CSI
資本策略

CSI Properties Limited
(Formerly known as Capital Strategic Investment Limited)
Stock code : 497

NEW PAGE • NEW GOALS

ANNUAL REPORT **2010**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director:
Chung Cho Yee, Mico (*Chairman*)

Executive Directors:
Kan Sze Man *(Company Secretary)*
Chow Hou Man
Wong Chung Kwong

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

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

2207-08
International Capital Plaza
1318 Sichuan Road North
Shanghai, 200080, China

AUDITORS

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (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
17 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 revenue of approximately HK$1,447.9 million for the year ended 31 March 2010, which was mainly generated from sale of properties and rental income and repurchase of convertible notes and redemption of other borrowings, representing an increase of 116.3% from approximately HK$669.4 million recorded in last year.

The Group reported a consolidated profit attributable to the owners of the Company of HK$546.3 million for the year ended 31 March 2010, represented an increase of 775.5% compared with HK$62.4 million reported in 2009.

The increase in profit was mainly attributable to increase in contribution of profits from sale of properties, as well as profits totalling HK$321.4 million arising from repurchase of convertible notes and redemption of other borrowings during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$616.9 million, and highly liquid investment for trading of approximately HK$258.1 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowing increased from approximately HK$891 million as at 31 March 2009 to approximately HK$896.7 million as at 31 March 2010, and long-term bank borrowing increased from approximately HK$1,973.1 million as at 31 March 2009 to approximately HK$2,842.4 million as at 31 March 2010. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowing increased from approximately HK$2,864.1 million as at 31 March 2009 to approximately HK$3,739.1 million as at 31 March 2010, and the Group's ratio of total debt (bank and other borrowing) to total assets was 48.0% (At 31 March 2009: 47.3%). All bank borrowings were denominated in Hong Kong dollars and Renminbi and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK$896.7 million repayable within one year, HK$1,915.8 million repayable between one to five years, and HK$926.6 million over five years.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars, Renminbi 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. However, the Group will closely monitor the risk exposure.

FINANCIAL REVIEW

CONTINGENT LIABILITIES

Corporate guarantee given by the Group for banking facilities granted to a/an:

	2010 HK$'000	2009 HK$'000
— Jointly controlled entity	—	105,000
— Associate	**84,800**	84,800
	84,800	189,800
and utilised by:		
— Jointly controlled entity	—	68,100
— Associate	**59,050**	50,650
	59,050	118,750

The directors assess the risk of default of the jointly controlled entities and associates at the end of each reporting period and consider the risk to be insignificant and it is more likely than not any guaranteed amount will be claimed by the counterparties. The maximum guaranteed amounts the Group may be required to settle under the financial guarantee contracts are set out in note 37.

Included in accruals and other payables represents deferred income in respect of financial guarantee contracts given to a/an:

	2010 HK$'000	2009 HK$'000
— Jointly controlled entity	—	5
— Associate	**43**	465
	43	470

PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

	2010 **HK$'000**	2009 HK$'000
Property, plant and equipment	**1,951**	2,039
Prepaid lease payment	**88,275**	90,661
Properties held for sale	**4,622,741**	4,264,816
Bank deposits	**35,183**	8,375
	4,748,150	4,365,891

CAPITAL COMMITMENTS

	2010 **HK$'000**	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**—**	22,970

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of CSI Properties Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 March 2010.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 March 2010, the Group reported a consolidated profit attributable to the owners of the Company of HK$546.3 million, compared with HK$62.4 million reported in 2009.

Total revenue for the Group was HK$1,447.9 million, compared with HK$669.4 million for the year ended 31 March 2009.

The increase in profit was mainly attributable to increase in contribution of profits from sale of properties, as well as profits totalling HK$321.4 million arising from repurchase of convertible notes and redemption of other borrowings during the year.

Overview

The property market has been highly volatile in this financial year. During the first half of the period, the financial markets world-wide were still recovering from damages caused by the financial tsunami and the market uncertainties affected property market sentiment. However, the property market showed a speedy recovery since the third quarter of 2009 thanks to the stimulus measures introduced by various Central Governments to stabilize the market. The resulting low interest rate environment and abundant liquidity have had a positive effect on both property prices and transaction volume.

AXA Centre,
151 Gloucester Road, Hong Kong

CHAIRMAN'S STATEMENT

Hong Kong

During the first half of the financial year, the management swiftly took measures to preserve cash and reduce capital expenditure by disposing some of its non-income generating assets to ensure sufficient liquidity is available to meet potential liabilities. The assets disposed include House B at Tai Tam and a development site at Jervois Street, Sheung Wan. In the second half of 2009, global markets started to show signs of stabilization and recovery and the Group took advantage of this opportunity to dispose two more non-core assets namely, 30 and 30A Stanley Street, Central and Yue Thai Commercial Building, Sheung Wan to realize capital gain and actively seek new investment opportunities.

Our construction projects in Hau Fook Street, Tsimshatsui and Hoi Ping Road, Causeway Bay (25%-owned) are progressing well with completion of both buildings targeted in the last quarter of 2010. Pre-leasing marketing for No. 1, Hoi Ping Road has commenced with good response from major international brand names and food and beverages operators. Our unique commercial complex on No. 8, Hau Fook Street would become a combination of retail and entertainment complex. We recently announced the acquisition of g.i. mall, a chic shopping arcade located on Granville Road which is directly adjacent to our building on Hau Fook Street. Completion of the acquisition is expected in the last quarter of 2010 and the management is currently reviewing potential synergy between the two buildings.

Renovation work at our luxury residential apartments located on Blue Pool Road, Happy Valley should be completed in the later part of the year. These exclusive and elegantly designed high-end residences should be well received by the market.

Our Hong Kong rental properties situated in prime areas of Wan Chai and Tsimshatsui are providing stable rental income and operating cashflow to the Group with average occupancy over 90%.

China

The Group increased its presence in Shanghai during the year and rental contribution from Shanghai properties is expected to rise in the coming year.

In Point,
169 Wujiang Road, Shanghai

CHAIRMAN'S STATEMENT

International Capital Plaza, a 57,000 square metre commercial and retail complex, on Sichuan North Road in Hongkou district of Shanghai, has commenced its operation in the third quarter of 2009. The retail podium has been very well received and has attracted well-known international and local brand names including C&A, KFC, Xin Wang and 85 Degree C. Leasing of the office portion is progressing well and rental rates have improved with the general recovery of the office market in Shanghai.

In September 2009, the Group completed the acquisition of In Point, a themed avenue shopping street situated in one of the busiest shopping district in Jing An district on top of the Nanjing West Road subway station. Since taking over the property in the last quarter of 2009, our dedicated asset management team has implemented strategic tenant repositioning work and successfully introduced various famous international retail and food and beverage tenants such as Mcdonald's, Krispy Kreme and Urban Outfitters.

Subsequent to the financial year end, the Group acquired an interest in a Grade A commercial property, The Platinum, at No. 233 Tai Cang Road, Luwan District, Shanghai. This superb commercial property is in one of the major business districts in Shanghai where Xin Tian Di area is situated. The Group is optimistic about the long term growth in China and we are confident this property would bring in capital appreciation to the Group.

With our enlarged resources and presence in Shanghai, we are confident that we would be able to repeat the success of our property repositioning model in China.

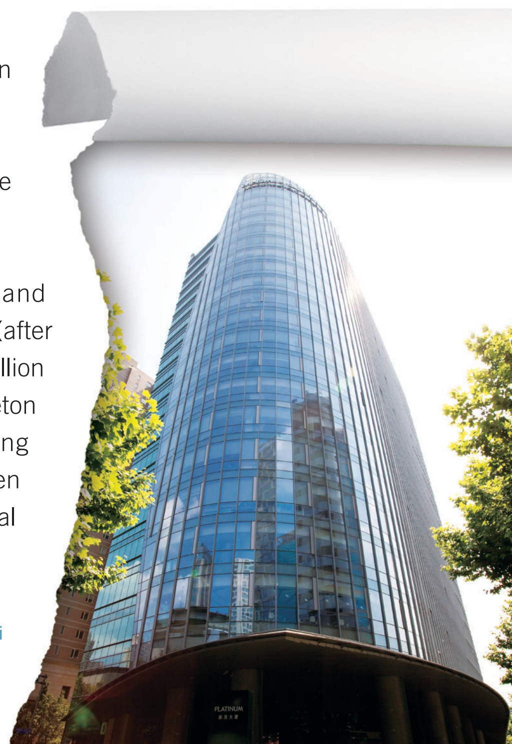
Corporate Activities

During the year, the Group successfully completed a number of corporate transactions to strengthen its statement of financial position and consolidated its investment in International Capital Plaza, Shanghai.

In May and September 2009, the Company repurchased in aggregate HK$429 million of the outstanding convertible notes of the Company at total consideration of about HK$294 million. The current outstanding 2011 Convertible Notes and 2012 Convertible Notes I amount to HK$70.5 million and HK$23.6 million respectively.

In July 2009, the Group successfully completed the purchase of the term loan outstanding of about HK$434 million granted by the Lehman Brothers (In Liquidation) to our Shanghai project, International Capital Plaza, for a consideration of about HK$236.5 million and the acquisition of all the minority equity interest in the project.

The Company also completed a rights issue and share placement in July and September 2009 to raise approximately HK$165.5 million and HK$240.4 million (after expenses) respectively. In December 2009, the Company further raised HK$78 million from the issuance of convertible notes to an investment fund managed by Templeton Asset Management Limited. The positive feedback and support from leading international investors not only demonstrated the recognition of the Group's proven business model, but also will improve the Group's profile in the international financial community.



The Platinum,
233 Tai Cang Road, Shanghai

International Capital Plaza,
1318 Sichuan Road North, Shanghai

CHAIRMAN'S STATEMENT

In January 2010, the name of the Company has been changed to 'CSI Properties Limited'. The name change not only more accurately reflects the core business activities of the Group, but also more appropriate to symbolize and highlight to investors and the public the business focus of the Group and reflects its corporate image and identity.

Outlook

Year 2009 is no doubt a challenging year with plenty of difficulties especially in the earlier part of the year but gradual stabilization occurred in the mid of the year and overall global business environment is improving. The recent fund raising exercises have further consolidated and strengthened our financial position to seek business opportunities and expansion should appropriate opportunities arise. The Group will continue to remain progressive yet cautious in making investment decision and continue to create values for our properties portfolio. Going forward, the weighting of our China properties portfolio will gradually increase with target to equally split the Group's investment between Hong Kong and Shanghai in the near future.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 0.5 Hong Kong Cent (2009: 0.22 Hong Kong Cent) per share or an aggregate amount of approximately HK$40.8 million (2009: HK$15.8 million) for 2010, subject to the approval of shareholders of the Company at the 2010 Annual General Meeting, to shareholders whose names appear on the register of members of the Company on 5 August 2010, payable on or around 11 August 2010.

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, 18 June 2010

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 31 March 2010 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 15 to 18 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 2010.

Bye-laws 102 (A) and 102 (B) are amended by a special resolution passed on 25 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 filling 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 21 July 2005. The Company created the position of Group Chief Operating Officer on 1 April 2007 to oversee the daily management and operations of the Company during the year.

The Board has resolved to meet regularly 4 times a year. During the year under review, the Board met on 27 July, 21 October and 28 December 2009 and 10 March 2010 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.	3/4
Cheng Yuk Wo	4/4
Wong Chung Kwong	appointed on 1 April 2010

CORPORATE GOVERNANCE REPORT

The Board of Directors (Continued)

In addition to the above regular board meetings, 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 21 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 21 July 2005. The remuneration paid to the directors for the year ended 31 March 2010 was set out on pages 62 to 63. During the year under review, the Remuneration Committee met on 27 July 2009 and 10 March 2010.

Audit Committee which comprised of only INED, was established pursuant to the board meeting held on 2 June 1999 with its terms of reference adopted on the same day and revised on 21 July 2005. During the year under review, the Audit Committee met on 27 July and 28 December 2009.

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 21 June 2005.

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 31 March 2010.

Audit and Internal Control

Deloitte Touche Tohmatsu was appointed as the auditors of the Company in the annual general meeting held on 27 August 2009. The Audit Committee with the mandate given by the shareholders at the general meeting fixed the audit fee of HK$870,000 for the financial year of 2010. The Company also engages Deloitte Touche Tohmatsu on other services during the year at a total fee of HK$320,000.

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 and 5 circulars, on the websites of the Company and the Stock Exchange, 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 published on the websites of the Company and the Stock Exchange as soon as practicable.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 March 2010.

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 46, 22 and 21, 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 28.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 2 August 2010 to Thursday, 5 August 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Friday, 30 July 2010.

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 17 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.

BORROWINGS

Details of bank and other 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.

DIRECTORS' REPORT

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 it 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 31 March 2010 including contributed surplus and accumulated profits amounted to approximately HK$1,839,595,000 (2009: HK$1,521,002,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 69.5% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 24.2% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 72.1% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 38.6% of the Group's total purchases.

