CSI PROPERTIES LIMITED
資本策略地產有限公司*

（於百慕達註冊成立之有限公司）

（股份代號：497）

海外監管公告

本海外監管公告乃根據上市規則第13.10B條發出。

茲提述本公司於二零一三年一月八日及二零一三年一月九日就票據發行發行之公告（「該等公告」）。除另行界定者外，本公告採用之所有詞彙與該等公告所界定者具相同涵義。

謹請參閱隨附日期為二零一三年一月九日有關票據之發售通函（「發售通函」），發售通函於二零一三年一月十七日於新加坡交易所網站刊登。

在香港交易及結算所有限公司及本公司網站刊登發售通函連同本公告僅為同步向香港投資者發佈資訊，並遵守上市規則第13.10B條之規定，而非作任何其他目的。

* *僅供識別*

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承董事會命
資本策略地產有限公司
執行董事
公司秘書
簡士民

香港，二零一三年一月二十三日

於本公告日期，鍾楚義先生（主席）、簡士民先生、周厚文先生及黃宗光先生為本公司執行董事；而黃森捷拿督、林家禮博士及鄭毓和先生為本公司獨立非執行董事。

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OFFERING CIRCULAR STRICTLY CONFIDENTIAL

ESTATE SKY LIMITED

(incorporated with limited liability under the laws of the British Virgin Islands)

U.S.$150,000,000
6.50 per cent. Guaranteed Notes due 2018
Unconditionally and Irrevocably Guaranteed by

CSI
資 本 策 略

CSI PROPERTIES LIMITED
資本策略地產有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0497)

Issue Price: 100 per cent.

The U.S.$150,000,000 6.50 per cent. Guaranteed Notes due 2018 (the "**Notes**") will be issued by Estate Sky Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by CSI Properties Limited (the "**Guarantor**"), the holding company of the Issuer. The Notes will be unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves. The Notes and the Guarantee of the Notes will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Interest on the Notes is payable semi-annually in arrear on 16 January and 16 July in each year, commencing on 16 July 2013. Payments on the Notes will be made without deduction for or on account of taxes of the British Virgin Islands and Bermuda to the extent described under "*Terms and Conditions of the Notes - Taxation*".

The Notes mature on 16 January 2018 at their principal amount but may be redeemed before then at the option of the Issuer, in whole but not in part, at any time at the Make Whole Redemption Price (as defined in the Terms and Conditions of the Notes), together with interest accrued to the date fixed for redemption. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Bermuda or Hong Kong. See "*Terms and Conditions of the Notes - Redemption and Purchase - Redemption for Tax Reasons*". At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of a Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Change of Control Put Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount, together with accrued interest to but excluding such Change of Control Put Date. See "*Terms and Conditions of the Notes - Redemption and Purchase - Redemption for Change of Control*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST and the above approval-in-principle of the SGX-ST is not to be taken as an indication of the merits of the Guarantor, its subsidiaries, its associated companies, its jointly-controlled entities or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 as long as any of the Notes remain listed on the SGX-ST.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 10.

The Notes and the Guarantee of the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered within the United States. The Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in a global certificate (the "**Global Note Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 16 January 2013 (the "**Closing Date**"), with a common depositary for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Note Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Lead Managers and Joint Bookrunners

J.P. Morgan BofA Merrill Lynch

This Offering Circular is dated 9 January 2013.

* For identification purpose only

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, its subsidiaries, associated companies and jointly controlled entities taken as a whole (the Guarantor, its subsidiaries, associated companies and jointly controlled entities taken as a whole collectively, the "**Group**") and the Notes and the Guarantee of the Notes which is material in the context of the issue and offering of the Notes and the Guarantee of the Notes, (ii) the statements contained in it relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances, are based on reasonable assumptions (iv) there are no other facts in relation to the Issuer, the Guarantor, the Notes or the Guarantee of the Notes, the omission of which would, in the context of the issue and offering of the Notes and the Guarantee of the Notes, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes and to verify the accuracy of all such information and statements. Subject as provided herein, each of the Issuer and the Guarantor accepts full responsibility for the accuracy of information contained in this Offering Circular.

No person has been or is authorised to give any information or make any representation other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers set forth in "*Subscription and Sale*" elsewhere in this Offering Circular. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. No representation or warranty, express or implied, is made by the Joint Lead Managers or the Agents (each as defined in this Offering Circular) or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Joint Lead Managers, the Agents, or their respective affiliates or advisers. Neither the Joint Lead Managers nor the Agents have separately verified the information contained herein. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve an adverse change in the affairs of the Issuer, the Guarantor or the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of each of the Issuer, the Guarantor and the Group.

