The Group is mainly exposed to the Singapore dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currency. 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 other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit where Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit.

	Singapore dollars	
	2008 HK\$'000	2007 HK\$'000
Profit/(loss) for the year	146	(1,339)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(I) MARKET RISKS (Continued)

(III) OTHER PRICE RISK

The Group is exposed to equity price risk through its equity investments held for trading and derivative financial instruments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange and those derivative financial instruments linked directly with the listed equity instrument listed in Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. In management's opinion, the sensitivity analysis is unrepresentative of inherent other price risk as the year end exposure does not reflect the exposure during the year.

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended 31st March, 2008 would increase/decrease by HK\$2,860,000 (2007: increase/decrease by HK\$2,846,000) as a result of the changes in fair value of equity investments held for trading and derivative financial instruments.

The Group's sensitivity to held for trading investments has not changed significantly from the prior year.

(II) CREDIT RISK

As at 31st March, 2008, 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 guarantees provided by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities disclosed in Note 39.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(II) CREDIT RISK (Continued)

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

The credit risk on investments in listed debt securities is limited because the counterparties are corporations with high-credit-ratings.

The Group has concentration of credit risk as 95% of the amounts due from jointly-controlled entities are due from one jointly-controlled entity and 87% of the amount due from associates are due from two associates. The jointly-controlled entities and associates are private companies and located in Hong Kong and Singapore respectively. In order to minimize the credit risk, the management of the Group has monitored the repayment ability of the jointly-controlled entities and associates continuously. The counterparties of the entire amounts due from jointly-controlled entities/associates that were neither past due nor impaired had no default record based on historical information.

The Group's geographical concentration of credit risk is mainly in the Hong Kong, which accounted for over 90% of the Group's total trade receivable as at 31st March, 2008 and 2007.

(III) LIQUIDITY RISK MANAGEMENT

The Group has net current assets of approximately HK\$4,503,694,000 as at 31st March, 2008 (2007: HK\$2,407,135,000). The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings from time to time.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has 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. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(III) LIQUIDITY RISK MANAGEMENT (Continued)

	Weighted average interest rate %	On demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
2008									
Trade and other payables	—	22,903	—	—	—	—	—	22,903	22,903
Derivative financial instruments									
— gross settle	—	—	18,666	—	—	—	—	18,666	18,666
Amount due to minority shareholders	—	10,376	—	—	—	—	—	10,376	10,376
Amount due to an associate	—	4,000	—	—	—	—	—	4,000	4,000
Convertible notes payable — liability component (Note)	1.5/2.0	—	1,995	7,800	9,795	635,372	—	654,962	475,534
Bank borrowings	5.74	72,120	6,345	44,480	80,422	1,044,697	919,695	2,167,759	1,968,698
		<u>109,399</u>	<u>27,006</u>	<u>52,280</u>	<u>90,217</u>	<u>1,680,069</u>	<u>919,695</u>	<u>2,878,666</u>	<u>2,500,177</u>
2007									
Trade and other payables	—	24,562	—	—	—	—	—	24,562	24,562
Amount due to minority shareholders	—	7,604	—	—	—	—	—	7,604	7,604
Convertible notes payable — liability component (Note)	1.5	—	1,995	—	1,995	152,285	—	156,275	121,202
Bank borrowings	4.67	1,232	38,991	256,123	81,534	368,911	520,969	1,267,760	1,218,398
		<u>33,398</u>	<u>40,986</u>	<u>256,123</u>	<u>83,529</u>	<u>521,196</u>	<u>520,969</u>	<u>1,456,201</u>	<u>1,371,766</u>

Note: This is categorised based on contractual term of redemption obligation at maturity, the holders of the convertible notes can convert the notes into the Company's share anytime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (Continued)

(C) FAIR VALUE

The fair value of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The fair value of listed investments classified as held for trading and available-for-sale investments with standard terms and conditions and traded on active liquid markets are determined with reference to the published price quotations.

The fair value of derivative financial instruments are determined based on valuation provided by the counterparty financial institution, which is determined based on inputs such as share price of the underlying equity securities, the knock-out price of the contractors and volatility of the underlying equity securities.

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

7. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. An analysis of the Group's revenue for the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Rental income	81,831	83,978
Sales of properties	320,703	17,580
	<u>402,534</u>	<u>101,558</u>

8. SEGMENTAL INFORMATION

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three major operating divisions - property trading, property rental and securities investment.

These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property trading	—	Trading of properties
Property rental	—	Leasing of investment properties
Securities investment	—	Securities trading and investments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

An analysis of the Group's revenue contribution to segment results and segmented assets and liabilities by business segments is as follows:

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the year ended 31st March, 2008</i>				
Gross proceeds	388,069	14,465	277,935	680,469
Revenue				
Rental income	67,366	14,465	—	81,831
Income from sales of properties	320,703	—	—	320,703
	388,069	14,465	—	402,534
Interest income and dividend income	—	—	7,566	7,566
Segment revenue	388,069	14,465	7,566	410,100
RESULT				
Segment results	156,335	69,278	(35,194)	190,419
Unallocated expenses				(16,267)
Other income				48,818
Finance costs				(120,842)
Share of results of				
jointly-controlled entities	92,691	58,933	—	151,624
Share of results of associates	3,280	—	—	3,280
Loss on disposal of interests				
in subsidiaries	—	(16,174)	—	(16,174)
Gain on disposal of partial interests				
in subsidiaries	1,715	—	—	1,715
Profit before taxation				242,573
Current and deferred tax				(27,316)
Release of deferred taxation upon disposal of subsidiaries				98,529
Profit for the year				313,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000 (restated)
<i>For the year ended 31st March, 2007</i>				
Gross proceeds	65,346	36,212	453,805	555,363
Revenue				
Rental income	47,766	36,212	—	83,978
Income from sales of properties	17,580	—	—	17,580
	65,346	36,212	—	101,558
Interest income and dividend income	—	—	9,880	9,880
Segment revenue	65,346	36,212	9,880	111,438
RESULT				
Segment results	121,889	154,477	47,950	324,316
Unallocated expenses				(6,506)
Other income				36,410
Finance costs				(42,110)
Share of results of				
jointly-controlled entities	(294)	(75)	—	(369)
Share of results of associates	492	—	—	492
Gain on disposal of interests in investment properties	—	9,060	—	9,060
Profit before taxation				321,293
Taxation				(42,681)
Profit for the year				278,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>Assets and liabilities as at 31st March, 2008</i>				
ASSETS				
Segment assets	3,470,643	36,500	102,033	3,609,176
Interests in jointly-controlled entities	474	105,922	—	106,396
Interests in associates	39,378	—	—	39,378
Amounts due from jointly-controlled entities	—	274,646	—	274,646
Amounts due from associates	41,840	—	—	41,840
Unallocated total assets				1,092,968
Consolidated total assets				5,164,404
LIABILITIES				
Segment liabilities	107,886	411	31,368	139,665
Amount due to an associate	4,000	—	—	4,000
Unallocated corporate liabilities				2,499,784
Consolidated total liabilities				2,643,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Other information for the year ended 31st March, 2008</i>					
Capital expenditure					
— Investment properties	—	26,863	—	—	26,863
— Property, plant and equipment	—	—	—	5,595	5,595
— Prepaid lease payments	—	—	—	95,432	95,432
Depreciation	1,134	248	—	2,796	4,178
Release of prepaid lease payments	—	—	—	2,767	2,767
Increase in fair value of investment properties	—	(63,637)	—	—	(63,637)
Decrease in fair value of investments held for trading and derivative financial instruments	—	—	63,252	—	63,252
	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000	

Assets and liabilities as at 31st March, 2007

ASSETS				
Segment assets	2,058,093	677,622	136,318	2,872,033
Interests in jointly-controlled entities	—	13,268	—	13,268
Interests in associates	7,868	—	—	7,868
Amounts due from jointly-controlled entities	—	44,917	—	44,917
Amounts due from associates	39,143	—	—	39,143
Unallocated total assets				623,595
Consolidated total assets				3,600,824
LIABILITIES				
Segment liabilities	13,939	9,625	2,893	26,457
Unallocated corporate liabilities				1,472,345
Consolidated total liabilities				1,498,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Other information for the year ended 31st March, 2007</i>					
Capital expenditure					
— Investment properties	163,000	1,526	—	—	164,526
— Property, plant and equipment	246	426	—	—	672
Depreciation	43	998	—	2,799	3,840
Release of prepaid lease payments	—	—	—	427	427
Increase in fair value of investment properties	—	(142,919)	—	—	(142,919)
Increase in fair value of investments held for trading	—	—	(11,141)	—	(11,141)

GEOGRAPHICAL SEGMENTS

Over 90% of the Group's revenue by location of customers were derived from trading and rental of properties located in Hong Kong. Accordingly, no geographical segment analysis is presented.