Save as disclosed in Note 44 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' REPORT

DIRECTORS

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

Chairman and non-executive director:

Mr. Chung Cho Yee, Mico

Executive directors:

Mr. Hubert Chak (resigned on 31 May 2010)
Mr. Kan Sze Man
Mr. Chow Hou Man
Mr. Wong Chung Kwong (appointed on 1 April 2010)

Independent non-executive directors:

Dr. Lam Lee G.
Dato' Wong Sin Just
Mr. Cheng Yuk Wo

Pursuant to Bye-law 99(A) of the Bye-Laws, Mr. Chow Hou Man, Dato' Wong Sin Just and Dr. Lam Lee G. shall retire by rotation. In addition, Mr. Wong Chung Kwong being director appointed by the Board after the annual general meeting of the Company held on 27 August 2009 will hold office until forthcoming annual general meeting pursuant to Bye-law 102(B). 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 49, Chairman and Non-Executive Director of the Company, joined the Group in 2004, and graduated from University College, University of London in the United Kingdom, with a law degree in 1983 and qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently a non-executive director of PCCW Limited and an independent non-executive director of HKC (Holdings) Limited, the shares of both of which are listed on the Stock Exchange. He was an independent non-executive director of CIAM Group Limited (formerly known as E2-Capital (Holdings) Limited) until 31 May 2008.

DIRECTORS' REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

Executive Directors

Mr. Kan Sze Man, aged 38, joined the Company as Group General Counsel in 2001. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as solicitor in Hong Kong in 1997. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. 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 39, joined the Company as Group Chief Financial Officer in 2001. Mr. Chow graduated from the Baptist University in Hong Kong and holds a Master of Business Administration 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 the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong Chung Kwong, aged 59, joined the Company in 2004 as General Manager of the Group Property Division and is responsible for the property related investments of the Group. Mr. Wong has been working in the local and mainland real estate markets for about 38 years and has solid experience in properties related projects such as sales and marketing, acquisitions, repositioning and asset management. Before joining the Group, Mr. Wong had worked in property development and management companies in Mainland China and Hong Kong.

Independent Non-Executive Directors

Dr. Lam Lee G., aged 50, joined the Group 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 Laws (Hons) from Manchester Metropolitan University in the UK, a Postgraduate Certificate in Laws (and has completed the Bar Course) from the City University of Hong Kong, a Master of Laws from the University of Wolverhampton in the UK and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 28 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is 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. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Fellow of the Hong Kong International Arbitration Centre, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

Independent Non-Executive Directors

Dr. Lam is an independent non-executive director of Hutchison Harbour Ring Limited, Mingyuan Medicare Development Company Limited, Far East Holdings International Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Imagi International Holdings Limited (all of which are listed on the main board of the Stock Exchange), China.com Inc. and Finet Group Limited (both are listed on the growth enterprise market of the Stock Exchange), and a non-executive director of Glorious Sun Enterprises Limited and SW Kingsway Capital Holdings Limited (both are listed on the main board of the Stock Exchange). He was an independent non-executive director of Timeless Software Limited (whose shares is listed on the growth enterprise market of the Stock Exchange).

Dato' Wong Sin Just, aged 44, joined the Group in 2001. Dato' Wong possesses over 20 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 executive chairman of SBI E2-Capital Asia Securities Pte Ltd. In addition, he is an independent non-executive director of China.com Inc. and China Zenith Chemical Group Limited, the shares of both of which are listed on the Stock Exchange, as well as a non independent non-executive director of Intelligent Edge Technologies Berhad, which shares are listed on the Malaysia MESDAQ. Dato' Wong was also the executive co-chairman of CIAM Group Limited (formerly E2-Capital (Holdings) Limited) up to May 2008, a non-executive director of Suncorp Technologies Limited up to October 2009 and a non-executive director of China Renji Medical Group Limited up to December 2009, the shares of all of which are listed on the Stock Exchange.

Dato' Wong holds a Bachelor degree in Engineering (First Class Honours) from Imperial College, University of London and is an associate of the Institute of Chartered Accountants, England and Wales. He is involved in various social and charitable organisations in Hong Kong and China and is the chairman of the General Donations and Special Events Committee of The Community Chest of Hong Kong.

Mr. Cheng Yuk Wo, aged 49, 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 had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto. He is a executive director of 21 Holdings Limited and an independent non-executive director of Chia Tai Enterprises International Limited, Chong Hing Bank Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited and South China Land Limited, the shares of both of which are listed on the Stock Exchange. He was a non-executive director of Henry Group Holdings Limited and an independent non-executive director of Jessica Publications Limited (now known as Honbridge Holdings Limited). He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice in Hong Kong.

Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent, England.

DIRECTORS' REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILE (Continued)

Senior Management

Hong Kong

Mr. Ng Man Keung, joined the Group in 2010 and is responsible for the overall project management of the Group's property projects. Mr. Ng has worked for a number of reputable developers such as Sun Hung Kai Properties and Sino Land. He possesses more than 20 years' of property development experience in both Hong Kong and China market. Mr. Ng holds the corporate membership of the Engineering Institutes in UK, Australia and New Zealand. He is also an Authorised Person and Registered Structural Engineer in the list of Building Authority.

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 trends. Mr. Ho had worked in several property agency companies before joining the Group.

Mr. Chiu Sin-young Victor, joined the Group in 2008 and is responsible for design, project management and property improvement. Mr. Chiu is a registered architect and has over 10 year experience with leading architectural firms. His extensive experience in various projects includes master planning, infrastructure design, residential, commercial, civil, fit-out and hotel development in Hong Kong and Macau. Mr. Chiu completed his architectural education and also a MSc degree in Energy Efficient Buildings at Oxford Brookes University in the United Kingdom. He is a member of both the Hong Kong Institute of Architects and the Royal Institute of British Architects.

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

Shanghai

Ms. Dong Yan, joined the Group in 2006. Ms. Dong was the deputy general manager of the Shanghai Real Estate Co. Ltd. Group, a large real estate developer in Shanghai for over 10 years and sat on the board of several of its 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-graduate 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

Interests and short positions of the Directors in the Company and its associated corporations

As at 31 March 2010, the interests and short positions of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or decided to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

(i) Long positions in shares:

Name of Director	Nature of interests	Company/ name of associated corporation	Number of shares held (Note 1)	Derivative interests	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	2,678,552,062 (L)		32.81
				194,366,867 (L)	2.38
	Interest of controlled corporation	The Company	2,675,507,062 (L)		32.77
				194,366,867 (L)	2.38

Notes:

(1) The letter "L" denotes a person's long position in such securities.

(2) Mr. Chung is the beneficial owner of 2,678,552,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("Earnest Equity") of 2,675,507,062) and 194,366,867 shares relate to the derivative interests held by Earnest Equity in 2011 Convertible Notes and 2012 Convertible Notes I. 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. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES (Continued)

Interests and short positions of the Directors in the Company and its associated corporations (Continued)

(ii) Long positions in the underlying shares of equity derivatives:

Name of Director	Option scheme type	Capacity	Number of options held	Approximate percentage of total shareholding (%)
Kan Sze Man	2001	Beneficial owner	24,534,562 (L)	0.30
	2002	Beneficial owner	19,785,938 (L)	0.24
Chow Hou Man	2001	Beneficial owner	5,302,631 (L)	0.06
	2002	Beneficial owner	19,785,938 (L)	0.24
Hubert Chak	2002	Beneficial owner	44,320,500 (L) (Note 2)	0.54

Notes:

(1) The letter "L" denotes a person's long position in such securities.

(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 executive chairman of the Company to the exercise of share options exceeding such limit.

Save as disclosed above, as at 31 March 2010, none of the Directors and chief executive of the Company had any interest in any securities of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of listed companies as set out in the Listing Rules to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in shares and underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of part XV of the SFO:

Long position

Name	Capacity	Number of shares	Derivative interests	Approximate shareholding percentage (%)
Third Avenue Management LLC	Investment manager (Note 1)	579,028,500	—	7.09
Third Avenue Real Estate Opportunities Management LLC	Interest of controlled corporation (Note 1)	579,028,500	—	7.09
Cheah Capital Management Limited	Interest of controlled corporation (Note 2)	579,301,416	—	7.10
Cheah Cheng Hye	Person who set up a discretionary trust (Note 2)	579,301,416	—	7.10
Cheah Company Limited	Interest of controlled corporation (Note 2)	579,301,416	—	7.10

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS (Continued)

Long position (Continued)

Name	Capacity	Number of shares	Derivative interests	Approximate shareholding percentage (%)
Hang Seng Bank Trustee International Limited	Trustee (Note 2)	579,301,416	—	7.10
To Hau Yin	Interest of child under 18 or spouse (Note 2)	579,301,416	—	7.10
Value Partners Group Limited	Interest of controlled corporation (Note 2)	579,301,416	—	7.10
Value Partners Limited	Investment manager (Note 2)	579,301,416	—	7.10
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 3)	450,820,000	—	5.52
Templeton Asset Management Ltd.	Investment manager	117,000,000	—	1.43
			312,000,000	3.82

Notes:

1. The 579,028,500 shares in the Company held by Third Avenue Management LLC and Third Avenue Real Estate Opportunities Management LLC are the same parcel of shares.

2. The 579,301,416 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 Partners Limited are the same parcel of shares.

3. Lehman Brothers Commercial Corporation Asia Limited (In Liquidation), is a company owned as to 50% by LBCCA Holdings I LCC. and owned as to 50% by LBCCA Holdings II LCC., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.

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 31 March 2010.

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 Rule. The Company considers all of the independent non-executive directors are independent.

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.

DIRECTORS' REPORT

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

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 10 to 12 of this Annual Report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$140,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 111 of the annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements for the year ended 31 March 2010.

DIRECTORS' REPORT

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

18 June 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CSI PROPERTIES LIMITED
(FORMERLY KNOWN AS CAPITAL STRATEGIC INVESTMENT LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CSI Properties Limited (formerly known as Capital Strategic Investment Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 110, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 31 March 2010 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
18 June, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	5	**1,447,907**	669,426
Cost of sales		**(1,178,959)**	(459,933)
Gross profit		**268,948**	209,493
Income and gains (losses) from investments	7	**64,728**	(27,101)
Other income	8	**48,443**	25,879
Other gains and losses	9	**331,396**	(53,416)
Administrative expenses		**(81,106)**	(49,800)
Finance costs	10	**(54,951)**	(113,321)
Share of results of jointly controlled entities		**(6,509)**	136,436
Share of results of associates		**(4,199)**	(47,186)
Profit before taxation		**566,750**	80,984
Taxation	11	**(21,765)**	(17,861)
Profit for the year	12	**544,985**	63,123
Attributable to:			
Owners of the Company		**546,271**	62,373
Non-controlling interests		**(1,286)**	750
		544,985	63,123
Earnings per share (HK cent(s))	16		
Basic		**7.32**	1.00
Diluted		**5.36**	0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**544,985**	63,123
Other comprehensive income (expense)		
Exchange differences arising on translation	**(372)**	6,464
Reclassification adjustment for exchange differences released by a jointly controlled entity upon disposal of subsidiaries	**—**	(35,750)
Share of exchange difference of associates	**(2,586)**	(331)
	(2,958)	(29,617)
Total comprehensive income for the year	**542,027**	33,506
Total comprehensive income (expense) attributable to:		
Owners of the Company	**543,313**	30,203
Non-controlling interests	**(1,286)**	3,303
	542,027	33,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Property, plant and equipment	17	**33,502**	11,039
Prepaid lease payments	18	**99,603**	102,370
Available-for-sale investments	19	**29,142**	24,669
Conversion options embedded in convertible notes	19	**3,750**	3,041
Club memberships	20	**6,860**	6,860
Interests in jointly controlled entities	21	**5,508**	31,204
Interests in associates	22	**8,151**	7,937
Amount due from a jointly controlled entity	23	**5,818**	12,222
Amounts due from associates	23	**99,873**	63,738
Deposit paid for acquisition of property, plant and equipment		**—**	5,742
Deferred tax assets	24	**—**	2,698
		292,207	271,520
Current Assets			
Trade and other receivables	25	**20,511**	13,967
Deposit paid for acquisition of properties held for sale		**48,000**	—
Other deposit	26	**1,820,495**	—
Prepaid lease payments	18	**2,767**	2,767
Investments held for trading	27	**258,102**	212,441
Properties held for sale	28	**4,724,281**	4,329,832
Taxation recoverable		**6,542**	4,750
Amount due from a non-controlling shareholder of a subsidiary	23	**25**	3,440
Amounts due from jointly controlled entities	23	**—**	14,489
Pledged bank deposits	29	**35,183**	8,375
Bank balances and cash	29	**581,745**	1,197,978
		7,497,651	5,788,039
Current Liabilities			
Other payables and accruals	30	**107,025**	122,456
Taxation payable		**25,050**	24,903
Amounts due to non-controlling shareholders of subsidiaries	23	**299,128**	9,641
Amounts due to jointly controlled entities	23	**5,078**	4,759
Amount due to an associate	23	**2,000**	2,000
Convertible notes — due within one year	31	**1,975**	3,293
Bank and other borrowings — due within one year	32	**896,689**	890,973
		1,336,945	1,058,025
Net Current Assets		**6,160,706**	4,730,014
		6,452,913	5,001,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Capital and Reserves			
Share capital	33	**65,311**	39,525
Reserves		**3,348,124**	2,430,246
Equity attributable to owners of the Company		**3,413,435**	2,469,771
Non-controlling interests		**174**	38,763
Total Equity		**3,413,609**	2,508,534
Non-Current Liabilities			
Convertible notes — due after one year	31	**166,964**	502,258
Bank and other borrowings — due after one year	32	**2,842,439**	1,973,122
Derivative financial instruments	34	**9,194**	6,657
Deferred tax liabilities	24	**20,707**	10,963
		3,039,304	2,493,000
		6,452,913	5,001,534