The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Circular may come are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of the Offering Circular, see "*Subscription and Sale*".

EBITDA PRESENTATION

The Guarantor has included EBITDA data in this Offering Circular because it believes the measure is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA is calculated as profit before tax adjusted for fair value changes, gains on de-recognition of investment in convertible notes, other gains and losses, interest income, finance cost, and depreciation of property, plant and equipment. EBITDA, as well as the related ratios presented in this Offering Circular, are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with, HKFRS. EBITDA is not a measurement of the Group's financial performance or liquidity under HKFRS and should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance derived in accordance with HKFRS or as alternatives to operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such terms may not be possible.

The Guarantor believes that presentation of EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the aged and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expense).

The Guarantor also presents EBITDA because it believes that the measure is frequently used by securities analysts, investors and other interested parties in evaluating similar companies in the property industry, many of whom present such non-HKFRS financial measures when reporting their results.

Nevertheless, EBITDA has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of the Group's financial condition or results of operations, as reported under HKFRS. Because of these limitations, EBITDA should not be considered a measure of discretionary cash available to the Group to invest in the growth of its business. The Guarantor compensates for these limitations by relying primarily on its HKFRS results and using EBITDA measures only supplementally. See "*Summary Financial Information*" for a discussion on EBITDA.

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC, AS THE STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MARKET AND INDUSTRY DATA

This Offering Circular includes market share and industry data and forecasts that were obtained from industry publications and surveys and internal company sources. Industry publications and surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Neither the Issuer, the Guarantor, nor any member of the Group has independently verified any of the data from third-party sources nor have the underlying economic assumptions relied upon therein been ascertained by any of the Issuer, the Guarantor or any member of the Group. Statements as to the Group's market position are based on market data currently available to the Group. While neither the Issuer, the Guarantor nor any member of the Group is aware of any misstatements regarding industry data presented in this Offering Circular, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk factors*" below.

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "*forward-looking statements*". Words such as "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position and results of operations, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as of the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results, performances or achievements of the Issuer, the Guarantor or any member of the Group to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

CERTAIN TERMS AND CONVENTIONS

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC, "**PRC**" are to the People's Republic of China (excluding, for the purposes of this Offering Circular only, Hong Kong, the Macau Special Administrative Region of the PRC ("**Macau**") and Taiwan), "**U.S.**" or "**United States**" are to the United States of America, "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong, "**CNY**", "**RMB**" or "**Renminbi**" are to the lawful currency of the PRC and references to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States.

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollars, and vice versa, at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations between HK dollars and U.S. dollars in this Offering Circular were made at the rate of HK$7.8 to U.S.$1.00. No representation is made that the HK dollar or U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars or HK dollars at any particular rate or at all.

In this Offering Circular where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the meaning when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The Guarantor is an investment holding company and is primarily engaged in property repositioning and investment. The subsidiaries of the Guarantor are primarily engaged in property enhancement and development and property investment in Hong Kong and the PRC.

Corporate Information

The Guarantor is a limited liability company incorporated in Bermuda, with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business in Hong Kong of the Guarantor is located at 3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Introduction

The business of the Guarantor follows a property repositioning model focusing on commercial projects and premium "lifestyle" residential properties in prime locations in Hong Kong and Shanghai.

The Guarantor's luxury residential development division is marketed as "Couture Homes", and combines architectural and interior design to an internationally-recognised standard, with bespoke "lifestyle" furnishing and interior decoration. Currently, the Group owns and manages over 2.0 million square feet (attributable interest of approximately 1.3 million square feet) of prime properties in Hong Kong and Shanghai.

Business Organisation

Mr. Mico Chung, the Chairman and Executive Director, obtained control of the Group in 2004 as a platform to expand his property investment business. As at 7 January 2013, Mr. Chung had an interest in approximately 44% in the share capital of the Guarantor.

Competitive Strengths

- Solid execution capabilities with proven track record and excellent market reputation
- Self-funded business model through capital recycling
- Highly experienced and disciplined management
- Recurring rental income base, underpinned by high quality portfolio with solid fundamentals
- Prudent financial policy and conservative capital structure with low gearing

Strategies

- Focus on core strength of making value-add investments in Hong Kong and the PRC
- Strategic partnerships with established developers
- Active management of the investment property portfolio to maximise value
- Continue to leverage industry knowledge and relationship network in order to identify and invest in properties that fit within our value enhancement business model
- Expand into luxury residential developments under the "Couture Homes" brand
- Continue to grow investments in the PRC to capture the market's rapid economic growth and its nascent and growing commercial property market

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 March 2011 and 2012, and the unaudited condensed consolidated interim financial statements as at and for the six months ended 30 September 2011 and 2012. These results should be read in conjunction with the information incorporated into this Offering Circular.