The following is an analysis of the carrying amount of segment assets and additions to investment properties, prepaid lease payment and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	2008 HK\$'000	2007 HK\$'000
People's Republic of China ("PRC")	536,883	—
Hong Kong	3,072,293	2,872,033
	3,609,176	2,872,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENTAL INFORMATION (Continued) GEOGRAPHICAL SEGMENTS (Continued)

	Additions to investment properties, prepaid lease payment and property, plant and equipment	
	2008	2007
	HK\$'000	HK\$'000
PRC	148	—
Hong Kong	127,742	165,198
	127,890	165,198

9. OTHER INCOME

	2008	2007
	HK\$'000	HK\$'000
Bank interest income	31,534	29,255
Income from a jointly-controlled entity (Note 1)	11,902	—
Amortisation of financial guarantee contracts	1,155	1,310
Dividend income from an associate (Note 2)	—	664
Others	4,227	5,181
	48,818	36,410

Note 1: The amount represents the income from the jointly-controlled entity in connection with the disposal of its properties.

Note 2: The amount represented the excess of dividend income from an associate over the carrying amount of the interest in that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

10. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interests on:		
Bank borrowings wholly repayable within five years	34,788	5,406
Bank borrowings not wholly repayable within five years	57,215	30,104
Convertible notes wholly repayable within five years	28,839	6,600
	<u>120,842</u>	<u>42,110</u>

11. INVESTMENT INCOME AND NET (LOSS) GAIN FROM FINANCIAL INSTRUMENTS

	2008 HK\$'000	2007 HK\$'000
Interest income from:		
— investments held for trading	6,014	4,167
— available-for-sale investments	74	—
Gain on disposal of investments held-for-trading	27,219	43,479
Increase (decrease) in fair values of:		
— investments held for trading	(44,586)	11,141
— available-for-sale investments	155	—
— derivative financial instruments	(18,666)	—
Dividend income on available for sales investments	1,158	1,654
Dividend income on listed investments held for trading	320	4,059
	<u>(28,312)</u>	<u>64,500</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

12. TAXATION

	2008 HK\$'000	2007 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
— Current year	18,301	23,262
— Underprovision in prior years	220	1,176
	<u>18,521</u>	<u>24,438</u>
Deferred taxation charge for the year (note 25)	8,795	18,243
	<u>27,316</u>	42,681
Release on deferred tax upon disposal of subsidiaries (note 25)	(98,529)	—
	<u>(71,213)</u>	<u>42,681</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

On 16th March, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for all PRC subsidiaries of the Company from 1st January, 2008. The Company's subsidiaries in PRC applied tax rate of 33% to provide for current tax for the year before the New Law becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

12. TAXATION (Continued)

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

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	242,573	321,293
Taxation at Hong Kong Profits Tax rate of 17.5%	42,450	56,226
Tax effect of expenses not deductible for tax purposes	8,938	4,835
Tax effect of income not taxable for tax purposes	(5,625)	(18,374)
Tax effect of share of results of jointly-controlled entities	(26,534)	64
Tax effect of share of results of associates	(574)	(86)
Tax effect of tax losses not recognised	8,604	17
Effect of different tax rates operating in other jurisdiction	(309)	—
Underprovision in respect of prior year	220	1,176
Recognition of deferred tax assets/liabilities previously not recognised	200	(1,136)
Release of deferred tax upon disposal of subsidiaries	(98,529)	—
Others	(54)	(41)
Tax (credit) charge for the year	(71,213)	42,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

13. PROFIT FOR THE YEAR

	2008 HK\$'000	2007 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 14(a)):		
Fees	300	300
Other emoluments	17,620	10,145
Share-based payments	1,385	—
Other staff costs		
Salaries and other benefits	11,577	7,660
Share-based payments	1,582	—
Retirement benefit scheme contributions	725	519
Total staff costs	<u>33,189</u>	<u>18,624</u>
Auditor's remuneration	833	850
Depreciation of property, plant and equipment	4,178	3,840
Release of prepaid lease payments	2,767	427
Cost of properties held for sale recognised as an expense	173,577	17,695
Loss on disposal of property, plant and equipment	597	1,760
Impairment loss on properties held for sales	11,889	—
and after crediting:		
Net rental income in respect of investment properties after outgoings of HK\$2,376,000 (2007: HK\$5,319,000)	<u>12,089</u>	<u>30,893</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

14. DIRECTORS' AND EMPLOYEES' REMUNERATION

(A) DIRECTORS' REMUNERATION

	2008 HK\$'000	2007 HK\$'000
Directors' fees		
Executive director	—	—
Non-executive director		
— Mr. Chung Cho Yee, Mico	—	—
Independent non-executive directors		
— Dr. Lam Lee G	100	100
— Dato' Wong Sin Just	100	100
— Mr. Cheng Yuk Wo	100	100
Total directors' fees	<u>300</u>	<u>300</u>
Other emoluments		
Executive directors		
(i) Salaries and other benefits and bonus		
— Ms. Ma Wai Man, Catherine	1,064	1,760
— Mr. Chow Hou Man	1,276	1,045
— Mr. Hubert Chak	2,897	—
— Mr. Kan Sze Man	2,020	—
	<u>7,257</u>	<u>2,805</u>
(ii) Retirement benefit scheme contributions		
— Ms. Ma Wai Man, Catherine	53	88
— Mr. Chow Hou Man	64	52
— Mr. Hubert Chak	145	—
— Mr. Kan Sze Man	101	—
	<u>363</u>	<u>140</u>
Non-executive director		
(i) Salaries and other benefits and bonus		
— Mr. Chung Cho Yee, Mico	10,000	7,200
Independent non-executive directors	—	—
Total other emoluments	<u>17,620</u>	<u>10,145</u>
Share-based payments		
— Mr. Hubert Chak	<u>1,385</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

14. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(A) DIRECTORS' REMUNERATION (Continued)

	2008 HK\$'000	2007 HK\$'000
Total directors' remuneration		
Dr. Lam Lee G	100	100
Dato' Wong Sin Just	100	100
Mr. Cheng Yuk Wo	100	100
Ms. Ma Wai Man, Catherine	1,117	1,848
Mr. Chow Hou Man	1,340	1,097
Mr. Hubert Chak	4,427	—
Mr. Kan Sze Man	2,121	—
Mr. Chung Cho Yee, Mico	10,000	7,200
	<u>19,305</u>	<u>10,445</u>

No directors have waived any emoluments during both years.

During both years, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office.

(B) EMPLOYEES' REMUNERATION

The five highest paid individuals in the Group included three directors (2007: three directors) of the Company, details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group (2007: two employees), is as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	1,622	2,637
Retirement benefit scheme contributions	81	132
Share-based payments	1,582	—
	<u>3,285</u>	<u>2,769</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

14. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(B) EMPLOYEES' REMUNERATION (Continued)

	2008 Number of employees	2007 Number of employees
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1

15. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Final dividend of HK0.8 cent per share for 2007 (2007: HK1.7 cents per share for 2006) recognised as distribution during the year	39,734	15,290
Proposed final dividend of HK0.8 cent per share for 2008 (2007: HK0.8 cents per share for 2007)	39,525	39,734

The final dividend of HK0.8 cent (2007: HK0.8 cent) per share had been proposed by the directors and is subject to approval by shareholders in general meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK\$'000	2007 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to equity holders of the Company)	325,369	276,644
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	28,839	6,600
Earnings for the purpose of diluted earnings per share	<u>354,208</u>	<u>283,244</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	4,951,507	4,134,048
Effect of dilutive potential ordinary shares (in thousands):		
Share options	149,066	148,478
Convertible notes	909,118	302,675
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<u>6,009,691</u>	<u>4,585,201</u>

The weighted average number of ordinary shares for both years for the purpose of basic and diluted earnings per share has been adjusted to reflect the effect of share subdivision as set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

17. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st April, 2006	658,555
Additions	1,526
Acquisition of assets	163,000
Disposals	(42,000)
Eliminated on disposal of a subsidiary (Note 36)	(188,000)
Increase in fair value recognised in the consolidated income statement	<u>142,919</u>
At 31st March, 2007	736,000
Additions	26,863
Eliminated on disposal of a subsidiary (Note 36)	(790,000)
Increase in fair value recognised in the consolidated income statement	<u>63,637</u>
At 31st March, 2008	<u>36,500</u>

The fair value of the Group's investment properties at 31st March, 2008 and 2007 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited (2007: Skyland Surveyors Co.), independent qualified professional valuers not connected with the Group. RHL Appraisal Limited (2007: Skyland Surveyors Co.) are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison method, based on price information of comparable properties of similar size, character and location.