The consolidated financial statements on pages 28 to 110 were approved and authorised for issue by the Board of Directors on 18 June, 2010 and are signed on its behalf by:

Chung Cho Yee, Mico
DIRECTOR

Chow Hou Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note a)	Convertible notes equity reserve HK$'000	Contributed surplus HK$'000 (Note b)	Translation reserve HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 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
Profit for the year	–	–	–	–	–	–	–	–	62,373	62,373	750	63,123
Exchange difference arising on translation	–	–	–	–	–	–	3,911	–	–	3,911	2,553	6,464
Share of translation reserve released by a jointly controlled entity upon disposal of its subsidiaries	–	–	–	–	–	–	(35,750)	–	–	(35,750)	–	(35,750)
Share of other comprehensive expense of an associate	–	–	–	–	–	–	(331)	–	–	(331)	–	(331)
Total comprehensive income and expense for the year	–	–	–	–	–	–	(32,170)	–	62,373	30,203	3,303	33,506
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	2,327	–	2,327	–	2,327
Shares repurchased and cancelled	(30)	–	30	–	–	–	–	–	(1,026)	(1,026)	–	(1,026)
Expense related to shares repurchase and cancelled	–	–	–	–	–	–	–	–	(3)	(3)	–	(3)
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	(39,525)	(39,525)	–	(39,525)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	6,236	6,236
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(13,936)	(13,936)
At 31 March 2009	39,525	841,269	371	1,698	55,811	276,058	21,030	5,294	1,228,715	2,469,771	38,763	2,508,534
Profit for the year	–	–	–	–	–	–	–	–	546,271	546,271	(1,286)	544,985
Exchange difference arising on translation	–	–	–	–	–	–	(372)	–	–	(372)	–	(372)
Share of other comprehensive expense of associates	–	–	–	–	–	–	(2,586)	–	–	(2,586)	–	(2,586)
Total comprehensive income and expense for the year	–	–	–	–	–	–	(2,958)	–	546,271	543,313	(1,286)	542,027
Issue of shares upon rights issue	17,786	155,628	–	–	–	–	–	–	–	173,414	–	173,414
Issue of shares upon private placement of shares	8,000	237,000	–	–	–	–	–	–	–	245,000	–	245,000
Transaction costs attributable to issue of shares	–	(12,438)	–	–	–	–	–	–	–	(12,438)	–	(12,438)
Realised on partial repurchase of convertible notes (net of tax)	–	–	–	–	(45,306)	–	–	–	45,306	–	–	–
Recognition of equity component of convertible notes	–	–	–	–	10,668	–	–	–	–	10,668	–	10,668
Deferred taxation arising on recognition of equity component of convertible notes	–	–	–	–	(1,760)	–	–	–	–	(1,760)	–	(1,760)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	1,227	–	1,227	–	1,227
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	(15,760)	(15,760)	–	(15,760)
Acquisition of additional interest in a subsidiary (note 38(ii))	–	–	–	–	–	–	–	–	–	–	(33,703)	(33,703)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,600)	(3,600)
At 31 March 2010	65,311	1,221,459	371	1,698	19,413	276,058	18,072	6,521	1,804,532	3,413,435	174	3,413,609

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**566,750**	80,984
Adjustments for:		
Finance costs	**54,951**	113,321
Interest income	**(2,250)**	(21,487)
Income from amortisation of financial guarantee contracts	**(421)**	(1,179)
Depreciation of property, plant and equipment	**7,203**	4,544
Release of prepaid lease payments	**2,767**	2,767
Gain on disposal of investment properties	**—**	(569)
Gain on partial repurchase of convertible notes	**(124,192)**	—
Gain on redemption of other borrowing	**(197,182)**	—
(Increase) decrease in fair value of financial instruments	**(54,509)**	37,791
(Reversal) recognition of impairment loss on properties held for sale	**(45,678)**	48,503
Impairment on/forfeiture of deposit paid for acquisition of properties held for sales	**—**	52,948
Share-based payment expenses	**1,227**	2,327
Share of results of jointly controlled entities	**6,509**	(136,436)
Share of results of associates	**4,199**	47,186
Gain on disposal of property, plant and equipment	**(7,628)**	—
Operating cash flow before movements in working capital	**211,746**	230,700
Increase in trade and other receivables	**(6,544)**	(3,497)
Increase in deposit paid for acquisition of properties held for sale	**(48,000)**	(52,948)
Increase in other deposit	**(1,820,495)**	—
Decrease (increase) in investments held for trading	**26,490**	(168,208)
Increase in properties held for sale	**(127,575)**	(994,946)
Increase (decrease) in other payables and accruals	**64,137**	(76,872)
Decrease in derivative financial instruments	**(5,287)**	(7,960)
Net cash used in operations	**(1,705,528)**	(1,073,731)
Hong Kong Profits Tax paid	**(12,728)**	(32,052)
Interest paid	**(38,659)**	(2,979)
NET CASH USED IN OPERATING ACTIVITIES	**(1,756,915)**	(1,108,762)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	NOTE	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		**8,800**	—
Decrease (increase) in amounts due from a non-controlling shareholder of a subsidiary		**3,415**	(3,440)
Interest received		**2,250**	19,637
Increase in conversion options embedded in convertible notes		**(3,750)**	(3,041)
Purchases of available-for-sale investments		**(11,250)**	(16,559)
Acquisition of additional interest in a subsidiary		**(13,950)**	—
(Increase) decrease in amounts due from jointly controlled entities		**(16,461)**	235,935
Purchases of property, plant and equipment		**(25,096)**	(4,632)
(Increase) decrease in pledged bank deposits		**(26,808)**	128,326
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	38	**(37,680)**	—
Increase in amounts due from associates		**(43,134)**	(37,477)
Dividend received from a jointly controlled entity		**—**	186,378
Proceeds on disposal of investment properties		**—**	37,069
Proceeds on disposal of an associate		**—**	25
Deposit paid for acquisition of property, plant and equipment		**—**	(5,742)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(163,664)**	536,479
FINANCING ACTIVITIES			
New bank borrowings raised		**1,529,228**	1,135,031
Proceeds on issue of shares and exercise of rights issue		**418,414**	—
Advance from (repayments to) non-controlling shareholders of subsidiaries		**289,487**	(735)
Proceeds on issue of convertible notes		**78,000**	—
Advance from jointly controlled entities		**319**	6,259
Dividends paid to non-controlling shareholder of a subsidiary		**(3,600)**	(13,936)
Transactions costs paid for issue of shares		**(12,438)**	—
Dividends paid		**(15,760)**	(39,525)
Redemption of other borrowings		**(236,500)**	—
Partial repurchase of convertible notes		**(294,386)**	—
Repayments of bank borrowings		**(448,418)**	(243,454)
Payment on repurchase of shares		**—**	(1,029)
Repayments to an associate		**—**	(2,000)
NET CASH FROM FINANCING ACTIVITIES		**1,304,346**	840,611
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(616,233)**	268,328
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,197,978**	929,650
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**581,745**	1,197,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL

The Company was 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, jointly controlled entities and associates are set out in notes 46, 21 and 22 respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard ("HKFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee) — Interpretation ("HK(IFRIC) — Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 6). Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures on fair value measurements in accordance with the transitional provision set out in the amendments.

As part of Improvements to HKFRSs (2008), HKAS 1 "Presentation of Financial Statements" has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement dates. Prior to the amendment, the Group presented, as current, all derivative financial instruments, as set out in note 34, in accordance with HKAS 39. The amendment has had no impact on the Group's results for the reported periods. The amendment has resulted in the derivative financial instruments with an aggregate carrying amount of HK$6,657,000 as at 31 March 2009 being reclassified from current liabilities to non-current liabilities. In addition, at 31 March 2010, derivative financial instruments with an aggregate carrying amount of HK$9,194,000 have been presented as non-current liabilities based on their maturity dates.

No consolidated statement of financial position as at 1 April 2008 has been presented as the above reclassification has no effect on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 January 2010
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2011
8 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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 statement of financial position 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.

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 relevant jointly controlled entity.

Interests 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position 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 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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.

Revenue recognition

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

Revenue from sale of completed properties in the ordinary course of business is recognised when the respective properties have been delivered to the buyers.

Management service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

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 profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense 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 and amortised over the lease term on a straight-line basis.

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation . 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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

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

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

Retirement benefit schemes

Payments to the Mandatory Provident Fund Scheme/state-managed retirement benefit schemes 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 by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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. 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.

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid for acquisition of property, plant and equipment, trade and other receivables, deposit paid for acquisition of properties held for sale, other deposit, amount(s) due from a non-controlling shareholder of a subsidiary, associates and jointly controlled entities, 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, or loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to 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 the end of the reporting period (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. 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 affected.

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

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 31 March 2010

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 issued by the Company

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. 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 loan notes into equity, is included in equity (convertible notes 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, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible notes issued by the Company (Continued)

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 notes using the effective interest method.

Where the convertible notes are repurchased, the consideration paid and any transactions cost thereof is allocated between the liability and conversion option components of the convertible notes at the date of the repurchase. The difference between the consideration paid for the repurchase of the liability component, which is determined using the prevailing market interest rate of similar non-convertible debts, and its carrying amount at the date of the repurchase is recognised in profit or loss while the difference between the consideration paid for the repurchase of the conversion option component and its carrying amount at the date of the transaction is included in equity (accumulated profits).

Other financial liabilities

Other financial liabilities including other payables, amounts due to non-controlling shareholders of subsidiaries, jointly controlled entities and an associate and bank and other 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity (share capital and share premium). No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contacts and the host contacts are not measured at fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 contact 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 in other comprehensive income is recognised in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and consultants and vested before 1 April 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded 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 as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees and vested on or after 1 April 2005

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to 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 equity (share option reserve) will be transferred to accumulated profits.

Impairment loss

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairments and their reversals on properties held for sale and deposits related to acquisition of properties held for sale

Management reviews the recoverability of the Group's property interests held for sale and deposits paid for acquisition of such properties interests with aggregate carrying amount of approximately HK$6,592,776,000 (2009: HK$4,329,832,000) with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Impairment for estimated irrecoverable amounts is recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on the properties and the deposits is required, the Group takes into consideration the current market environment, the estimated market value of the properties held and to be acquired and/or the estimated net sale proceeds it expects to receive on disposals of the properties. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these property interests held and/or the deposits paid for acquisition of such properties, additional impairment loss may be required. For the year ended 31 March 2009, an aggregate impairment loss on the Group's property interests held for sale, and impairment loss on/forfeiture of deposits paid for acquisition of properties held for sale amounted to approximately HK$101,451,000 has been recognised in the consolidated income statement.

During the year ended 31 March 2010, the directors determined there is clear evidence of an increase in net realisable value of the Group's property interests held for sale that carried at net realisable value and still on hand at the end of the reporting period because of the recovery of property markets in Hong Kong. Reversals of the impairments on properties held for sale amounted to approximately HK$45,678,000 made in previous years have been recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value of derivative financial instruments

Derivative financial instruments of approximately HK$9,194,000 (2009: HK$6,657,000) are carried in the consolidated statement of financial position at fair value, as disclosed in note 34. 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 valuation provided by counterparty financial institution as the basis for fair value. The use of methodologies, models and assumptions in pricing and valuing these financial instruments is subjective and requires varying degrees of judgment by counterparty financial institutions, which may result in significantly different fair values and results.