Consolidated Income Statement for the years ended 31 March 2011 and 2012 and the Condensed Consolidated Income Statement for the six months ended 30 September 2011 and 2012

	For the year ended 31 March		For the six months ended 30 September	
			Unaudited	Unaudited
	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	2,745,292	3,217,891	2,510,827	793,017
Cost of sales/services	(1,773,100)	(1,551,631)	(1,147,415)	(314,676)
Gross profit	972,192	1,666,260	1,363,412	478,341
Income and gains (losses) from investments	17,311	63,237	(41,931)	51,788
Other income	5,609	24,252	7,311	14,182
Other gains and losses	41,691	132,238	(3,495)	46
Administrative expenses	(98,625)	(163,231)	(99,019)	(90,087)
Finance costs	(79,953)	(52,859)	(25,710)	(33,255)
Share of results of jointly controlled entities	55,766	31,601	30,169	1,537
Share of results of associates	26,426	185,315	155,964	14,044
Profit before taxation	940,417	1,886,813	1,386,701	436,596
Taxation	(84,106)	(118,511)	(71,183)	(46,552)
Profit for the year/period	856,311	1,768,302	1,315,518	390,044
Attributable to:				
Owners of the Guarantor	857,732	1,754,106	1,312,060	372,969
Non-controlling interests	(1,421)	14,196	3,458	17,075
	856,311	1,768,302	1,315,518	390,044
Earnings per share ***(HK cents)***				
Basic	10.51	21.32	16.0	4.5
Diluted	9.85	20.85	15.5	4.5

Consolidated Statement of Comprehensive Income for the years ended 31 March 2011 and 2012 and the Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 September 2011 and 2012

	For the year ended 31 March		For the six months ended 30 September	
			Unaudited	Unaudited
	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year/period	856,311	1,768,302	1,315,518	390,044
Other comprehensive income (expense)				
Exchange differences arising on translation	44,788	33,474	33,580	(19,817)
Share of exchange difference of associates	(1,704)	–	–	–
Reclassification of translation reserve upon disposal of associates/subsidiaries	(39,156)	4,737	4,737	–
Reclassification of investment revaluation reserve upon derecognition of available-for-sale investments	–	(3,880)	–	–
Change in fair value of available-for-sale investments	3,170	7,709	890	4,392
	7,098	42,040	39,207	(15,425)
Total comprehensive income for the year/period	863,409	1,810,342	1,354,725	374,619
Total comprehensive income (expense) attributable to:				
Owners of the Guarantor	864,304	1,796,146	1,351,267	357,544
Non-controlling interests	(895)	14,196	3,458	17,075
	863,409	1,810,342	1,354,725	374,619

Consolidated Statement of Financial Position for the years ended 31 March 2011 and 2012 and the Condensed Consolidated Statement of Financial Position for the six months ended 30 September 2012