On 5th September, 2007, the Group disposed of its subsidiary which had an investment property. The fair value of the Group's investment property at date of disposal has been arrived at by the directors of the Company with reference to the valuation carried out on 15th July, 2007 by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group. Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison method, based on market evidence of transaction prices for similar properties. In the opinion of directors of the Company, there was no material difference on the fair value of the investment property between 15th July, 2007 and 5th September, 2007.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. As at 31st March, 2008, the carrying amount of such property interests amounted to HK\$36,500,000 (2007: HK\$736,000,000).

At 31st March, 2007, investment properties amounting to approximately HK\$700,000,000 had been pledged to secure general banking facilities granted to the Group.

The investment properties comprise properties held under long-term lease in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Vessel HK\$'000	Total HK\$'000
COST						
At 1st April, 2006	—	—	3,695	1,724	13,997	19,416
Additions	—	—	—	672	—	672
Disposals	—	—	(1,760)	—	—	(1,760)
At 31st March, 2007	—	—	1,935	2,396	13,997	18,328
Additions	3,232	2,217	146	—	—	5,595
Disposals	—	—	(1,217)	—	—	(1,217)
At 31st March, 2008	3,232	2,217	864	2,396	13,997	22,706
DEPRECIATION						
At 1st April, 2006	—	—	749	265	3,343	4,357
Provided for the year	—	—	273	768	2,799	3,840
Eliminated on disposals	—	—	—	—	—	—
At 31st March, 2007	—	—	1,022	1,033	6,142	8,197
Provided for the year	646	89	74	573	2,796	4,178
Eliminated on disposals	—	—	(620)	—	—	(620)
At 31st March, 2008	646	89	476	1,606	8,938	11,755
CARRYING VALUES						
At 31st March, 2008	2,586	2,128	388	790	5,059	10,951
At 31st March, 2007	—	—	913	1,363	7,855	10,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20%
Building	Over 40 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Vessel	20%

The Group's buildings comprise properties held under medium term leases in Hong Kong.

19. PREPAID LEASE PAYMENTS

	2008 HK\$'000	2007 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	<u>107,904</u>	<u>15,238</u>
Analysed for reporting purposes as:		
Current asset	2,767	381
Non-current asset	<u>105,137</u>	<u>14,857</u>
	<u>107,904</u>	<u>15,238</u>

The additions to prepaid lease payments during the year relate to leasehold interest in land for HK\$93,047,000 office building classified in note 18. The amount of the prepaid lease payment portion of the office building was determined based on a valuation of the land portion carried out by an independent valuer using the direct comparison method, based on price information of comparable properties of similar size, character and location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

20. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

Available-for-sale investments comprises:

	2008 HK\$'000	2007 HK\$'000
Unlisted equity securities, at cost	5,005	5,005
Unlisted debt securities, at fair value	2,936	2,781
	<u>7,941</u>	<u>7,786</u>

Investments held for trading comprise:

	2008 HK\$'000	2007 HK\$'000
Listed equity securities	34,590	69,000
Debt securities		
Listed	2,405	7,934
Unlisted	49,247	41,863
	<u>51,652</u>	<u>49,797</u>
	<u>86,242</u>	<u>118,797</u>
Total and reported as:		
Listed		
Hong Kong	34,590	58,236
Elsewhere	2,405	18,698
Unlisted	49,247	41,863
	<u>86,242</u>	<u>118,797</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

20. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING (Continued)

AVAILABLE-FOR-SALES INVESTMENTS

The carrying value of unlisted equity securities in Hong Kong at 31st March, 2008 represents a 5% (2007: 5%) interest in MC Founder Limited ("MC Founder"). MC Founder is incorporated in Hong Kong and engaged in the trading of mobile phones. The Group's interest in MC Founder is measured at cost less impairment at each balance sheet date 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 are reliably.

INVESTMENTS HELD FOR TRADING

The carrying value of listed debt securities at 31st March, 2008 represent bonds carrying fixed interest of 5.45% (2007: 5.45% to 8.125%) per annum. The maturity date of the listed debt bonds is 24th November, 2010 (2007: from 21st February, 2008 to 24th November, 2010).

The carrying value of unlisted debt securities at 31st March, 2008 represent fixed interest rate institutional bonds carrying interest ranging from 8.5% to 9% (2007: 8.5% to 9%) per annum. The maturity date of the unlisted debt bonds are from 12th October, 2008 to 22nd September, 2009 (2007: from 12th October, 2008 to 22nd September, 2013). The quoted prices of the unlisted debt securities are readily and regularly available from brokers, banks and financial institutions, in an over the counter market.

The amount of Group's investment in debt securities denominated in currency other than the functional currency of the relevant group entities are set out below:

	US Dollar HK\$'000
At 31st March, 2008	49,143
At 31st March, 2007	49,797

21. CLUB MEMBERSHIPS

	2008 HK\$'000	2007 HK\$'000
Club memberships, at cost	6,860	6,860

The directors are of the opinion that there were no impairment on the club memberships since the market prices are higher than its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2008 HK\$'000	2007 HK\$'000
Cost of unlisted investments in jointly-controlled entities	11,226	11,226
Share of post-acquisition profits (losses), net of dividend received	59,328	(78)
Share of translation reserve of a jointly-controlled entity	35,750	—
Capital contribution - Financial guarantee contracts	92	2,120
	106,396	13,268

As at 31st March, 2008, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Place/ Country of incorporation	Principal place of operation of the JV group	Class of share held	Proportion of nominal value of issued capital held by the Group %	Principal activity of the JV group
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50	Investment holding
Winner Ever Limited ("Winner Ever")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50	Property investment
Vast Faith Limited ("Vast Faith")	Incorporated	British Virgin Islands	PRC	Ordinary	50	Property investment
Singon Holdings Ltd.	Incorporated	Hong Kong	Macau	Ordinary	50	Property holding

As at 31st March, 2007, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Place/ Country of incorporation	Principal place of operation of the JV group	Class of share held	Proportion of nominal value of issued capital held by the Group %	Principal activity of the JV group
Favor Win Limited	Incorporated	British Virgins Islands	Hong Kong	Ordinary	50	Property holding
Winner Ever	Incorporated	British Virgins Islands	Hong Kong	Ordinary	50	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The summarised financial information in respect of the Group's interests in jointly-controlled entities which are accounted for using the equity method is set out below:

	2008 HK\$'000	2007 HK\$'000
Non-current assets	719,705	62,298
Current assets	73,591	53,052
Total assets	793,296	115,350
Non-current liabilities	373,912	8,972
Current liabilities	313,080	95,230
Total liabilities	686,992	104,202
Net assets	106,304	11,148
Revenue	269,183	1,060
Expenses	117,559	1,429
Profit (loss) for the year	151,624	(369)

The Group has discontinued recognition of its share of losses of certain jointly-controlled entities. The amounts of unrecognised share of results of those jointly-controlled entities, both for the year and cumulatively, are as follows:

	2008 HK\$'000	2007 HK\$'000
Unrecognised share of (profit) losses of jointly-controlled entities for the year	(470)	964
Accumulated unrecognised share of losses of jointly-controlled entities	494	964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

23. INTERESTS IN ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Costs of unlisted investment in associates	33,552	96
Share of post-acquisition profits, net of dividend received	633	2,367
Share of capital reserve of an associate	1,698	1,910
Capital contribution — Financial guarantee contracts	3,495	3,495
	<u>39,378</u>	<u>7,868</u>