5. 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:

	2010 HK$'000	2009 HK$'000
Rental income	**189,602**	143,249
Income from sales of properties	**1,258,305**	526,177
	1,447,907	669,426

6. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Group, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. SEGMENTAL INFORMATION (Continued)

The Group's operating and reportable segments under HKFRS 8 are identified to be its business segments under HKAS 14, namely:

(a) Property trading segment, which engages in the trading of properties;

(b) Strategic investment segment, which engages in property investment through strategic alliances with the joint venture partners of the jointly controlled entities and associates; and

(c) Securities investment segment, which engages in the securities trading and investment.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	Property trading HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2010				
Gross proceeds	1,447,907	—	355,107	1,803,014
EXTERNAL REVENUE				
Rental income	189,602	—	—	189,602
Income from sales of properties	1,258,305	—	—	1,258,305
	1,447,907	—	—	1,447,907
Interest income and dividend income	—	—	10,219	10,219
Share of results of jointly controlled entities	—	(6,531)	—	(6,531)
Share of results of associates	—	(4,199)	—	(4,199)
Segment revenue	1,447,907	(10,730)	10,219	1,447,396
RESULT				
Segment profit (loss)	279,811	(10,309)	62,396	331,898
Unallocated other income				2,344
Other gains				331,396
Central administration costs				(43,959)
Finance costs				(54,951)
Share of results of a jointly controlled entity				22
Profit before taxation				566,750

Note: The directors of the Company are not aware of any transactions between the operating segments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. SEGMENTAL INFORMATION (Continued)

Segment revenue and results (Continued)

	Property trading HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2009				
Gross proceeds	669,426	—	104,103	773,529
EXTERNAL REVENUE				
Rental income	143,249	—	—	143,249
Income from sales of properties	526,177	—	—	526,177
	669,426	—	—	669,426
Interest income and dividend income	—	—	10,690	10,690
Share of results of jointly controlled entities	—	136,436	—	136,436
Share of results of associates	—	(47,273)	—	(47,273)
Segment revenue	669,426	89,163	10,690	769,279
RESULT				
Segment profit (loss)	132,721	91,842	(32,921)	191,642
Unallocated other income				23,200
Other losses				(468)
Central administration costs				(20,156)
Finance costs				(113,321)
Share of results of an associate				87
Profit before taxation				80,984

Note: The directors of the Company are not aware of any transactions between the operating segments during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents profit (loss) earned/incurred by each segment, interest income, dividend income, fair value change of investments held for trading and available-for-sale investments and share of results of certain jointly controlled entities and associates, without allocation of other income (primarily bank interest income), other gains (primarily exchange gain), central administrative costs, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2010 HK$'000	2009 HK$'000
Segment assets		
Property trading	**6,609,924**	4,344,468
Strategic investment	**109,545**	125,030
Securities investment	**297,189**	247,200
Total segment assets	**7,016,658**	4,716,698
Property, plant and equipment	**33,502**	11,039
Prepaid lease payments	**102,370**	105,137
Pledged bank deposits	**35,183**	8,375
Bank balances and cash	**581,745**	1,197,978
Other unallocated assets	**20,400**	20,332
Consolidated assets	**7,789,858**	6,059,559
Segment liabilities		
Property trading	**401,074**	44,408
Strategic investment	**—**	4,759
Securities investment	**9,194**	6,657
Total segment liabilities	**410,268**	55,824
Convertible notes	**168,939**	505,551
Bank and other borrowings	**3,739,128**	2,864,095
Other unallocated liabilities	**57,914**	125,555
Consolidated liabilities	**4,376,249**	3,551,025

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, prepaid lease payments, deferred tax assets, taxation recoverable, certain other receivables, pledged bank deposits and bank balances and cash; and
- all liabilities are allocated to operating segments other than accruals and other payables of the head office, taxation payable, convertible notes, bank and other borrowings and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. SEGMENTAL INFORMATION (Continued)

Other segment information

For the year ended 31 March 2010

	Property trading HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss) or assets and liabilities:					
Interests in associates	—	3,854	—	4,297	8,151
Interests in jointly controlled entities	—	—	—	5,508	5,508
Reversals of impairment loss on properties held for sale	45,678	—	—	—	45,678
Fair value increase of investment held for trading	—	—	62,151	—	62,151

For the year ended 31 March 2009

	Property trading HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss) or assets and liabilities:					
Interests in associates	—	3,861	—	4,076	7,937
Interests in jointly controlled entities	—	30,730	—	474	31,204
Impairment loss on properties held for sale	(48,503)	—	—	—	(48,503)
Impairment loss on/forfeiture of deposit paid for acquisition of properties held for sales	(52,948)	—	—	—	(52,948)
Fair value decrease of investment held for trading	—	—	(42,009)	—	(42,009)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. SEGMENTAL INFORMATION (Continued)

Geographical information

The Group's operations in property trading, strategic investments and securities investment are mainly located in Hong Kong and the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

Revenue from property rentals and sales of properties are allocated based on the location of the property interests.

Non-current assets are allocated by geographical location of the assets.

	Revenue from external customers Year ended 31 March		Non- current assets (Note)	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Hong Kong	**1,415,831**	669,426	**142,728**	141,015
PRC	**32,076**	—	**350**	275
Singapore	**—**	—	**3,686**	17,002
	1,447,907	669,426	**146,764**	158,292

Note: Non-current assets exclude financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. SEGMENTAL INFORMATION (Continued)

Information about major tenants and buyers of properties

Revenue from customers, who are tenants and buyers of properties held for sale, which individually accounted for more than 10% of the consolidated revenue from external customers are detailed as below.

	2010 HK$'000	2009 HK$'000
Buyer A	**350,000**	N/A[1]
Buyer B	**277,000**	N/A[1]
Buyer C	**149,000**	N/A[1]
Buyer D	**N/A[1]**	237,737
Buyer E	**N/A[1]**	161,000
Buyer F	**N/A[1]**	127,440
	776,000	526,177

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

Revenue by type of income

The relevant information is set out in note 5.

7. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2010 HK$'000	2009 HK$'000
Interest income from:		
— investments held for trading	**8,268**	8,046
— available-for-sale investments	**395**	74
Dividend income from:		
— investments held for trading	**727**	915
— available-for-sale investments	**829**	1,655
Increase (decrease) in fair values of:		
— investments held for trading	**62,151**	(42,009)
— available-for-sale investments	**182**	169
— derivative financial instruments	**(7,824)**	4,049
	64,728	(27,101)

7. INCOME AND GAINS (LOSSES) FROM INVESTMENTS (Continued)

The following is the analysis of the investment income and gain (loss) from respective financial instruments:

	2010 HK$'000	2009 HK$'000
— investments held for trading	71,146	(33,048)
— available-for-sale investments	1,406	1,898
— derivative financial instruments	(7,824)	4,049
	64,728	(27,101)

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Reversal of impairment loss on properties held for sale	45,678	—
Bank interest income	2,250	21,487
Income from a jointly controlled entity (Note)	—	1,500
Amortisation of financial guarantee contracts	421	1,179
Others	94	1,713
	48,443	25,879

Note: The amount represented the arrangement fee received from a jointly controlled entity. Details are set out in note 44.

9. OTHER GAINS AND LOSSES

Other gains (losses) comprise:

	2010 HK$'000	2009 HK$'000
Gain on partial repurchase of convertible notes (Note i)	124,192	—
Gain on redemption of other borrowings (Note ii)	197,182	—
Gain on disposal of property, plant and equipment	7,628	—
Exchange gain (loss)	2,394	(468)
Impairment loss on/forfeiture of deposit paid for acquisition of properties held for sales (Note iii)	—	(52,948)
	331,396	(53,416)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

9. OTHER GAINS AND LOSSES (Continued)

Notes:

(i) During the year, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company repurchased certain of the convertible notes with an aggregate principal amount of HK$428,900,000 and aggregate carrying amount of the liability component of HK$418,578,000 at an aggregate consideration of HK$294,386,000, resulting in a gain of HK$124,192,000. The details are set out in note 31.

(ii) Pursuant to a loan purchase agreement dated 22 May 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("Lehman Brothers") with an aggregate principal outstanding balance plus accrued interest of HK$433,682,000 at an aggregate consideration of HK$236,500,000, resulting in a gain of HK$197,182,000. The details are set out in note 32.

(iii) During the year ended 31 March 2009, an impairment loss of approximately HK$5,148,000 was made on the deposit paid for acquisition of properties held for re-sale. At 31 March 2009, the directors of the Company considered the decrease in estimated fair value of the relevant properties which will be held for re-sale is greater than the deposit made, therefore, full provision was made.

Besides, the Group entered into a sale and purchase agreement for the acquisition of certain properties in Hong Kong. An amount of HK$47,800,000 was paid to the vendor, an independent third party, as a deposit for the acquisition. Due to the fluctuation of the property markets, the management determined not to complete the transaction. A cancellation agreement was subsequently entered into with the vendor pursuant to which the entire amount of the said deposit was forfeited. All obligations, covenants and undertakings contained in the relevant sale and purchase agreement was released and the vendor would have no claim against the Group in respect of the proposed acquisition.

10. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interests on:		
Bank and other borrowings wholly repayable within five years	**14,930**	28,187
Bank and other borrowings not wholly repayable within five years	**23,443**	45,323
Convertible notes wholly repayable within five years	**16,578**	39,811
	54,951	113,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. TAXATION

	2010 HK$'000	2009 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— Current year	**8,127**	19,198
— Underprovision in prior years	**2,956**	782
	11,083	19,980
Deferred taxation (note 24)	**10,682**	(2,119)
	21,765	17,861

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for PRC EIT has been made in the consolidated financial statements as all of the PRC subsidiaries had no assessable profits for both years.

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	**566,750**	80,984
Taxation at Hong Kong Profits Tax rate of 16.5%	**93,514**	13,362
Tax effect of expenses not deductible for tax purpose	**14,273**	9,460
Tax effect of income not taxable for tax purpose (Note)	**(89,916)**	(5,575)
Tax effect of share of results of jointly controlled entities	**1,074**	(22,512)
Tax effect of share of results of associates	**693**	7,786
Tax effect of tax losses not recognised	**4,130**	17,250
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,896)**	(256)
Utilisation of tax loss previously not recognised	**(3,063)**	(1,843)
Underprovision in prior years	**2,956**	782
Decrease in opening deferred tax liabilities resulting from decrease in applicable tax rate	**—**	(593)
Tax charge for the year	**21,765**	17,861

Note: Included in income not taxable for tax purpose for the year ended 31 March 2010 are gain on partial repurchase of convertible notes, gain on redemption of other borrowings, certain gains on sales of properties, reversal of impairment loss on properties held for sale and unrealised changes in fair value of certain investments held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 13):		
Fees	300	300
Salaries and other benefits	10,316	7,897
Bonus	9,657	1,329
Contributions to retirement benefits schemes	371	367
Share-based payments	573	1,086
	21,217	10,979
Other staff costs:		
Salaries and other benefits	11,298	11,608
Bonus	2,879	1,575
Contributions to retirement benefits schemes	633	801
Share-based payments	654	1,241
	15,464	15,225
Total staff costs	36,681	26,204
Auditor's remuneration	870	800
Depreciation of property, plant and equipment	7,203	4,544
Release of prepaid lease payments	2,767	2,767
Cost of properties held for sale recognised as an expense	1,136,400	382,772
Impairment loss on properties held for sale (included in cost of sales)	—	48,503
and after crediting:		
Net rental income from investment properties after outgoings of HK$Nil (2009: HK$13,000)	—	535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of seven (2009: seven) directors were as follows:

For the year ended 31 March 2010

	Mr. Chung Cho Yee, Mico HK$'000	Mr. Hubert Chak HK$'000 (Note i)	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000	Mr. Cheng Yuk Wo HK$'000	Total HK$'000
Directors' remuneration								
Fee	—	—	—	—	100	100	100	300
Salaries and other benefits	4,560	2,800	1,845	1,111	—	—	—	10,316
Bonus (Note ii)	8,000	547	630	480	—	—	—	9,657
Contributions to retirement benefits schemes	—	167	124	80	—	—	—	371
Share-based payments	—	573	—	—	—	—	—	573
	12,560	4,087	2,599	1,671	100	100	100	21,217

For the year ended 31 March 2009

	Mr. Chung Cho Yee, Mico HK$'000	Mr. Hubert Chak HK$'000 (Note i)	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000	Mr. Cheng Yuk Wo HK$'000	Total HK$'000
Directors' remuneration								
Fee	—	—	—	—	100	100	100	300
Salaries and other benefits	1,900	3,033	1,950	1,014	—	—	—	7,897
Bonus (Note ii)	—	500	500	329	—	—	—	1,329
Contributions to retirement benefits schemes	—	177	123	67	—	—	—	367
Share-based payments	—	1,086	—	—	—	—	—	1,086
	1,900	4,796	2,573	1,410	100	100	100	10,979

Notes:

(i) Mr. Hubert Chak resigned as executive director on 31 May 2010.

(ii) Bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the Group's operating results, individual performance and comparable market statistics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. DIRECTORS' REMUNERATION (Continued)

No directors 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.

14. EMPLOYEES' REMUNERATION

The five individuals with the highest emoluments in the Group included four (2009: three) directors of the Company whose emoluments are set out in note 13. The emoluments of the remaining one (2009: two) individual were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**1,300**	2,188
Bonus	**408**	680
Contribution to retirement benefits schemes	**70**	144
Share-based payments	**—**	620
	1,778	3,632

Their emoluments were within the following bands:

	2010 **Number of employees**	2009 Number of employees
HK$1,500,001 to HK$2,000,000	**1**	2

15. DIVIDENDS

	2010 **HK$'000**	2009 HK$'000
Dividend recognised as distribution during the year — Final dividend of HK0.22 cent per share in respect of financial year ended 31 March 2009 (2009: Final dividend of HK0.8 cent per share in respect of financial year ended 31 March 2008)	**15,760**	39,525

A final dividend of HK0.5 cent per share amounting to HK$40,819,000 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2010 HK$'000	2009 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share:		
(profit for the year attributable to owners of the Company)	546,271	62,373
Effects of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	15,900	—
Gain on partial repurchase of convertible notes (net of tax)	(123,947)	—
Earnings for the purpose of diluted earnings per share	438,224	62,373
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	7,463,869	6,256,460
Effects of dilutive potential ordinary shares (in thousands):		
Share options	139,162	83,787
Convertible notes	571,398	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	8,174,429	6,340,247

For both year ended 31 March 2010 and 2009, the computation of diluted earnings per share does not assume the exercise of certain of the company's share options because the exercise price of those options was higher than the average market price of the shares for both years.