	As at 31 March		As at 30 September
	2011	2012	2012
			Unaudited
	HK$'000	HK$'000	HK$'000
Non-Current Assets			
Property, plant and equipment	126,522	732,558	691,072
Available-for-sale investments	5,005	67,430	71,822
Conversion options embedded in convertible notes	–	20,180	21,826
Long-term loan receivable	–	14,040	88,317
Club memberships	6,860	6,860	6,860
Interests in jointly controlled entities	182,671	1,181,518	1,281,419
Amounts due from jointly controlled entities	401,396	498,657	965,754
Deposit paid for establishment of a jointly controlled entity	–	118,400	–
Interests in associates	11,294	47,285	61,338
Amounts due from associates	89,360	768	759
	823,108	2,687,696	3,189,167
Current Assets			
Trade and other receivables	164,511	41,724	45,392
Deposit paid for acquisition of properties held for sale	245,430	72,871	453,689
Properties held for sale	4,150,512	3,241,836	3,079,904
Properties under development for sale	–	–	532,012
Available-for-sale investments	21,504	–	–
Conversion options embedded in convertible notes	20	–	–
Investments held for trading	412,748	551,392	547,928
Taxation recoverable	7,093	9,255	4,086
Amount due from a non-controlling shareholder of a subsidiary	25	–	–
Cash held by securities brokers	137,568	20,832	12,491
Bank balances and cash	1,721,786	2,424,037	1,834,735
	6,861,197	6,361,947	6,510,237
Current Liabilities			
Other payables and accruals	511,394	85,441	135,267
Taxation payable	104,696	214,597	242,924
Amounts due to jointly controlled entities	439	457	5,323
Amounts due to associates	12,201	68,399	68,399
Amounts due to non-controlling shareholders of subsidiaries	11,203	28,658	180,663
Convertible notes – due within one year	78,709	9,398	–
Derivative financial instruments	–	–	4,237
Bank borrowings – due within one year	1,007,958	726,169	792,810
	1,726,600	1,133,119	1,429,623
Net Current Assets	5,134,597	5,228,828	5,080,614
	5,957,705	7,916,524	8,269,781
Capital and Reserves			
Share capital	65,311	65,865	66,447
Reserves	4,172,224	5,893,023	6,105,509
Equity attributable to owners of the Guarantor	4,237,535	5,958,888	6,171,956
Non-controlling interests	(721)	13,483	30,558
Total Equity	4,236,814	5,972,371	6,202,514
Non-Current Liabilities			
Convertible notes – due after one year	87,136	–	–
Bank borrowings – due after one year	1,614,007	1,928,303	2,049,247
Derivative financial instruments	10,415	7,312	–
Deferred tax liabilities	9,333	8,538	18,020
	1,720,891	1,944,153	2,067,267
	5,957,705	7,916,524	8,269,781

Other Unaudited Financial Information

Set forth below is a reconciliation of the Group's EBITDA to the Group's gross profit for the years indicated:

	Year ended 31 March 2011	Year ended 31 March 2012
	(HK$ million)	(HK$ million)
Profit before tax	940.4	1,886.8
Adjustment for:		
Fair value changes	(5.7)	(13.0)
Gain on de-recognition of investment in convertible notes	0.0	(19.1)
Other gains and losses	(2.8)	(132.2)
Interest income	(13.2)	(51.2)
Finance cost	80.0	52.9
Others	(1.7)	(3.5)
EBIT	997.0	1,720.7
Depreciation of property, plant and equipment	10.7	35.5
EBITDA	1,007.7	1,756.2

Notes:

1. Other gains and losses for 2011 excluded net gain on disposal of subsidiaries amounting to HK$38.9 million as such disposal represented part of the normal course of business.

2. EBITDA is calculated as profit before tax adjusted for fair value changes, gains on de-recognition of investment in convertible notes, other gains and losses, interest income, finance cost, and depreciation of property, plant and equipment.

   Although EBITDA is not a standard measure under HKFRS, it is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes the measure is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

THE ISSUE

The following contains some summary information about the Notes. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a more complete description of the terms of the Notes, see "Terms and Conditions of the Notes" in this Offering Circular.

Issuer	Estate Sky Limited.
Guarantor	CSI Properties Limited.
Principal amount of the Notes	U.S.$150,000,000 aggregate principal amount of 6.50 per cent guaranteed Notes due 2018.
Guarantee of the Notes	The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes.
Issue Price	100 per cent. of the principal amount.
Form and Denomination	The Notes will be issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	16 January 2013
Maturity Date	16 January 2018
Offering	The Notes are being offered only outside the United States in reliance on Regulation S under the Securities Act. The Notes and the Guarantee of the Notes have not been registered, and will not be registered under the Securities Act and, subject to certain exemptions, may not be offered or sold in the United States.
Interest	The Notes will bear interest from, and including, the Issue Date at the rate of 6.50 per cent. per annum, until the Maturity Date, payable semi-annually in arrear on 16 January and 16 July in each year.
Status	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The payment obligations of the Guarantor under the Guarantee of the Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3 of the Terms and Conditions of the Notes.
Cross Default	The Notes will contain a cross default provision as further described in Condition 8(c) of the Terms and Conditions of the Notes.
Events of Default	Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions of the Notes, upon notice in writing addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office (as defined in the Agency Agreement referred to in the Terms and Conditions of the Notes) of the Fiscal Agent, Noteholders holding not less than five per cent. of the principal amount of the Notes outstanding may declare the Notes immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and sale. See "*Subscription and Sale*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 16 January 2018.
Redemption for Tax Reasons	The Issuer may redeem all and not some of the Notes at their principal amount, together with interest accrued to, but excluding the date fixed for redemption, in the event of certain changes in British Virgin Islands, Bermuda or Hong Kong taxation, as further described in Condition 5(b) of the Terms and Conditions of the Notes.
Redemption at the option of the Issuer	The Issuer may redeem the Notes at any time, in whole but not in part, at the Make Whole Redemption Price, together with interest accrued to the date fixed for redemption, as further described in Condition 5(d) of the Terms and Conditions of the Notes.
Redemption for Change of Control	A Noteholder shall have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Date at 101 per cent. of their principal amount, together with accrued interest to, but excluding the Change of Control Put Date, upon the occurrence of a Change of Control with respect to the Guarantor.