Particulars of the associates at 31st March, 2008 are as follows:

Name of associate	Place of incorporation	Place of operation of the associate group	Proportion of nominal value of issued share capital held indirectly by the Company	Principal activities of the associate group
Femville Pte. Ltd.	Singapore	Singapore	20%	Property investment, securities trading, estate agency and related investment
Orient Centre Limited	Hong Kong	Hong Kong	25%	Property holding
Expert Vision Limited	British Virgin Islands	Hong Kong	25%	Property holding
Clemenceau Mauritius Holdings	Mauritius	Singapore	25%	Property holding
Trend Rainbow Limited	Hong Kong	Hong Kong	40%	Property holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

23. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates at 31st March, 2007 are as follows:

Name of associate	Place of incorporation	Place of operation	Proportion of nominal value of issued share capital held indirectly by the Company	Principal activities of the associate group
Femville Pte. Ltd.	Singapore	Singapore	20%	Property investment, securities trading, estate agency and related investment
Orient Centre Limited	Hong Kong	Hong Kong	25%	Property holding
Expert Vision Limited	British Virgin Islands	Hong Kong	25%	Property holding

The summarised combined financial information in respect of the Group's associates is set out below:

	2008 HK\$'000	2007 HK\$'000
Total assets	879,620	492,360
Total liabilities	751,988	468,923
Net assets	127,632	23,437
Group's share of net assets of associates	35,883	4,373
Revenue	225,960	123,826
Expenses	197,507	119,757
Profit for the year	28,453	4,069
Group's share of profit (loss) of associates for the year	6,082	492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

24. AMOUNT(S) DUE FROM (TO) JOINTLY-CONTROLLED ENTITIES/ ASSOCIATES/AN ASSOCIATE

	2008 HK\$'000	2007 HK\$'000
Amounts due from jointly-controlled entities included in current assets (note i)	274,646	44,917
Amounts due from associates included in:		
— non-current assets (note iii)	33,586	34,120
— current assets (note ii)	8,254	5,023
	41,840	39,143
Amount due to an associate included in current liabilities (note iv)	4,000	—

The above balances were neither past due nor impaired and had no default record based on historical information.

Notes:

- (i) During the year, the Group advanced HK\$237,024,000 to a jointly-controlled entity to enable it to acquire Bracewood Development Limited, which indirectly holds the Novel Plaza located at No. 128 Nanjing West Road, Shanghai, the PRC. The amounts are unsecured, non-interest bearing and expect to recover within one year.
- (ii) The amount(s) are unsecured, non-interest bearing and expect to recover within one year.
- (iii) The amount is unsecured, non-interest bearing and will not be repaid within twelve months from the balance sheet date, therefore, classified as non-current. The amount included a share of loss of HK\$4,901,000 (2007: HK\$2,101,000) recognised in excess of cost of investment.
- (iv) The amount is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

25. DEFERRED TAXATION

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

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Convertible bonds HK\$'000	Subtotal HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2006	67,733	3,773	—	71,506	(1,470)	70,036
Charge (credit) to income for the year	27,929	1,454	—	29,383	(1,406)	27,977
Disposal of investment properties and interests in investment properties	(9,734)	—	—	(9,734)	—	(9,734)
At 31st March, 2007	85,928	5,227	—	91,155	(2,876)	88,279
Charge to equity for the year	—	—	11,839	11,839	—	11,839
Charge (credit) to income for the year	11,187	4,105	(5,170)	10,122	(1,327)	8,795
Release of deferred tax upon disposal of subsidiaries	(97,028)	(1,501)	—	(98,529)	—	(98,529)
At 31st March, 2008	87	7,831	6,669	14,587	(4,203)	10,384

As at 31st March, 2008, the Group had unused tax losses of approximately HK\$77,591,000 (2007: HK\$20,843,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$24,017,000 (2007: HK\$17,892,000) of these unused tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$53,574,000 (2007: HK\$4,408,000) due to unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 HK\$'000	2007 HK\$'000
Deferred tax asset	2,675	1,467
Deferred tax liabilities	(13,059)	(89,746)
	(10,384)	(88,279)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

26. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables at the balance sheet dates are as follows:

	2008 HK\$'000	2007 HK\$'000
0-30 days	1,483	3,984
Other receivables	1,969	2,372
Prepayments and deposits	5,168	8,842
	<u>8,620</u>	<u>15,198</u>

Before accepting new customers, the Group will assess and understand the potential customer's credit policy and defines its credit limit. Credit limits attributed to each customer are reviewed regularly.

The counterparty of the entire trade receivable balance was neither past due nor impaired had no default record based on historical information.

27. PROPERTIES HELD FOR SALE

The Group's carrying amounts of properties held for sales comprise:

	2008 HK\$'000	2007 HK\$'000
Properties held for sales in Hong Kong under:		
Long term lease	2,387,757	1,492,954
Medium term lease	107,824	—
Short term lease	158,934	296,076
	<u>2,654,515</u>	1,789,030
Properties held for sales outside Hong Kong under medium term lease	536,153	—
	<u>3,190,668</u>	<u>1,789,030</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

27. PROPERTIES HELD FOR SALE (Continued)

	2008 HK\$'000	2007 HK\$'000
At cost	2,554,668	1,789,030
At net realisable value	636,000	—
	3,190,668	1,789,030

In the opinion of the directors, the properties held for sale are expected to be realised in normal business cycle of two years.

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$136,701,000 (2007: HK\$272,396,000) have been pledged to secure bank overdrafts, short term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged bank deposits carry variable interest rate at ranged from 0.36% to 5.62% per annum (2007: 3.62% to 5.21% per annum). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The amount of Group's bank balances and cash denominated in currencies other than functional currency of the relevant group entities are set out below:

	US Dollar HK\$'000
At 31st March, 2008	289,111
At 31st March, 2007	217,447

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For the year ended 31st March, 2008

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

The amount of Group's pledged bank deposits denominated in currencies other than the functional currency of the relevant group entities are set out below:

	US Dollar HK\$'000	Singapore Dollar HK\$'000
At 31st March, 2008	<u>97,684</u>	<u>—</u>
At 31st March, 2007	<u>224,010</u>	<u>16,667</u>

Bank balances and cash comprises bank balances and cash and short-term bank deposits that are interest-bearing at prevailing market interest rates. All bank deposits have a maturity of three months or less. The bank deposits carry variable interest rates ranging from 0.13% to 5.62% (2007: 0.13% to 5.21%) per annum.

29. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
Trade creditors aged 0-60 days	—	2,667
Other payables	22,903	24,562
Receipt in advance	31,547	79
Accruals	<u>65,210</u>	<u>12,258</u>
	<u>119,660</u>	<u>39,566</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st March, 2008, the Group had outstanding equity accumulators contracts with maturity dates ranging from 13th October, 2008 to 29th October, 2008.

The equity accumulator contracts contain terms such as the strike price of the underlying equity securities, settlement dates, lot of shares traded on each settlement date, and the knock-out price.

At each settlement date until the maturity of the equity accumulators contracts, unless the contracts had been terminated (as described below), the Group holds an obligation to buy the shares of the underlying equity securities at the strike price of the contracts. Likewise, the counterparty financial institution holds an obligation to sell shares at the strike price.

The equity accumulator contracts are terminated prior to the maturity if the market price on a particular settlement date is higher than the predetermined knock-out price.

The equity accumulator contracts are derivative financial instruments and are measured at fair value at balance sheet date. The fair value are determined based on valuation provided by the counterparty financial institution, which is determined based on inputs such as share price of the underlying equity securities, the knock-out price of the contracts and volatility of the underlying equity securities.

31. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

32. BANK BORROWINGS

	2008 HK\$'000	2007 HK\$'000
Secured bank loans	<u>1,968,698</u>	<u>1,218,398</u>
Repayable as follows:		
Within one year	121,818	290,280
Between one to two years	77,025	77,900
Between two to three years	132,225	101,100
Between three to four years	572,300	123,665
Between four to five years	184,480	127,704
Over five years	<u>880,850</u>	<u>497,749</u>
	1,968,698	1,218,398
Less: Amount due within one year included under current liabilities	<u>(121,818)</u>	<u>(290,280)</u>
Amount due after one year	<u>1,846,880</u>	<u>928,118</u>

The secured bank borrowings were secured by the Group's investment properties, prepaid lease payments, bank deposits and properties held for sale. The carrying amount of the assets pledged are disclosed in note 40.