For the year ended 31 March 2009, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in increase in earnings per share for the year.

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 rights issue during the year ended 31 March 2010 as set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Vessel	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2008	2,217	3,232	864	2,396	13,997	22,706
Additions	2,645	227	149	1,611	—	4,632
At 31 March 2009	4,862	3,459	1,013	4,007	13,997	27,338
Additions	—	—	124	570	30,144	30,838
Disposals	—	—	—	(79)	(13,797)	(13,876)
At 31 March 2010	4,862	3,459	1,137	4,498	30,344	44,300
DEPRECIATION						
At 1 April 2008	89	646	476	1,606	8,938	11,755
Provided for the year	194	683	13	894	2,760	4,544
At 31 March 2009	283	1,329	489	2,500	11,698	16,299
Provided for the year	194	692	37	1,111	5,169	7,203
Eliminated on disposals	—	—	—	(57)	(12,647)	(12,704)
At 31 March 2010	477	2,021	526	3,554	4,220	10,798
CARRYING VALUES						
At 31 March 2010	4,385	1,438	611	944	26,124	33,502
At 31 March 2009	4,579	2,130	524	1,507	2,299	11,039

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

Buildings	Over the shorter of the terms of the relevant lease of the relevant land on which buildings are erected or 2.5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	33%
Vessel	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Certain of the above property, plant and equipment is pledged to secure the general banking facilities granted to the Group. Details are set out in note 41.

18. PREPAID LEASE PAYMENTS

All of the Group's prepaid lease payments comprise leasehold land held under medium-term leases in Hong Kong and analysed for reporting purposes as:

	2010	2009
	HK$'000	HK$'000
Non-current asset	**99,603**	102,370
Current asset	**2,767**	2,767
	102,370	105,137

Certain of the above prepaid lease payments is pledged to secure the general banking facilities granted to the Group. Details are set out in note 41.

19. AVAILABLE-FOR-SALE INVESTMENTS/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2010	2009
	HK$'000	HK$'000
Available-for-sale investments comprises:		
Unlisted equity securities, at cost (Note i)	**5,005**	5,005
Unlisted debt securities, at fair value (Note ii)	**24,137**	19,664
	29,142	24,669
Convertible options embedded in convertible notes, at fair value (Note ii)	**3,750**	3,041

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For the year ended 31 March 2010

19. AVAILABLE-FOR-SALE INVESTMENTS/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES (Continued)

Notes:

(i) Unlisted equity securities

The carrying value of unlisted equity securities represents a 8.27% (2009: 8.27%) 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 the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(ii) Unlisted debt securities/convertible options embedded in convertible notes

The unlisted debt securities represent the fair value of debt elements of the convertible notes issued by three companies as at 31 March 2010 whose shares are listed on the Stock Exchange.

Included in the balance as at 31 March 2009 was the convertible notes issued by the following companies:

— ITC Properties Group Limited with a principal amount of HK$24,000,000 carries interest at 1% per annum with maturity on 15 June 2011 at redemption amount of 110% of the principal amount.

— Golden Resources Development International Limited ("Golden Resources") with a principal amount of HK$10,000,000 carries interest at 2% per annum with maturity on 4 March 2014 at redemption amount of 100% of the principal amount ("Golden Resources 2014").

— Hanny Holdings Limited with a principal amount of HK$2,781,000 carries interest at 2% per annum with maturity on 15 June 2011 at redemption amount of 100% of the principal amount.

During the year ended 31 March 2010, the Group converted all Golden Resources 2014 into 38,461,538 shares of Golden Resources. All converted shares have been disposed of during the year. The Group also subscribed a convertible note issued by ITC Corporation Limited with principal amount of HK$15,000,000, which carries interest at 5% per annum with maturity on 2 November 2011 at redemption amount of 100% of the principal amount.

The Group has classified the debt element of the convertible note as available-for-sale investments on initial recognition.

As at 31 March 2010 and 2009, the fair value of debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible note issuers and remaining time to maturity.

Conversion options embedded in convertible notes as at 31 March 2010 and 2009 are measured at fair value using the binomial option pricing model at the end of the reporting period.

The fair value of each of the debt and conversion option component of the convertible notes on initial recognition and at the end of each reporting period are determined by the directors of the Company with reference to the valuation performed by Greater China Appraisal Limited and Vigers Appraisal & Consulting Limited, firms of independent valuers not connected with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

20. CLUB MEMBERSHIPS

	2010 HK$'000	2009 HK$'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 less cost to sell are higher than its carrying value.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 HK$'000	2009 HK$'000
Cost of unlisted investments in jointly controlled entities	**—**	11,226
Share of post-acquisition profits, net of dividend received	**5,508**	19,886
Deemed capital contribution — Financial guarantee contracts	**—**	92
	5,508	31,204

As at 31 March 2009 and 2010, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group (Note i) 2010	2009	Principal activity
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50%**	50%	Investment holding
Singon Holdings Limited	Incorporated	Hong Kong	Macau	Ordinary	**50%**	50%	Property investment
Vast Faith Limited ("Vast Faith")	Incorporated	British Virgin Islands	PRC	Ordinary	**50%**	50%	Property investment
Winner Ever Limited ("Winner Ever")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**— (Note ii)**	50%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(i) The Group directly holds the interest in Vast Faith. All other interests shown are indirectly held by the Group.

(ii) Winner Ever became a subsidiary of the Company on 28 October 2009. Details are set out in note 38.

The summarised financial information, extracted from relevant management accounts of jointly controlled entities for the year ended 31 March 2010 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2009), in respect of the Group's interests in the jointly controlled entities, is set out below:

	2010 HK$'000	2009 HK$'000
Non-current assets	**—**	116,839
Current assets	**30,179**	54,866
Current liabilities	**(24,671)**	(12,261)
Non-current liabilities	**—**	(128,332)
	5,508	31,112
Income recognised in profit or loss	**22**	148,534
Expenses recognised in profit or loss	**6,531**	12,098

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

	2010 HK$'000	2009 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**2**	84
Accumulated unrecognised share of losses of jointly controlled entities	**580**	578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES

	2010 HK$'000	2009 HK$'000
Costs of unlisted investment in associates	**33,552**	33,552
Share of post-acquisition losses and other comprehensive income, net of dividend received	**(29,418)**	(29,632)
Deemed capital contribution — Financial guarantee contracts	**4,017**	4,017
	8,151	7,937

At 31 March 2009 and 2010, the Group had interests in the following associates:

Name of entity	Place of incorporation	Principal place of operation	Proportion of nominal value of issued share capital held indirectly by the Group	Principal activity
Clemenceau Mauritius Holdings	Mauritius	Singapore	25%	Property investment
Expert Vision Limited	British Virgin Islands	Hong Kong	25%	Property investment
Femville Pte. Ltd.	Singapore	Singapore	20%	Inactive
Trend Rainbow Limited	Hong Kong	Hong Kong	40%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES (Continued)

The summarised combined financial information, extracted from relevant management accounts of associates for the year ended 31 March 2010 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2009), in respect of the Group's associates, is set out below:

	2010 **HK$'000**	2009 HK$'000
Total assets	**759,890**	775,948
Total liabilities	**(890,587)**	(808,757)
Net assets	**(130,697)**	(32,809)
Group's share of net assets of associates	**4,134**	3,920
Revenue	**29,393**	38,730
Other comprehensive (expense) income	**(3,289)**	6,835
Loss for the year	**(87,903)**	(159,076)
Group's share of loss and other comprehensive expense of associates for the year	**(6,785)**	(47,517)

For the year ended 31 March 2010, the Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of loss of the associate both for the year and cumulatively, is approximately HK$17,759,000 (2009: Nil).

23. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2010 HK$'000	2009 HK$'000
Amounts due from jointly controlled entities included in		
— non-current assets (Note i)	**5,818**	12,222
— current assets (Note ii)	**—**	14,489
	5,818	26,711
Amounts due from associates included in:		
— non-current assets (Note iii)	**99,873**	63,738
Amount due from a non-controlling shareholder of a subsidiary included in current asset (Note ii)	**25**	3,440
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iv)	**299,128**	9,641
Amounts due to jointly controlled entities included in current liabilities (Note iv)	**5,078**	4,759
Amount due to an associate included in current liabilities (Notes iv and v)	**2,000**	2,000

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

Notes:

(i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors consider that the amounts form part of the net investments in the jointly controlled entities. Accordingly, the amounts were classified as non-current. Included in the amounts is share of loss of a jointly controlled entity of HK$18,531,000 (2009: HK$12,000,000) recognised in excess of the cost of investment.

(ii) The amounts are unsecured, non-interest bearing and are expected to be recovered within one year from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

23. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors considered that the amounts form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. Included in the amounts is share of losses of associates of HK$27,479,000 (2009: HK$20,480,000) recognised in excess of respective cost of investments.

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

(v) The entire amount is denominated in Singapore Dollars ("SGD"), which is different from the functional currency of the relevant group entity.

24. DEFERRED TAXATION

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

	Revaluation of investment properties HK$'000	**Accelerated tax depreciation** HK$'000	**Convertible notes** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2008	87	7,831	6,669	(4,203)	10,384
Effect of change in tax rate	(5)	(447)	(381)	240	(593)
(Credit) charge to consolidated income statement for the year	(82)	4,128	(4,953)	(619)	(1,526)
At 31 March 2009	—	11,512	1,335	(4,582)	8,265
Charge to equity for the year	—	—	1,760	—	1,760
Charge (credit) to consolidated income statement for the year	—	7,379	(923)	4,226	10,682
At 31 March 2010	—	18,891	2,172	(356)	20,707

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For the year ended 31 March 2010

24. DEFERRED TAXATION (Continued)

As at 31 March 2010, the Group had unused tax losses of approximately HK$162,738,000 (2009: HK$181,881,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$2,158,000 (2009: HK$27,770,000) of these unused tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$160,580,000 (2009: HK$154,111,000) due to unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

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

	2010 **HK$'000**	2009 HK$'000
Deferred tax assets	**—**	2,698
Deferred tax liabilities	**(20,707)**	(10,963)
	(20,707)	(8,265)

25. 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, based on the invoice date, at the end of the reporting period are as follows:

	2010 **HK$'000**	2009 HK$'000
Trade receivables:		
0 — 30 days	**1,583**	1,270
31 — 90 days	**1,258**	209
	2,841	1,479
Other receivables	**7,534**	4,569
Prepayments and deposits	**10,136**	7,919
	20,511	13,967

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

25. TRADE AND OTHER RECEIVABLES (Continued)

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

26. OTHER DEPOSIT

The entire balance at 31 March 2010, represents a deposit paid by a non-wholly owned subsidiary of the Company for acquisition of properties held for sale situated in Shanghai, the PRC, through acquisition of the entire equity interest of an entity established in the PRC. At the end of the reporting period, an initial deposit of HK$326,917,000 has been paid to the vendor during the year and the balance of HK$1,493,578,000 is stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate and the acquisition is expected to be completed within one year from the end of the reporting period.

The directors consider that the credit risk on the balance was insignificant since the entire amount was either deposited with a bank with high credit-rating assigned by international credit-rating agencies or a company that is reputable.

Subsequent to the end of the reporting period, the transaction has been completed. Details are set out in note 47.

27. INVESTMENTS HELD FOR TRADING

Investments held for trading, at fair values, comprise:

	2010 HK$'000	2009 HK$'000
Listed equity securities (Note i)	**21,676**	11,183
Unlisted equity securities (Note ii)	**161,220**	11,794
	182,896	22,977
Listed debt securities (Note iii)	**75,206**	189,464
	258,102	212,441
Total and reported as:		
Listed		
Hong Kong	**36,214**	61,505
Elsewhere	**60,668**	139,142
Unlisted	**161,220**	11,794
	258,102	212,441

27. INVESTMENTS HELD FOR TRADING (Continued)

Notes:

(i) The fair value was based on the quoted prices of the respective securities in active markets for identical assets.

(ii) Unlisted equity securities represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by government, central banks, banks and corporate entities in the Asia. The Group has the right to ask the funds to redeem such investment units at the redemption price provided by the investment fund managers on a regular basis. The fair value of the investment fund was determined based on redemption price provided by the investment fund managers, which were determined with reference to the value of the underlying assets of the funds. An increase in fair value change on unlisted equity securities of HK$19,230,000 (2009: HK$94,000) was recognised in the consolidated income statement for the year ended 31 March 2010.

(iii) The listed debt securities at 31 March 2010 represent non-interest bearing bonds and bonds with fixed interest of 7.30% to 13.00% (2009: 0.25% to 9.38%) per annum. The maturity dates of the listed debt securities range from 26 April 2010 to 31 December 2049 (2009: 31 July 2010 to 26 March 2014). Their fair values are determined based on quoted market bid prices available from the market.

The amount of Group's investments held for trading denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010 **HK$'000**	2009 HK$'000
United States Dollars ("USD")	**182,899**	73,650
Renminbi ("RMB")	**—**	5,171
SGD	**9,587**	8,235
	192,486	87,056

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28. PROPERTIES HELD FOR SALE

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

	2010 HK$'000	2009 HK$'000
Properties held for sale in Hong Kong under:		
Long term lease	**179,253**	710,294
Medium term lease	**2,821,544**	2,466,254
Short term lease	**302,650**	374,494
	3,303,447	3,551,042
Properties held for sale outside Hong Kong under:		
Medium term lease	**1,420,834**	778,790
	4,724,281	4,329,832
Analysed as:		
At cost	**4,724,281**	3,377,832
At net realisable value	**—**	952,000
	4,724,281	4,329,832

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

Certain of the above properties held for sale is pledged to secure the general facilities granted to the Group. Details are set out in note 41.

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bank overdrafts, short term bank borrowings and undrawn facilities granted to the Group and are therefore classified as current assets.

The pledged bank deposits carry variable interest rate ranged from 0.01% to 3.80% per annum (2009: 0.02% to 3.70% per annum). The pledged bank deposits will be released upon settlement of the relevant bank borrowings.

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(Continued)

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

	2010 HK$'000	2009 HK$'000
USD	34,641	—

Bank balances and cash comprises bank balances and cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.01% to 0.80% (2009: 0.01% to 4.11%) per annum.

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

	2010 HK$'000	2009 HK$'000
USD	120,205	357,755
British Pounds ("GBP")	—	22,452
Australian Dollar ("AUD")	3,148	—
SGD	755	—
	124,108	380,207

30. OTHER PAYABLES AND ACCRUALS

The following is the breakdown of other payables at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
Rental and related deposits received	62,298	34,767
Receipt in advance for sales of properties held for sale	22,000	—
Accruals	20,566	87,180
Other payables	2,161	509
	107,025	122,456

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For the year ended 31 March 2010

31. CONVERTIBLE NOTES

1.5% convertible notes due 2011 (2011 Convertible Notes)

On 17 May 2007, the Company entered into nine subscription agreements with eight independent third parties and Earnest Equity Limited ("Earnest Equity"), a private limited company wholly-owned by a director of the Company, whereby each of which agreed to subscribe for an aggregate principal amount of HK$133,000,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes") issued by the Company. The principal amounts subscribed by the independent third parties and Earnest Equity were HK$118,000,000 and HK$15,000,000, respectively.

The 2011 Convertible Notes bear interest at 1.5% per annum and will mature on 13 June 2011. The holders of the 2011 Convertible Notes have the right to convert their 2011 Convertible Notes into ordinary shares of the Company at a conversion price of HK$0.313 per share (as adjusted to reflect the effect of Rights Issue as defined in note 33 and subject to anti-dilutive adjustments) 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 13 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.

The 2011 Convertible Notes contain two components, namely the liability and equity elements. The effective interest rate of the liability element of 2011 Convertible Notes is 6.59% per annum. The equity elements is presented in equity under the heading of "convertible notes equity reserve".

Upon full conversion of the 2011 Convertible Notes at the adjusted conversion price of HK$0.313 per ordinary share of the Company, a total of 424,920,128 new ordinary shares, as at 31 March 2009, would be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes.

During the year ended 31 March 2010, the Company has entered into agreements with certain independent third parties and completed the repurchase of 2011 Convertible Notes with an aggregate carrying value of HK$63,001,000 of the 2011 Convertible Notes at an aggregate consideration of HK$43,750,000, representing a 30% discount to the outstanding principal amount (inclusive of interest) resulting in a gain on repurchase of approximately HK$19,251,000 included in other gains for the year. As at 31 March 2010, the remaining outstanding aggregate principal amount under the 2011 Convertible Notes was HK$70,500,000, which is convertible into 225,239,614 new shares at the adjusted conversion price of HK$0.313. During the year ended 31 March 2009, none of the 2011 Convertible Notes were repurchased.

During each of the two years ended 31 March 2010 and 2009, none of the 2011 Convertible Notes were converted.

31. CONVERTIBLE NOTES (Continued)

2% convertible notes due 2012 (2012 Convertible Notes I)

On 7 June 2007, the Company entered into seven subscription agreements of which five independent third parties, Lehman Brothers and Centar Investments (Asia) Limited ("Centar Investments"), a fund managed by Stark Investments (Hong Kong) Limited ("Stark Investment"), agreed to subscribe for an aggregate principal amount of HK$390,000,000 unsecured 2% convertible notes due 2012 (the "2012 Convertible Notes I") issued by the Company. The principal amounts subscribed by the independent third parties, Lehman Brothers and Centar Investments were HK$257,400,000, HK$78,000,000 and HK$54,600,000 respectively.

Lehman Brothers was a substantial shareholder of one of the Company's non-wholly owned subsidiaries. As at 7 June 2007, Lehman Brothers and 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 then total issued share capital of the Company, respectively.

The 2012 Convertible Notes I bear interest at 2% per annum and will mature on 12 July 2012. The holders of the 2012 Convertible Notes I have the right to convert their 2012 Convertible Notes I into shares of the Company at a conversion price of HK$0.429 per share (as adjusted to reflect the effect of Rights Issue as defined in note 33 and subject to anti-dilutive adjustments) at any time during the period from the 7th day after the date of the issue of the 2012 Convertible Notes I up to and including the date which is 7 days prior to 12 July 2012.

At any time after the third anniversary of the 7th day after the issue date, the Company may redeem unexercised 2012 Convertible Notes I at an amount equal to outstanding principal amount of the 2012 Convertible Notes I plus a premium calculated to provide a yield of 5.5% per annum (inclusive of interest of 2% per annum) from the 7th day after 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 I on the maturity date at 119.38% of the principal amount of the 2012 Convertible Notes I then outstanding.

The 2012 Convertible Notes I contain two components, namely the liability and equity elements. The effective interest rate of the liability component of 2012 Convertible Notes I is 9.15% per annum. The equity element is presented in equity under the heading of "convertible notes equity reserve".

Upon full conversion of the 2012 Convertible Notes I at the adjusted conversion price of HK$0.429 per ordinary share of the Company, a total of 909,090,909 new ordinary shares, as at 31 March 2009, would be issued by the Company upon the exercise of the conversion rights attached to the 2012 Convertible Notes I.

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31. CONVERTIBLE NOTES (Continued)

2% convertible notes due 2012 (2012 Convertible Notes I) (Continued)

During the year ended 31 March 2010, the Company has entered into agreements with certain independent third parties and pursuant to which the Company repurchased the 2012 Convertible Notes I with an aggregate carrying value of HK$355,577,000 of the 2012 Convertible Notes I at an aggregate consideration of HK$250,636,000, representing a 33% discount to the outstanding principal amount (inclusive of interest) resulting in a gain on repurchase of approximately HK$104,941,000 included in other gains for the year. As at 31 March 2010, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes I was HK$23,600,000, which is convertible into 55,011,654 new shares at the adjusted conversion price of HK$0.429. During the year ended 31 March 2009, none of the 2012 Convertible Notes I were repurchased.

During each of the two years ended 31 March 2010 and 2009, none of the 2012 Convertible Notes I were converted.

4% convertible notes due 2012 (2012 Convertible Notes II)

On 16 November 2009, the Company entered into a subscription agreement with an independent third party whereby it agreed to subscribe for a principal amount of HK$78,000,000 unsecured 4% convertible notes due 2012 ("2012 Convertible Notes II") issued by the Company.

The 2012 Convertible Notes II bear interest at 4% per annum and will mature on 2 December 2012. The holder of the 2012 Convertible Notes II has the right to convert their 2012 Convertible Notes II into ordinary shares of the Company at a conversion price of HK$0.25 per share (subject to anti-dilutive adjustments) at any time during the period from the 7th day after the date of the issue of 2012 Convertible Notes II up to and including the date which is 7 days prior to 2 December 2012.

Unless previously converted, the Company will redeem the 2012 Convertible Notes II on the maturity date at 123.1% of the principal amount of the 2012 Convertible Notes II then outstanding.

The 2012 Convertible Notes II contain two components, namely the liability and equity elements. The effective interest rate of the liability element of 2012 Convertible Notes II is 16.84% per annum. The equity elements is presented in equity under the heading of "convertible notes equity reserve".

Upon full conversion of the 2012 Convertible Notes II at the conversion price of HK$0.25 per ordinary share of the Company (subject to anti-dilutive adjustments), a total of 312,000,000 new ordinary shares, as at 31 March 2010, would be issued by the Company upon the exercise of the conversion rights attached to the 2012 Convertible Notes II.

None of the 2012 Convertible Notes II were converted from the date of issue to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

31. CONVERTIBLE NOTES (Continued)

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

	2010 HK$'000	2009 HK$'000
Carrying amount at the beginning of the year	**505,551**	475,534
Repurchase of 2011 Convertible Notes and 2012 Convertible Notes I	**(418,578)**	—
Issue of 2012 Convertible Notes II	**67,332**	—
Interest charge	**16,578**	39,811
Interest paid	**(1,944)**	(9,794)
Carrying amount at the end of the year	**168,939**	505,551
Analysed for reporting purposes as:		
Current liability	**1,975**	3,293
Non-current liability	**166,964**	502,258
	168,939	505,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. BANK AND OTHER BORROWINGS

	2010 HK$'000	2009 HK$'000
Secured bank borrowings	**3,739,128**	2,511,218
Secured other borrowings	**—**	352,877
	3,739,128	2,864,095
Bank and other borrowings:		
Within one year	**896,689**	890,973
More than one year, but not exceeding two years	**208,034**	143,678
More than two years, but not exceeding three years	**277,838**	158,099
More than three years, but not exceeding four years	**300,837**	204,849
More than four years, but not exceeding five years	**1,129,158**	261,688
More than five years	**926,572**	1,204,808
	3,739,128	2,864,095
Less: Amount due within one year shown under current liabilities	**(896,689)**	(890,973)
	2,842,439	1,973,122

The secured bank and other borrowings were secured by certain of the Group's property, plant and equipment, prepaid lease payments, bank deposits and properties held for sale. The carrying amount of the assets pledged are disclosed in note 41.

The amounts of Group's bank and other borrowing denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2010 HK$'000	2009 HK$'000
Hong Kong dollars	**117,000**	120,000

As at 31 March 2009, included in the balance of bank borrowings classified as current was an amount of HK$181,378,000 granted by a bank to a non-wholly owned subsidiary of the Company. As stipulated in the relevant banking facilities letter, due to a change in the respective shareholdings in the subsidiary prior to obtaining the pre-approval by the bank, the said loan was re-classified as current as at 31 March 2009. Subsequent to 31 March 2009, the bank has issued a waiver letter and approved such change in shareholdings. The balance of the relevant bank borrowing of HK$163,767,000 as at 31 March 2010 is therefore reclassified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

32. BANK AND OTHER BORROWINGS (Continued)

The bank borrowings carried floating rate interest at HIBOR plus 0.5% to 6.5% (2009: HIBOR plus 0.6% to 6.5%) per annum and quoted lending rate of People's Bank of China, as appropriate. At 31 March 2010, the effective interest rates ranged from 0.6% to 5.9% (2009: 0.7% to 6.1%) per annum, which are also equal to contracted interest rates for bank borrowings. Interest is repriced every six months.

For the year ended 31 March 2009, the other borrowings carried floating rate interest at HIBOR plus 6.5% per annum. The effective interest rates ranged from 7.4% to 10.9% per annum.

As at 31 March 2009, the entire amount of the other borrowings was advanced from Lehman Brothers which was in liquidation. The loan was originally repayable in April 2010. Pursuant to a loan purchase agreement dated 22 May 2009 and a resolution passed at a special general meeting on 2 July 2009, the Group had bought back the loan with accrued interest from Lehman Brothers at an aggregate consideration of HK$236,500,000. Details are set out in note 9(ii).

33. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2008, 31 March 2009 and 2010	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2008	4,944,363,500	39,555
Shares repurchased and cancelled (Note i)	(3,800,000)	(30)
At 31 March 2009	4,940,563,500	39,525
Issue of shares pursuant to rights issue (Note ii)	2,223,253,574	17,786
Issue of shares (Note iii)	1,000,000,000	8,000
At 31 March 2010	8,163,817,074	65,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

33. SHARE CAPITAL (Continued)

Notes:

(i) During the year ended 31 March 2010, the Company did not repurchase its own shares.