The bank borrowings carry floating interest rate. At 31st March, 2008, the effective interest rates ranged from 1.6% to 6.3% per annum (2007: ranged from 4.40% to 5.89% per annum), which are also equal to contracted interest rates for bank loans. Interest is repriced every six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

33. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK4 cents each at 1st April, 2006 and 31st March, 2007		4,500,000,000	180,000
Share subdivision	(i)	<u>18,000,000,000</u>	<u>—</u>
Ordinary shares of HK0.8 cent each at 31st March, 2008		<u>22,500,000,000</u>	<u>180,000</u>
Issued and fully paid:			
Ordinary shares of HK4 cents each at 1st April, 2006		584,775,450	23,391
Issue of new shares	(ii)	403,500,000	16,140
Exercise of share options	(iii)	1,131,250	45
Shares repurchased and cancelled		<u>(4,068,000)</u>	<u>(163)</u>
Ordinary shares of HK4 cents each at 31st March, 2007		985,338,700	39,413
Exercise of share options	(iv)	8,000,000	320
Shares subdivision	(i)	3,973,354,800	—
Shares repurchased and cancelled		<u>(22,330,000)</u>	<u>(178)</u>
Ordinary shares of HK0.8 cent each at 31st March, 2008		<u>4,944,363,500</u>	<u>39,555</u>

Notes:

- (i) Pursuant to an announcement of the Company dated 20th April, 2007 and an ordinary resolution passed on 22nd May, 2007, a share subdivision was approved with effect from 23rd May, 2007 in which each of the existing issued and unissued shares of HK4 cents each in the share capital of the Company would be subdivided into five shares of HK0.8 cent each. As at 23rd May, 2007, the authorised share capital of the Company was HK\$180,000,000 divided into 4,500,000,000 shares, of which 993,338,700 shares were issued and fully paid. On this basis, immediately after the share subdivision, the authorised share capital of the Company comprised 4,966,693,500 issued shares and 17,533,306,500 unissued shares of par value HK0.8 cent each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

33. SHARE CAPITAL - CONTINUED

Notes: (Continued)

- (ii) Pursuant to a resolution passed at a special general meeting held on 12th June, 2006, the Company entered into a subscription agreement with Earnest Equity Limited (“Earnest Equity”), one of the Company’s substantial shareholder, in which Earnest Equity subscribed for an aggregate of 102,000,000 new ordinary shares of HK4 cents each at the subscription price of HK\$1.59 per share. On the same date, the Company entered into a placing agreement with a placing agent in which a placing agent procured to subscribe for 211,500,000 new ordinary shares of HK4 cents each at the subscription price of HK\$1.59 per share. All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

On 1st February, 2007, 90,000,000 ordinary shares of HK4 cents each of the Company held by Earnest Equity were placed to more than six independent third parties at HK\$1.49 per share. On 12th February, 2007, 90,000,000 ordinary share of HK4 cents each of the Company were issued and allotted to Earnest Equity for cash at HK\$1.49 per share. All the ordinary shares issued during the year rank pari passu with the then existing ordinary share in all respects. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 29th August, 2006 and rank pari passu with other shares in issue in all respects.

- (iii) During the year ended 31st March, 2007, 1,131,250 ordinary shares of HK4 cents each of the Company were issued upon the exercise of 131,250 and 1,000,000 share options at exercise prices of HK\$0.672 and HK\$0.560 per share, respectively. The shares issued during the year rank pari passu with the then existing shares in all respects.
- (iv) During the year ended 31st March, 2008, 8,000,000 shares of HK4 cents each of the Company were issued upon the exercise of 8,000,000 share options at an exercise price of HK\$0.672 per share. The shares issued during the year rank pari passu with the then existing shares in all respects.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares HK0.8 cent each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2007	17,680,000	0.395	0.365	6,761
January 2008	4,650,000	0.390	0.390	1,814
	<u>22,330,000</u>			<u>8,575</u>

The above shares were cancelled upon repurchase.

None of the Company’s subsidiaries purchased, sold or redeem any of the Company’s listed securities during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

34. CONVERTIBLE NOTES

1.5% CONVERTIBLE NOTES DUE 2011 (2011 CONVERTIBLE NOTES)

On 17th May, 2006, the Company entered into nine subscription agreements with eight independent third parties and Earnest Equity, whereby Earnest Equity and the independent third parties agreed to subscribe for HK\$133,000,000 unsecured 1.5% convertible notes due 2011 (“2011 Convertible Notes”) issued by the Company with principal amount of HK\$15,000,000 and HK\$118,000,000, respectively.

The 2011 Convertible Notes bear interest at 1.5% per annum and will mature on 13th June, 2011. The holders of the 2011 Convertible Notes have the right to convert their 2011 Convertible Notes into ordinary shares of HK0.8 cent each of the Company at any time during the period from the 7th day after the date of the issue of 2011 Convertible Notes up to and including the date which is 7 days prior to 13th June, 2011.

Unless previously converted, the Company will redeem the 2011 Convertible Notes on the maturity date at 110% of the principal amount of the 2011 Convertible Notes then outstanding.

Upon full conversion of the 2011 Convertible Notes at the conversion price of HK\$0.372 per ordinary share of HK0.8 cent each in the share capital of the Company (subject to anti-dilutive adjustments), a total of 357,526,882 new ordinary shares, would be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes.

During the year ended 31st March, 2008, none of the 2011 Convertible Notes were converted.

2% CONVERTIBLE NOTES DUE 2012 (2012 CONVERTIBLE NOTES)

Pursuant to the announcement dated 7th June, 2007 and the circular dated 22nd June, 2007 (the “Circular”), on 7th June, 2007, the Company entered into seven subscription agreements of which five were with independent third parties, one was with Lehman Brothers Commercial Corporation Asia Limited (the “Lehman”) and one was with Centar Investments (Asia) Limited (the “Centar”), whereby they agreed to subscribe for HK\$390,000,000 unsecured 2% convertible notes due 2012 (the “2012 Convertible Notes”) issued by the Company with an aggregate principal amount of HK\$390,000,000.

Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries. As at date of the Circular, Lehman and Stark Investments (Hong Kong) Limited (“Stark Investments”) held 464,200,000 and 511,060,000 ordinary shares of HK0.8 cent each in the share capital of the Company, representing approximately 9.35% and 10.29% of the total issued share capital of the Company, respectively. Centar is a fund managed by Stark Investments. Lehman and Centar subscribed for the 2012 Convertible Notes with principal amounts of HK\$78,000,000 and HK\$54,600,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

34. CONVERTIBLE NOTES (Continued)

2% CONVERTIBLE NOTES DUE 2012 (2012 CONVERTIBLE NOTES) (Continued)

The 2012 Convertible Notes bear interest at 2% per annum and will mature on 12th July, 2012. The holders of the 2012 Convertible Notes have the right to convert their 2012 Convertible Notes into shares of HK0.8 cent each of the Company at any time during the period from the 7th day after the date of the issue of the 2012 Convertible Notes (“Issue Date”) up to and including the date which is 7 days prior to 12th July, 2012.

At anytime after 3 years from the Issue Date, the Company may redeem unexercised 2012 Convertible Notes at an amount equal to outstanding principal amount of the 2012 Convertible Notes plus a premium calculated to provide a yield of 5.5% per annum (inclusive of interest of 2% per annum) from the Issue Date to the date of redemption if the spot price was at least 140% of the conversion price of each convertible note for any 15 trading days out of the 20 consecutive trading days prior to the date of redemption notice.

Unless previously converted, purchased or redeemed, the Company will redeem the 2012 Convertible Notes on the maturity date at 119.38% of the principal amount of the 2012 Convertible Notes then outstanding.

Upon full conversion of the 2012 Convertible Notes at the initial conversion price of HK\$0.51 per share (subject to anti-dilutive adjustments) of HK0.8 cent each in the share capital of the Company, a total of 764,705,880 new shares would be issued by the Company.

During the year ended 31st March, 2008, none of the 2012 Convertible Notes were converted.

The 2011 Convertible Notes and 2012 Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of “convertible note equity reserve”. The effective interest rate of 2011 Convertible Notes and 2012 Convertible Notes is 6.59% and 9.15% per annum respectively.