During the year ended 31 March 2009, the Company repurchased its own shares through Stock Exchange as follows:

Month of repurchase	No. of ordinary shares HK0.8 cent each	Price per share	Aggregate consideration paid
		HK$	HK$'000
April 2008	3,800,000	0.27	1,026

The above shares were cancelled upon repurchase.

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

(ii) In July 2009, the Company issued and allotted 2,223,253,574 ordinary shares of HK0.8 cent each to the then existing qualifying shareholders on the basis of 9 rights shares for every 20 shares held (the "Rights Issue") at a subscription price of HK$0.078 per rights share. The net proceeds of approximately HK$165,540,000 will be used by the Company mainly for the repayment of debt and/or as general working capital of the Company. The new shares issued rank pari passu in all respects with the existing shares. Details of the Rights Issue are set out in a prospectus of the Company dated 18 June 2009.

(iii) On 27 August 2009, a placing agreement was entered into with an independent placing agent ("Placing Agent"), pursuant to which the Company has appointed the Placing Agent to place 1,000,000,000 ordinary shares of HK0.8 cent each ("Placing Shares") in the Company at a price of HK$0.245 per Placing Share. The net proceeds of approximately HK$240,436,000 will be used for working capital and possible investment opportunities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

34. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2010	2009
	HK$'000	HK$'000
Interest rate collar contract	**9,194**	6,657

Major terms of the interest rate collar as at 31 March 2010 and 2009 are as follows:

Notional amount	Contract period	Cap rate	Floor rate
HK$400,000,000	From 30 June 2009 to 31 May 2013	4.5% per annum	2.0% per annum

During the contract period, the interest rate collar is settled quarterly on a net basis based on a notional amount of HK$400,000,000.

The Group receives from the counterparty the difference between the cap rate and the Hong Kong dollars Hong Kong Interbank Offer Rate ("HIBOR") if the Hong Kong dollars HIBOR on the payment date during the contract period is higher than the cap rate.

The Group pays the counterparty the difference between HIBOR and the floor rate if Hong Kong dollars HIBOR on the payment date during the contract period is lower than the floor rate.

If the applicable transaction rate on a payment date lies between the floor rate and the cap rate, no exchange of cash flows between the counterparty and the Group is resulted.

The fair value was arrived at on the basis of using valuations provided by the counterparty financial institution as at the end of reporting period with reference to market data, settlement date, settlement price and interest rates.

35. SHARE OPTION SCHEMES

2001 Scheme

On 13 June 2001, the Company adopted a share option scheme (the "2001 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12 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.

35. SHARE OPTION SCHEMES (Continued)

2001 Scheme (Continued)

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 and 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 26 August 2002.

2002 Scheme

On 26 August 2002, the Company adopted a new share option scheme (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 25 August 2012. Under the 2002 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 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. Subjected to the limits discussed below, options may be exercised at any time from the date of grant to the 25 August 2012. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

35. SHARE OPTION SCHEMES (Continued)

2002 Scheme (Continued)

There is limits 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 executive chairman of the Company to the exercise of share options exceeding such limit.

At 31 March 2009 and 2010, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and the 2002 Scheme were 69,290,352 and 295,997,626, representing 0.8% (2009: 1.1%) and 3.6% (2009: 4.7%) of the issued share capital of the Company at 31 March 2010.

The following tables disclose movements in the Company's share options during the two years ended 31 March 2010 whereas the exercise price and number of options have been adjusted to reflect the effect of Rights Issue (as defined in note 33):

	Option scheme type	Date of grant	Adjusted exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2008 and 1.4.2009	Granted/ exercised lapsed during the year	Number of options outstanding at 31.3.2010
Directors							
Kan Sze Man	2001	30.8.2001	0.1061	30.8.2001-12.6.2011	24,534,562	—	24,534,562
	2002	23.9.2002	0.0884	23.9.2002-25.8.2012	19,785,938	—	19,785,938
Chow Hou Man	2001	30.8.2001	0.1061	30.8.2001-12.6.2011	5,302,631	—	5,302,631
	2002	23.9.2002	0.0884	23.9.2002-25.8.2012	19,785,938	—	19,785,938
Hubert Chak	2002	3.10.2007	0.3198	3.10.2007-25.8.2012	44,320,500	—	44,320,500
Total for directors					113,729,569	—	113,729,569

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For the year ended 31 March 2010

35. SHARE OPTION SCHEMES (Continued)

2002 Scheme (Continued)

	Option scheme type	Date of grant	Adjusted exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2008 and 1.4.2009	Granted/ exercised lapsed during the year	Number of options outstanding at 31.3.2010
Employees and consultants							
	2001	30.8.2001	0.1061	30.8.2001-12.6.2011	39,453,159	—	39,453,159
	2002	23.9.2002	0.0884	23.9.2002-25.8.2012	90,223,875	—	90,223,875
	2002	8.1.2004	0.0884	8.1.2004-25.8.2012	47,486,250	—	47,486,250
	2002	9.1.2004	0.0948	9.1.2004-25.8.2012	23,743,125	—	23,743,125
	2002	3.10.2007	0.3198	3.10.2007-25.8.2012	50,652,000	—	50,652,000
Total for employees and consultants					251,558,409	—	251,558,409
Grand total					365,287,978	—	365,287,978
Exercisable as at 31 March 2009 and 2010							365,287,978

The Group recognised the total expense of HK$1,227,000 for the year ended 31 March 2010 (2009: HK$2,327,000) in relation to share option granted by the Company.

36. 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 convertible notes disclosed in note 31 and bank and other borrowings disclosed in note 32, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and accumulated profits.

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. Based on recommendation of the directors, 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 31 March 2010

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Investments held for trading	258,102	212,441
Conversion options embedded in convertible notes	3,750	3,041
	261,852	215,482
Loans and receivables		
Trade and other receivables	10,375	6,048
Deposit paid for acquisition of property, plant and equipment	—	5,742
Deposit paid for acquisition of properties held for sale	48,000	—
Other deposit	1,820,495	—
Amount due from a non-controlling shareholder of a subsidiary	25	3,440
Amounts due from jointly controlled entities	5,818	26,711
Amounts due from associates	99,873	63,738
Pledged bank deposits	35,183	8,375
Bank balances and cash	581,745	1,197,978
	2,601,514	1,312,032
Available-for-sale financial assets		
Available-for-sale investments	29,142	24,669
Financial liabilities		
At amortised cost		
Other payables	81,364	33,444
Amounts due to non-controlling shareholders of subsidiaries	299,128	9,641
Amounts due to jointly controlled entities	5,078	4,759
Amount due to an associate	2,000	2,000
Convertible notes	168,939	505,551
Bank and other borrowings	3,739,128	2,864,095
	4,295,637	3,419,490
Derivative financial instruments	9,194	6,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, trade and other receivables, deposit paid for acquisition of property, plant and equipment, deposit paid for acquisition of property held for sale, other deposit, amount due from a non-controlling shareholder of a subsidiary, jointly controlled entities and associates, pledged bank deposits, bank balances and cash, available-for-sale investments, conversion options embedded in convertible notes, other payables, amounts due to non-controlling shareholders of subsidiaries, jointly controlled entities and an associate, convertible notes, bank and other borrowings and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risks, interest rate risk and equity and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) 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 Group is mainly exposed to the SGD, GBP, Hong Kong dollars and AUD arising from foreign currency pledged bank deposits, bank balances and cash, amount due to an associate and bank and other borrowings.

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

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
USD	**154,846**	357,755	**—**	—
SGD	**755**	—	**(2,000)**	(2,000)
GBP	**—**	22,452	**—**	—
AUD	**3,148**	—	**—**	—
Hong Kong dollars	**—**	—	**(117,000)**	(120,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(i) Currency risk (Continued)

Sensitivity analyses for currency risk

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in the functional currency of each group entity against the above foreign currencies. 5% (2009: 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, and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rate. A positive number below indicates a decrease in profit where the above foreign currencies strengthen 5% (2009: 5%) against the functional currency of each group entity. For a 5% (2009: 5%) weakening of the above foreign currencies against the functional currency of each group entity, there would be an equal and opposite impact on the profit and the balance below would be opposite.

	2010	2009
	HK$'000	HK$'000
Profit for the year	**4,837**	4,156

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt element of convertible notes held (included in available-for-sale investments), investments held for trading, convertible notes liabilities issued by the Company and derivative financial instruments as set out in notes 19, 27, 31 and 34 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(ii) Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank and other borrowings as set out in notes 29 and 32 respectively. It is the Group's policy to keep its borrowings (other than convertible notes issued) at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings and rate determinated by the People's Bank of China arising from the Group's RMB denominated borrowings.

Sensitivity analyses for cash flow interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. For variable rate pledged bank deposits, bank balances and bank and other borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. An increase or decrease of 10 basis points (2009: 10 basis points) for pledged bank deposits and bank balances and 50 basis points (2009: 50 basis points) for bank and other borrowings 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 10 or 50 basis points (2009: 10 or 50 basis points) higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would decrease/increase by HK$6,927,000 (2009: decrease/increase by HK$11,958,000).

No sensitive analysis for derivative financial instruments has been presented since the effect of which to the Group's profit for both years is insignificant.

The Group's sensitivity to interest rate has decreased during the year mainly due to decrease in the balances of variable rate pledged bank deposits and bank bank balances and increase in bank borrowings as at 31 March 2010. 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 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(iii) Equity and other price risks

The Group is exposed to equity and other price risks through its investments in 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 and other price risks are mainly concentrated on listed equity and debt securities quoted in the open markets and those derivative financial instruments linked directly with the listed equity instrument listed in Stock Exchange. The management considers that there is no significant equity and other price risks though conversion options embedded in convertible notes. In addition, the Group has appointed a special team to monitor the price risks and will consider hedging the risk exposure should the need arise.

Sensitivity analyses

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

If the prices of the respective equity securities had been 5% (2009: 5%) higher/lower, profit for the year ended 31 March 2010 would increase/decrease by HK$7,636,000 (2009: increase/decrease by HK$959,000) as a result of the changes in fair value of equity securities held by the Group directly or through the investment funds and derivative financial instruments.

If the prices of the respective debt securities had been 5% (2009: 5%) higher/lower, profit for the year ended 31 March 2010 would increase/decrease by HK$3,140,000 (2009: increase/decrease by HK$7,910,000) as a result of the changes in fair value of debt securities.

The Group's sensitivity to equity and other price risks has increased during the year mainly due to the increase in investments held for trading. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 March 2010, 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 statement of financial position; and

- the amount of contingent liabilities in relation to corporate guarantee issued by the Group as disclosed in note 40.

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 the end of each reporting period 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.

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

The credit risk on investments in listed debt securities is limited because majority of the counterparties are corporations with high credit-ratings assigned by international credit-rating agencies.

The credit quality of the listed debt securities as set out in note 27, determined by external credit-ratings assigned by Moody's and analysed by percentages of the fair value of the debt instruments in each grade of credit-ratings over the total fair value of the listed debt securities at the end of the reporting period, is as follows:

	2010 HK$'000	2009 HK$'000
Aa2 to A3	**9.0**	52.2
Baa1	**11.4**	—
Baa2	**3.5**	5.1
Ba3	**44.0**	10.8
Unrated	**32.1**	31.9
	100.0	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

Significant concentration of credit risk

The Group does not have significant concentration of credit risk on investment in listed debt securities as counterparties are diversified.

The credit risk on investments in unlisted debt securities is limited as they were issued by reputable companies whose shares are listed on the Stock Exchange.

The Group has concentration of credit risk as 100% (2009: 100%) of the amounts due from jointly controlled entities are due from one (2009: two) jointly controlled entity and 100% (2009: 100%) of the amounts due from associates are due from two (2009: two) associates. The jointly controlled entities and associates are private companies and mainly located in Hong Kong. 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 and associates that are repayable on demand 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 recognised financial assets as at 31 March 2010 and 2009.

Liquidity risk

The Group has sufficient funds to finance its current working capital requirements. 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 and ensures the compliance with loan covenants.

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. For 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. To the extent that interest flows are floating rate, the undiscounted amount is based on the interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand	1-3 months	3 months to 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount at 31 March 2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010									
Other payable	—	81,364	—	—	—	—	—	81,364	81,364
Amounts due to non-controlling shareholders of subsidiaries	—	299,128	—	—	—	—	—	299,128	299,128
Amounts due to jointly controlled entities	—	5,078	—	—	—	—	—	5,078	5,078
Amount due to an associate	—	2,000	—	—	—	—	—	2,000	2,000
Convertible notes — liability component (Note i)	1.5/2.0/4.0	—	—	4,650	82,200	127,573	—	214,423	168,939
Bank borrowings	1.06	—	—	901,442	210,238	1,725,936	936,393	3,774,009	3,739,128
		387,570	—	906,092	292,438	1,853,509	936,393	4,376,002	4,295,637
Financial guarantee contracts (Note ii)	—	—	—	84,800	—	—	—	84,800	—
Derivative financial instruments — net settled	—	—	—	—	—	9,194	—	9,194	9,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (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$'000	Total carrying amount at 31 March 2009 HK$'000
2009									
Other payables	—	33,444	—	—	—	—	—	33,444	33,444
Amounts due to non-controlling shareholders of subsidiaries	—	9,641	—	—	—	—	—	9,641	9,641
Amount due to a jointly controlled entity	—	4,759	—	—	—	—	—	4,759	4,759
Amount due to an associate	—	2,000	—	—	—	—	—	2,000	2,000
Convertible notes — liability component (Note i)	1.5/2.0	—	1,995	7,800	9,795	625,578	—	645,168	505,551
Bank and other borrowings	2.41/9.66	—	283,351	645,638	147,141	639,695	1,233,853	2,949,678	2,864,095
		49,844	285,346	653,438	156,936	1,265,273	1,233,853	3,644,690	3,419,490
Financial guarantee contracts (Note ii)	—	—	—	189,800	—	—	—	189,800	—
Derivative financial instruments — net settled	—	—	—	—	—	6,657	—	6,657	6,657

Note:

(i) This is categorised based on contractual term of redemption obligation at maturity on the assumption that there are no redemption or conversion of convertible notes.