As at the date of issuance, the convertible notes contained:

	2008 HK\$'000	2007 HK\$'000
Liability component, net of transactions cost of HK\$8,148,000	331,388	114,602
Equity component, net of transactions cost of HK\$1,212,000	49,252	18,398
	380,640	133,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

34. CONVERTIBLE NOTES (Continued)

The movement of the liability component of the convertible notes for the year is set out below:

	2008 HK\$'000	2007 HK\$'000
Carrying amount at the beginning of the year	121,202	—
Issue of convertible notes	331,388	114,602
Interest charge	28,839	6,600
Interest paid	(5,895)	—
Carrying amount at the end of the year	<u>475,534</u>	<u>121,202</u>
Analysed for reporting purposes as:		
Current liability	3,310	1,596
Non-current liability	<u>472,224</u>	<u>119,606</u>
	<u>475,534</u>	<u>121,202</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. SHARE OPTION SCHEMES

2001 SCHEME

On 13th June, 2001, the Company adopted a share option scheme (“2001 Scheme”), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12th June, 2011. Under the 2001 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the 2001 Scheme or such other limit as may be permitted under the Listing Rules. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 25% of the number of shares issued and issuable under the 2001 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company’s shares for the five business days immediately preceding the date of grant, and the nominal value of the Company’s shares.

The 2001 Scheme was terminated on 26th August, 2002.

2002 SCHEME

On 26th August, 2002, the Company adopted a new share option scheme (“2002 Scheme”), for the primary purpose of providing incentives to directors and eligible persons. The 2002 Scheme will expire on 25th August, 2012. Under the 2002 Scheme, the board of directors of the Company may grant options to eligible persons, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme (excluding those options that have already been granted by the Company prior to date of approval of the 2002 Scheme) must not in aggregate exceed 10% of the shares in issue at the adoption date unless the Company obtains a fresh approval from its shareholders.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price, (ii) the average price of the Company’s shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company’s shares.

At 31st March, 2008, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and the 2002 Scheme were 54,718,750 and 233,750,000, representing 1.1% and 4.7% of the issued share capital of the Company at that date respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. SHARE OPTION SCHEMES (Continued)

The following table discloses movements in the Company's share options during the year ended 31st March, 2008:

Option scheme type	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1.4.2007	Granted during the year	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2008	
Directors									
Kan Sze Man (Note 3)	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	19,375,000	—	—	—	19,375,000
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Chow Hou Man	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	4,187,500	—	—	—	4,187,500
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Hubert Chak	2002 (Note 2)	3.10.2007	0.405	3.10.2007 — 25.8.2012	—	35,000,000	—	—	35,000,000
Total for directors					54,812,500	35,000,000	—	—	89,812,500
Employees and consultants									
	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	71,156,250	—	(40,000,000)	—	31,156,250
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	71,250,000	—	—	—	71,250,000
	2002 (Note 2)	8.1.2004	0.112	8.1.2004 — 25.8.2012	37,500,000	—	—	—	37,500,000
	2002 (Note 2)	9.1.2004	0.112	9.1.2004 — 25.8.2012	18,750,000	—	—	—	18,750,000
	2002 (Note 2)	3.10.2007	0.405	3.10.2007— 25.8.2012	—	40,000,000	—	—	40,000,000
Total for employees and consultants					198,656,250	40,000,000	(40,000,000)	—	198,656,250
Grand total					253,468,750	75,000,000	(40,000,000)	—	288,468,750
Exercisable at the end of the year									288,468,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. SHARE OPTION SCHEMES (Continued)

The following table discloses movements in the Company's share option during the year ended 31st March, 2007:

	Option scheme type	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1.4.2006	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2007
Directors								
Ma Wai Man, Catherine (Note 4)	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	35,375,000	—	—	35,375,000
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	15,625,000
Chow Hou Man	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	4,187,500	—	—	4,187,500
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	15,625,000
Total for directors					70,812,500	—	—	70,812,500
Employees and consultants								
	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	55,812,500	(656,250)	—	55,156,250
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	76,250,000	(5,000,000)	—	71,250,000
	2002 (Note 2)	8.1.2004	0.112	8.1.2004 — 25.8.2012	37,500,000	—	—	37,500,000
	2002 (Note 2)	9.1.2004	0.112	9.1.2004 — 25.8.2012	18,750,000	—	—	18,750,000
Total for employees and consultants					188,312,500	(5,656,250)	—	182,656,250
Grand total					259,125,000	(5,656,250)	—	253,468,750
Exercisable at the end of the year								253,468,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. SHARE OPTION SCHEMES (Continued)

The weighted average share prices of the Company's shares at date of exercise by the directors, employees and consultants (2007: employees and consultants) were HK\$0.36 and HK\$0.36 (2007: HK\$0.28 and HK\$0.33) per share, respectively.

During the year ended 31st March, 2008, options were granted on 3rd October, 2007. The estimated fair values of the options granted on this date was HK\$0.098 per option.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

Share price	HK\$0.405
Exercise price	HK\$0.405
Expected share volatility	35.28%
Expected life	5 years
Weighted average risk-free rate	4.08%
Expected dividend yield	1.98%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK\$2,967,000 for the year ended 31st March, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. SHARE OPTION SCHEMES (Continued)

Notes:

1. There is a limit on the number of share options under the 2001 Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.
2. There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.
3. Mr. Kan Sze Man was appointed as director of the Company on 1st June, 2007 and his holding of share options were reclassified under the categories of director.
4. Ms. Ma Wai Man Catherine resigned as director and appointed as consultant of the Company on 30th September, 2007, and her holding of share options were reclassified under to category of employees and consultants.
5. The above information has been adjusted to reflect the effect of share sub-division as set out in note 33.

36. DISPOSAL OF INTERESTS/PARTIAL INTERESTS IN SUBSIDIARIES/ INVESTMENT PROPERTIES

FOR THE YEAR ENDED 31ST MARCH, 2008

DISPOSAL OF INTERESTS IN SUBSIDIARIES

- (a) On 5th September, 2007, the Group disposed of its subsidiaries, Global Equity Assets Limited and CSI Investment Limited, both of which were engaged in the sale and leasing of properties to a third party.
- (b) On 5th October, 2007, the Group disposed of its subsidiary, Bowick International Limited, which has made a initial deposit for the acquisition of properties held for sale to a third party.
- (c) On 21st December, 2007, the Group disposed of a 50% interest in its wholly owned subsidiary, Singon Limited which had made initial deposit to an independent third party for acquisition of properties held for sales in Macau. After the completion of the disposal, Singon Limited became a jointly-controlled entity of the Group. HK\$2 and HK\$24,135,000 were recognised as interest in jointly-controlled entities and amounts due from jointly-controlled entities as set out in notes 22 to 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

36. DISPOSAL OF INTERESTS/PARTIAL INTERESTS IN SUBSIDIARIES/ INVESTMENT PROPERTIES (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2008 (Continued)

DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(c) (Continued)

The net assets of disposed subsidiaries at the relevant dates of disposals were as follows:

	Global Equity Assets Limited and CSI Investment Limited 2008 HK\$'000	Bowick International Limited 2008 HK\$'000	Singon Limited 2008 HK\$'000	Total HK\$'000
Net assets disposed of:				
Investment properties	790,000	—	—	790,000
Other receivables, deposits and prepayments	12,585	3,805	48,270	64,660
Bank balances and cash	22	—	—	22
Bank overdrafts	(79)	—	—	(79)
Other payables, deposits received and accrued charges	(28,430)	—	—	(28,430)
Taxation payable	(286)	—	—	(286)
Deferred tax liabilities	(98,529)	—	—	(98,529)
	<u>675,283</u>	<u>3,805</u>	<u>48,270</u>	<u>727,358</u>
Transfer to interests in jointly-controlled entities	—	—	(24,135)	(24,135)
(Loss)/gain on disposal of subsidiaries	(18,768)	2,594	—	(16,174)
Release of deferred taxation upon disposal of subsidiaries	98,529	—	—	98,529
	<u>755,044</u>	<u>6,399</u>	<u>24,135</u>	<u>785,578</u>
Satisfied by:				
Cash	<u>755,044</u>	<u>6,399</u>	<u>24,135</u>	<u>785,578</u>
Net cash inflow arising on disposal:				
Cash consideration received	755,044	6,399	24,135	785,578
Bank balances and cash and bank overdrafts disposed of	57	—	—	57
	<u>755,101</u>	<u>6,399</u>	<u>24,135</u>	<u>785,635</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

36. DISPOSAL OF INTERESTS/PARTIAL INTERESTS IN SUBSIDIARIES/ INVESTMENT PROPERTIES (Continued)

FOR THE YEAR ENDED 31ST MARCH, 2008 (Continued)

DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

The subsidiaries disposed of during the year contributed approximately HK\$15,414,000 to the Group's revenue and contributed approximately HK\$64,906,000 to the Group's profit before taxation for the period from 1st April, 2007 to the date of disposal.

The subsidiaries disposed of during the year, generated approximately HK\$29,643,000 in the Group's net operating cash flows, utilised approximately HK\$26,903,000 and HK\$4,900,000 in respect of investing activities and financing activities, respectively.

DISPOSAL OF PARTIAL INTEREST IN SUBSIDIARIES

On 10th July, 2007, the Group disposed of a 49% interest in its wholly owned subsidiary, Joyful Sonic Limited and its subsidiaries ("Joyful Sonic Group") together with a loan due to the Group of HK\$65,323,000 at a consideration of HK\$67,038,000. Joyful Sonic Group are engaged in leasing of properties in Hong Kong. The gain on the partial disposal of the subsidiaries of HK\$1,715,000 was recognised in the consolidated income statement.

FOR THE YEAR ENDED 31ST MARCH, 2007

DISPOSAL OF INTERESTS IN INVESTMENT PROPERTIES

On 30th November, 2006, the Group disposed of 50% interests in certain investment properties through the disposal of its 50% interest in a subsidiary, Winner Ever (which holds 100% interest in Sky Dragon), which holds certain investment properties, for a cash consideration of HK\$33,364,000. In relation to the disposal of interests in these investment properties, bank balances and cash of HK\$52,000 were disposed of together with the disposal of interest in investment properties. After completion of the disposal, Winner Ever became a jointly controlled entity. The gain of disposal of HK\$9,060,000 is recognised in the consolidated income statement. HK\$11,226,000 and HK\$13,078,000 were recognised as interests in jointly controlled entities and amounts due from jointly controlled entities as set out in notes 22 and 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

37. ACQUISITION OF ASSETS/ADDITIONAL INTEREST IN SUBSIDIARIES FOR THE YEAR ENDED 31ST MARCH, 2008

ACQUISITION OF ASSETS

On 20th April, 2007, the Group acquired properties held for sale through the purchase of a 60% interest in the issued share capital of SH Fortress Ltd. and its subsidiaries, Lanrich International Limited and Lei Fu Real Estate (Shanghai) Company Ltd., for a cash consideration of US\$9,600,000 (equivalent to approximately HK\$74,880,000). This transaction has been accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction are as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	9
Properties held for sale	452,740
Other receivables	499
Bank balances and cash	98,396
Other payable	(3,213)
Bank loans	(430,000)
	<u>118,431</u>
Minority interest	(43,551)
	<u>74,880</u>
Total consideration satisfied by:	
Cash	<u>74,880</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(74,880)
Bank balances and cash acquired	<u>98,396</u>
	<u>23,516</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

37. ACQUISITION OF ASSETS/ADDITIONAL INTEREST IN SUBSIDIARIES

(Continued)

FOR THE YEAR ENDED 31ST MARCH, 2008 (Continued)

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 3rd January, 2008, the Group acquired 49% interest in Joyful Sonic Group together with a loan due to minority shareholders of HK\$65,322,000 at a consideration of HK\$116,048,000. The 49% interest of Joyful Sonic was previously disposed of by the Group on 10th July, 2007 as set out in note 36. In view of potential capital appreciation of the properties held for sales, the directors of the Company decided to acquire back the 49% equity interest.

FOR THE YEAR ENDED 31ST MARCH, 2007

On 13th June, 2006, 8th August, 2006, 15th August, 2006 and 2nd November, 2006, the Group acquired investment properties through the purchase of the entire interest in the issued share capital of Sky Dragon for cash consideration of HK\$69,000,000 and properties held for sale through the purchase of the entire interest in Hoxberry Limited, King's Land Limited (formerly known as "AXA Centre (H.K.) Limited"), Join Max Limited and 151 Gloucester Road Property Management Company Limited (formerly known as "AXA China Region Property Management Company Limited) for cash considerations of HK\$300,000,000, HK\$478,900,000, HK\$5,000,000 and HK\$540,000, respectively. These transactions have been accounted for as acquisition of assets as the subsidiaries are not businesses.

In relation to the acquisition of assets, bank balances and cash and bank loans of HK\$2,054,000 and HK\$77,280,000, respectively were acquired together with the acquisition of assets.

38. OPERATING LEASE COMMITMENTS

The Group has made approximately HK\$412,000 (2007: HK\$745,000) minimum lease payments under operating leases during the year in respect of office premises.

THE GROUP AS LESSEE

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	412	745

Operating lease payments represent rentals payable by the Group for its office premise. Leases are negotiated for a term of one year and rentals are fixed for one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

38. OPERATING LEASE COMMITMENTS (Continued)

THE GROUP AS LESSOR

Property rental income earned during the year was HK\$81,831,000 (2007: HK\$83,978,000). Certain of the properties have committed tenants for the next two to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	81,072	88,017
In the second to fifth years inclusive	52,206	96,677
	<u>133,278</u>	<u>184,694</u>

39. CONTINGENT LIABILITIES

	2008 HK\$'000	2007 HK\$'000
Corporate guarantee given by the Group for banking facilities granted to associates	107,976	107,976
Corporate guarantee given by the Group for banking facilities granted to jointly-controlled entities	244,133	65,000
	<u>352,109</u>	<u>172,976</u>

At 31st March, 2008, amounts of HK\$71,800,000 (2007: HK\$65,708,000) had been utilised by its associates and HK\$204,633,000 (2007: HK\$60,200,000) had been utilised by its jointly-controlled entities.

At 31st March, 2008, included in trade and other payables amounted to HK\$92,000 and HK\$3,495,000 (2007: HK\$2,120,000 and HK\$3,495,000) represented the deferred income in respect of the financial guarantee contracts given to jointly-controlled entities and associates respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

40. PLEDGE OF ASSETS

At balance sheet date, the following assets were pledged to secure banking facilities granted to the Group:

	2008 HK\$'000	2007 HK\$'000
Investment properties	—	700,000
Property, plant and equipment	2,128	—
Prepaid lease payment	93,047	—
Properties held for sales	3,028,300	1,480,615
Bank deposits	136,701	272,396
	<u>3,260,176</u>	<u>2,453,011</u>

The Group also executed the assignment of rental income and sales proceeds on disposal of investment properties over the investment properties and properties held for sale to banks to secure the banking facilities granted to the Group.

41. CAPITAL COMMITMENT

	2008 HK\$'000	2007 HK\$'000
Capital expenditure in respect of		
— the acquisition or property, plant and equipment contracted for but not provided in the consolidated financial statements	1,095	5,321
— the establishment of a subsidiary in the PRC	9,797	13,082
	<u>10,892</u>	<u>18,403</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

42. RETIREMENT BENEFIT SCHEME

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme (“MPF Scheme”). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payables in the future years.

The qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

The retirement benefit scheme contributions relating to the MPF Scheme and stated-managed retirement benefit scheme charged to the consolidated income statement of HK\$1,088,000 (2007: HK\$659,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

43. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of Company	Nature of transactions	Notes	2008 HK\$'000	2007 HK\$'000
Cycle Company Limited and Gunnell Properties Limited	Management fee received and receivable by the Group	(i)	367	1,418
Shanghai Yong Tai Real Estate Development Co. Ltd.	Asset management fee received by the Group	(i)	889	—
Gain Resources Limited	Arrangement fee received by the Group	(ii)	15,870	—

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (i) Cycle Company Limited and Gunnell Properties Limited and Shanghai Yong Tai Real Estate Development Co. Ltd. were wholly-owned subsidiaries of the jointly-controlled entities.
- (ii) Gain Resources Limited is a subsidiary of a jointly controlled entity of the Group.