(ii) The amount is categorised based on contractual term of repayment at maturity for the guaranteed amounts underlying the financial guarantee contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amount included above for variable rate bank borrowings is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

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

- the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices respectively;
- the fair values of derivative financial instruments (note 34) are determined based on valuations as at the end of the reporting period with reference to market data such as settlement date, settlement price and interest rates;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- for option-based derivatives, the fair value is estimated using option pricing model (binomial option pricing model).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets ("Level 1 measurements");
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2 measurements"); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 measurements HK$'000	**Level 2 measurements** HK$'000	**Total** HK$'000
Financial assets			
Investments held for trading			
— Listed equity securities	21,676	—	21,676
— Unlisted equity securities	—	161,220	161,220
— Listed debt securities	75,206	—	75,206
	96,882	161,220	258,102
Available-for-sale investments/ conversion options in convertible notes			
— Unlisted debt securities	—	27,887	27,887
	96,882	189,107	285,989
Financial liabilities			
Derivative financial instruments	—	9,194	9,194

There were no transfers between Level 1 measurements and Level 2 measurements in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

38. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ADDITIONAL INTEREST IN A SUBSIDIARY

For the year ended 31 March 2010

(i) Acquisition of assets

On 28 October 2009, the Group acquired the remaining 50% interest in the issued share capital of Winner Ever and its wholly-owned subsidiary, Sky Dragon Limited, for a net cash consideration of HK$38,318,000. 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:	
Properties held for sale	241,321
Bank balances and cash	638
Amount due to immediate holding company	(30,823)
Bank and other borrowings	(147,100)
	64,036
Less: Interest in a jointly controlled entity — previously interest held before acquisition	(25,718)
	38,318
Total consideration satisfied by:	
Cash	38,318
Net cash outflow arising on acquisition:	
Cash consideration paid	(38,318)
Bank balances and cash acquired	638
	(37,680)

(ii) Acquisition of additional interests in a subsidiary

On 2 July 2009, the Group acquired the remaining 24% equity interest in the issued share capital of Lei Fu Real Estate (Shanghai) Co., Ltd. for a cash consideration of HK$13,950,000. The principal assets held by Lei Fu Real Estate (Shanghai) Co., Ltd. are properties held for sale. The acquisition of 24% equity interest is considered as acquisition of assets and the excess of carrying amount of net assets attributable to additional interest acquired over the cash consideration was adjusted to properties held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

39. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year ended 31 March 2009, the Group has made approximately HK$161,000 minimum lease payments in respect of office premises.

For the year ended 31 March 2009 and 31 March 2010, the Group had no commitment for future minimum lease payments under non-cancellable operating leases.

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.

The Group as lessor

Property rental income earned during the year was HK$189,602,000 (2009: HK$143,249,000). Certain of the properties have committed tenants for the next two to three years.

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**139,311**	93,487
In the second to fifth years inclusive	**157,933**	85,761
Over five years	**24,536**	—
	321,780	179,248

For certain properties, the Group has assigned to the banks all its right, title and benefit as lessor of relevant properties and amount receivable from lessees for certain banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

40. CONTINGENT LIABILITIES

	2010 HK$'000	2009 HK$'000
Corporate guarantee given by the Group for banking facilities granted to a/an:		
Jointly controlled entity	—	105,000
Associate	84,800	84,800
	84,800	189,800
and utilised by:		
Jointly controlled entity	—	68,100
Associate	59,050	50,650
	59,050	118,750

The directors assess the risk of default of the jointly controlled entities and associates at the end of each reporting period and consider the risk to be insignificant and it is more likely than not any guaranteed amount will be claimed by the counterparties.

	2010 HK$'000	2009 HK$'000
Included in accruals and other payables represents deferred income in respect of financial guarantee contracts given to a/an:		
Jointly controlled entity	—	5
Associate	43	465
	43	470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

41. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

	2010	2009
	HK$'000	HK$'000
Property, plant and equipment	**1,951**	2,039
Prepaid lease payment	**88,275**	90,661
Properties held for sale	**4,622,741**	4,264,816
Bank deposits	**35,183**	8,375
	4,748,150	4,365,891

42. CAPITAL COMMITMENT

	2010	2009
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**—**	22,970

43. RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. 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 employees employed by the operations in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make specified contributions.

The retirement benefit scheme contributions relating to the MPF Scheme and stated-managed retirement benefit schemes charged to the consolidated income statement of HK$1,004,000 (2009: HK$1,168,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

44. RELATED PARTY DISCLOSURES

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

Name of Company	Nature of transactions	2010 HK$'000	2009 HK$'000
Vast Faith	Arrangement fee received by the Group	—	3,000

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.

(b) Compensation of key management personnel

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

	2010 HK$'000	2009 HK$'000
Short-term benefits	**21,681**	12,094
Post-employment benefits	**441**	511
Share-based payments	**1,227**	2,327
	23,349	14,932

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

45. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information of the statement of financial position of the Company as at 31 March 2010 and 2009:

	2010 HK$'000	2009 HK$'000
Total assets	3,638,716	3,197,952
Total liabilities	(486,046)	(734,680)
	3,152,670	2,463,272
Share capital	65,311	39,525
Reserves (Note)	3,087,359	2,423,747
	3,152,670	2,463,272

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2008	841,269	341	55,811	338,410	2,967	606,680	1,845,478
Profit and other comprehensive income for the year	—	—	—	—	—	616,466	616,466
Recognition of equity-settled share based payment	—	—	—	—	2,327	—	2,327
Share repurchased and cancelled	—	30	—	—	—	(1,026)	(996)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	(3)	(3)
Dividend recognised as distribution	—	—	—	—	—	(39,525)	(39,525)
At 31 March 2009	841,269	371	55,811	338,410	5,294	1,182,592	2,423,747
Profit and other comprehensive income for the year	—	—	—	—	—	289,047	289,047
Issue of shares upon rights issue	155,628	—	—	—	—	—	155,628
Issue of shares	237,000	—	—	—	—	—	237,000
Transaction costs attributable to issue of shares	(12,438)	—	—	—	—	—	(12,438)
Realised on partial repurchase of convertible notes	—	—	(45,306)	—	—	45,306	—
Recognition of equity component of convertible notes	—	—	10,668	—	—	—	10,668
Deferred taxation arising on recognition of equity component of convertible notes	—	—	(1,760)	—	—	—	(1,760)
Recognition of equity-settled share based payment	—	—	—	—	1,227	—	1,227
Dividend recognised as distribution	—	—	—	—	—	(15,760)	(15,760)
At 31 March 2010	1,221,459	371	19,413	338,410	6,521	1,501,185	3,087,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31 March 2010 and 2009 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		
			2010	2009	2010	2009	
			%	%	%	%	
Ahead Lucky Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Base Mark Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Capital Strategic Property (Shanghai) Limited (Note i)	PRC	Registered and paid-up capital RMB300,000,000	—	—	100	—	Property holding
City Plan Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
CSI Financial Holdings Limited	Hong Kong	HK$100	100	100	—	—	Sales of securities and investment holding
CSI Property Services Limited	Hong Kong	HK$2	100	100	—	—	Provision of property management service
Earn Centre Limited	Hong Kong	HK$2	—	—	100	100	Property holding and leasing of property
Far Beyond Limited	Hong Kong	HK$10,000	—	—	90	90	Property holding and leasing of property
Golden United Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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		
			2010 %	2009 %	2010 %	2009 %	
Lei Fu Real Estate (Shanghai) Co. Ltd.(Note i)	PRC	Registered and paid-up capital US$46,138,000	—	—	100	76	Property holding
Mark Well Investment Limited	Hong Kong	HK$100	100	100	—	—	Sale of securities and investment holding
Noble Rays Holdings Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Plan View Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Shine Wise Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Sky Dragon Limited ("Sky Dragon") (Note ii)	Hong Kong	HK$2	—	—	100	—	Property holding and leasing of property
Upper City Limited	British Virgin Islands	US$1	—	—	100	100	Property holding and leasing of property
Vast Asset Limited	Hong Kong	HK$1	—	—	100	100	Property holding and leasing of property
Well Clever International Limited	British Virgin Islands	US$1	—	—	100	100	Sale of securities and investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(i) Capital Strategic Property (Shanghai) Limited and Lei Fu Real Estate (Shanghai) Co. Ltd. are wholly foreign owned enterprise established in the PRC.

(ii) As set out in note 38, Sky Dragon became a subsidiary upon the Group acquired the remaining 50% interest in the issued share capital of Winner Ever in October 2009. As at 31 March 2009, Sky Dragon was a jointly controlled entity of the Group.

None of the subsidiaries had issued 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 or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

47. EVENTS AFTER THE END OF REPORTING PERIOD

Acquisition of a subsidiary

On 1 April 2010, the Group completed the acquisition of entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly subsidiary owned as to 70% by the Group at the date of transaction at a consideration of HK$1,820,495,000. This transaction would be accounted for as an acquisition of assets in the financial year ending 31 March 2011 as the acquisition does not meet the definition of a business combination. The Group is in the process of determining the financial effects of the transaction.

FINANCIAL SUMMARY

Summary of the consolidated results and of the assets and liabilities of the Group for each of the five years ended 31 March 2010 is set out below:

(a) Results

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	371,638	101,558	402,534	669,426	**1,447,907**
Profit before taxation	159,485	321,293	242,573	80,984	**566,750**
Taxation					
— Current tax and deferred tax	(18,146)	(42,681)	(27,316)	(17,861)	**(21,765)**
— Release of deferred taxation upon disposal of subsidiaries	—	—	98,529	—	**—**
Profit for the year	141,339	278,612	313,786	63,123	**544,985**
Attributable to:					
Owners of the Company	140,283	276,644	325,369	62,373	**546,271**
Non-controlling interests	1,056	1,968	(11,583)	750	**(1,286)**
	141,339	278,612	313,786	63,123	**544,985**

(b) Assets and liabilities

	At 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	1,621,026	3,600,824	5,164,404	6,059,559	**7,789,858**
Total liabilities	408,882	1,498,802	2,643,449	3,551,025	**4,376,249**
	1,212,144	2,102,022	2,520,955	2,508,534	**3,413,609**
Equity attributable to owners of the Company	1,211,088	2,102,022	2,477,795	2,469,771	**3,413,435**
Non-controlling interests	1,056	—	43,160	38,763	**174**
	1,212,144	2,102,022	2,520,955	2,508,534	**3,413,609**

SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31 March 2010

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 March 2010 as follows:

PROPERTIES HELD FOR SALE

Location floor area	Use	Group's interest	Approximate site area (sq.ft.)	Approximate gross floor area (sq.ft.)
(i) Hong Kong				
G/F-1/F, Unit 501-503 6/F-10/F, 12/F-14/F, Unit 1506-1508 17/F-24/F & 105 Carparks in AXA Centre, No. 151 Gloucester Road, Hong Kong	Commercial	100%	N/A	289,186
Nos. 23, 25 Ashley Road, Kowloon, Hong Kong	Commercial	100%	N/A	41,310
No. 27 Ashley Road, Kowloon, Hong Kong	Commercial	100%	N/A	20,218
Eton Building, No. 288 Des Voeux Road, Central, Hong Kong	Commercial	100%	N/A	42,602
Mohan's Building, Nos. 14-16 Hankow Road, Kowloon, Hong Kong	Commercial	100%	N/A	39,958
Ground Floor, 21 Ashley Road, Kowloon, Hong Kong	Commercial	100%	N/A	1,280
No. 45 Blue Pool Road, Happy Valley, Hong Kong	Residential	90%	N/A	37,014
No. 8 Hau Fook Street, Tsimshatsui, Kowloon	Commercial	100%	3,363	44,702
Offices Unit 10 and Unit 11 of A3, 32 Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong	Commercial	100%	N/A	2,867
(ii) The PRC				
1318 North Sichuan Road, Hongkou District, Shanghai, PRC	Commercial	100%	N/A	612,030
Nos. 168/169 Wujiang Road and No. 1 Lane 333 Shimenyi Road Jingan District, Shanghai, PRC	Commercial	100%	N/A	122,444