(b) During the year, the group has entered into the following connected transactions:

- (i) The details of subscription agreements with Centar Investment (Asia) Limited (“Centar”), Lehman Brothers Commercial Corporation Asia Limited (“Lehman”) in relation to the 2012 Convertible Notes with principal amounts of HK\$54,600,000 and HK\$78,000,000 respectively are as set out in note 34.

Centar is a fund managed by Stark Investments (Hong Kong) Limited (“Stark Investments”). At the time of the transaction, Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries and Stark Investments was a substantial shareholder of the Company. Therefore, Lehman and Stark Investments were connected persons of the Company under the Listing Rules. The transactions were completed on 13th July, 2007.

- (ii) Pursuant to the announcement dated 13th August, 2007, Mark Well Investments Limited, a wholly-owned subsidiary of the Company has subscribed equity linked structured notes (the “Notes”) issued by Lehman Brothers Treasury Co BV, a subsidiary of Lehman Brothers Holdings Inc. for an aggregate amount of US\$1,500,000 (approximately HK\$11,700,000). The Notes are 2 year equity link notes quoted in US dollars with interest bearing and redeemable on the second anniversary from the date of issue. The Notes are linked to three blue-chips Hong Kong listed companies. The Notes were redeemed on 14th November, 2007.

Lehman Brothers Holdings Inc. was indirectly interested in approximately 9.35% of the issued share capital of the Company and it was also a substantial shareholder of a non-wholly owned subsidiary of the Company as at the announcement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

43. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
Short-term benefits	18,879	12,145
Share based payment	2,967	—
Post-employment benefits	444	232
	<u>22,290</u>	<u>12,377</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st March, 2008 is as follows:

	2008 HK\$'000	2007 HK\$'000 (restated)
Total assets	<u>3,115,480</u>	<u>1,753,571</u>
Total liabilities	<u>(1,230,447)</u>	<u>(315,887)</u>
	<u>1,885,033</u>	<u>1,437,684</u>
Capital and Reserves		
Share capital	39,555	39,413
Reserves (Note)	<u>1,845,478</u>	<u>1,398,271</u>
	<u>1,885,033</u>	<u>1,437,684</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

44. BALANCE SHEET OF THE COMPANY (Continued)

Note:

Reserves

	Share premium	Convertible Capital redemption reserve	Convertible note equity reserve	Contributed surplus	Share option reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	237,950	—	—	338,410	—	66,502	642,862
Profit for the year and total recognised income for the year	—	—	—	—	—	159,051	159,051
Issue of new shares	616,425	—	—	—	—	—	616,425
Recognition of equity components on convertible notes	—	—	18,398	—	—	—	18,398
Expenses related to issue of shares	(18,765)	—	—	—	—	—	(18,765)
Exercise of share options	603	—	—	—	—	—	603
Share repurchase	—	163	—	—	—	(5,176)	(5,013)
Dividend paid	—	—	—	—	—	(15,290)	(15,290)
At 31st March, 2007	836,213	163	18,398	338,410	—	205,087	1,398,271
Profit for the year and total recognised income for the year	—	—	—	—	—	449,933	449,933
Deferred tax	—	—	(11,839)	—	—	—	(11,839)
Recognition of equity components on convertible notes	—	—	49,252	—	—	—	49,252
Recognition of equity-settled share based payment	—	—	—	—	2,967	—	2,967
Exercise of share options	5,056	—	—	—	—	—	5,056
Share repurchase and cancelled	—	178	—	—	—	(8,606)	(8,428)
Dividend paid	—	—	—	—	—	(39,734)	(39,734)
At 31st March, 2008	841,269	341	55,811	338,410	2,967	606,680	1,845,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31st March, 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Mark Well Investment Limited	Hong Kong	HK\$100	—	100	Sale of securities and investment holding
City Plan Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Golden United Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Shine Wise Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Earn Centre Limited	Hong Kong	HK\$2	—	100	Property holding and leasing of property
Base Mark Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Sun Force Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Central Mate Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
CSI Financial Holdings Limited	Hong Kong	HK\$100	—	100	Sales of securities and investment holding
CSI Property Services Limited	Hong Kong	HK\$2	—	100	Provision of property management service
Plan View Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Noble Rays Holdings Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Particulars of the principal subsidiaries at 31st March, 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Bless Top Holdings Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Gain Master Assets Limited	British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
Mark Well Investment Limited	Hong Kong	HK\$100	—	100	Sale of securities and investment holding
Capital Strategic Investment (B.V.I.) Limited	British Virgin Islands/Hong Kong	US\$40,000	100	—	Investment holding
Ocean Information System (China) Limited	Hong Kong	HK\$2	—	100	Investment holding
CSI Investment Limited	Hong Kong	HK\$2	100	—	Property holding and leasing of property
Gaintech International Development Limited	Hong Kong	HK\$2	—	100	Holding of property held for development
City Plan Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Golden United Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Shine Wise Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Earn Centre Limited	Hong Kong	HK\$2	—	100	Property holding and leasing of property
Base Mark Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Sun Force Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property
Central Mate Limited	Hong Kong	HK\$1	—	100	Property holding and leasing of property

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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.

FINANCIAL SUMMARY

Summary of the consolidated results and of the assets and liabilities of the Group for each of the five years ended 31st March, 2008 is set out below:

(a) Results

	Year ended 31st March,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000
Revenue	415,286	373,332	371,638	101,558	402,534
Profit before taxation	250,562	212,740	159,485	321,293	242,573
Current tax and deferred tax	(42,911)	(31,582)	(18,146)	(42,681)	(27,316)
Release of deferred taxation upon disposal of subsidiaries	—	—	—	—	98,529
Profit for the year	207,651	181,158	141,339	278,612	313,786
Attributable to:					
Equity holders of the parent	207,246	181,521	140,283	276,644	325,369
Minority interests	405	(363)	1,056	1,968	(11,583)
	207,651	181,158	141,339	278,612	313,786

(b) Assets and liabilities

	At 31st March,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Total assets	905,649	1,514,416	1,621,026	3,600,824	5,164,404
Total liabilities	(230,294)	(656,806)	(408,882)	(1,498,802)	(2,643,449)
	675,355	857,610	1,212,144	2,102,022	2,520,955
Equity attributable to equity holders of the Company	675,355	857,610	1,211,088	2,102,022	2,477,795
Minority interests	—	—	1,056	—	43,160
	675,355	857,610	1,214,144	2,102,022	2,520,955

SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31st March, 2008

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31st March, 2008 as follows:

INVESTMENT PROPERTIES

Location	Use	Group's interest	Approximate site area (sq.ft.)	Approximate gross floor area (sq.ft.)	Status of development
G/F, No. 44 Nullah Road Kowloon, Hong Kong	Commercial	100%	N/A	1,000	Completely leased out

PROPERTIES HELD FOR SALE

Location	Use	Group's interest	Approximate site area (sq.ft.)	Approximate gross floor area (sq.ft.)
G/F, 1/F, 10/F, Unit 1506, 17/F - 24/F & 93 Carparks in AXA Centre No. 151 Gloucester Road Hong Kong	Commercial	100%	N/A	160,957
9/F, Far East Finance Centre No. 16, Harcourt Road, Hong Kong	Commercial	100%	N/A	10,800
No. 27 Ashley Road Kowloon, Hong Kong	Commercial	100%	N/A	18,891
Nos. 23, 25 Ashley Road Kowloon, Hong Kong	Commercial	100%	N/A	38,353
Nos. 77-85 Jervois Street and Nos. 16-22 Burd Street, Sheung Wan, Hong Kong,	Commercial/ Residential	100%	6,500	N/A
House B and D Nos. 12 - 16 Tai Tam Road, Hong Kong	Residential	100%	N/A	17,271
Eton Building, No. 288 Des Voeux Road Central Hong Kong	Commercial	100%	N/A	42,597
Mohan's Building, Nos. 14-16 Hankow Road Kowloon, Hong Kong	Commercial	100%	N/A	32,210
Ground Floor, 21 Ashley Road Kowloon, Hong Kong	Commercial	100%	N/A	1,280
Offices 4&5 on 5/F, Bank of America Tower No. 12 Harcourt Road, Hong Kong	Commercial	100%	N/A	42,597
1318 Sichuan North Road, Hong Kou Shanghai, PRC	Commercial	100%	4,690	56,859