Further Issues	The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.
Fiscal Agent	Citicorp International Limited
Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.
Governing Law	English law
Ratings	The Notes will not be rated.
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST and the above approval-in-principle of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, its subsidiaries, its associated companies, its jointly-controlled entities or the Notes.
Use of Proceeds	See section entitled "*Use of Proceeds*".
ISIN	XS0857339740
Common Code	085733974

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Guarantor or which the Issuer or the Guarantor currently deems to be immaterial, may affect the Issuer's, the Guarantor's or the Group's business, financial condition or results of operations or their respective ability to fulfil its obligations under the Notes and the Guarantee of the Notes.

Risks Relating to the Group and its Business

The Group is dependent on the performance of the Hong Kong property market

Historically, the Hong Kong property market has been cyclical, with property prices being volatile in recent years. For example, Hong Kong residential property prices, after reaching record highs in the mid-1990s, subsequently fell significantly as a result of the Asian economic downturn and the local economic environment. The global economic downturn, which commenced in the second half of 2007, had an adverse effect in the Hong Kong property market. A majority of the Group's assets are located in Hong Kong, and a substantial majority of the Group's revenue is derived from Hong Kong. Consequently, its revenue and operating profits depend on the state of the Hong Kong property market. Hong Kong property values have been affected by supply and demand of comparable properties, the rate of economic growth in Hong Kong, political and economic developments in the PRC and the condition of the global economy. Economic developments outside Hong Kong, such as the economy in the PRC and the interest rate movements and unemployment rate in the United States, could also adversely affect the property market in Hong Kong.

Hong Kong property prices and rents for residential, commercial and industrial properties, after reaching record highs in the mid-1990s, declined significantly in and after the fourth quarter of 1997 as a result of the general economic downturn in Asia, the slowdown in the Hong Kong economy, the increase in supply of new properties in Hong Kong, and high interest rates on Hong Kong dollar borrowings. The overall property market has been adversely affected by several significant events, including the events of 11 September 2001 in the United States, the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003 and sporadic outbreaks of the H5N1 virus (or "**Avian Influenza**") and A/H1N1 influenza. In addition, while the property market showed improvement during the period from 2004 to the third quarter of 2008, starting from September 2008, property prices and rents in Hong Kong were inevitably affected by the global financial turmoil. Factors such as the prospect of economic downturn and the tightening of liquidity created negative sentiments for the property market. The demand and rental rates of prime office buildings and for residential, commercial and industrial properties were consequently reduced. Although demand and rental rates had improved as a result of factors such as the low interest rates in Hong Kong dollar borrowings, there can be no assurance that interest rates will not increase in the future. If interest rates increase, this could have a significant impact on the property market, which may in turn affect the Group's operating results and financial condition.

Measures adopted from time to time by the Hong Kong government to restrict the real estate market could slow industry growth rate or cause real estate market to decline

At the end of 2010, the Hong Kong government and the Hong Kong Monetary Authority ("**HKMA**") introduced property cooling measures such as a special stamp duty and reduced loan-to-value borrowings. In October 2012, the Hong Kong government further increased the rate of the special stamp duty and extended the period of its application from two years to three years. In addition, a buyer's stamp duty of 15 per cent. was introduced on all residential properties acquired by any person or company (unless the person is a Hong Kong permanent resident), on top of the existing stamp duty. Hong Kong has witnessed market consolidation in the residential property market since these measures were introduced. There can be no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the property market, which may in turn affect the Group's operating results and financial conditions.

In the event of economic decline, the Group may experience market pressures that affect all Hong Kong property companies, such as pressures from tenants or prospective tenants to provide rent reductions or reduced market prices for properties sale. Rental values are also affected by factors such as local, regional and global economic downturns, political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation.

There can be no assurance that rents and property values will not decline, tightening of credit provided by banks will not increase or that interest rates will not rise in the future. This could have an adverse effect on the Group's business, operating results and financial condition.

The Group is exposed to property market risks in the PRC

In the PRC, the rapid expansion of the property market in certain major cities, including Shanghai and Beijing, in the early 1990s culminated in oversupply by the mid-1990s and a corresponding decrease in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in certain major cities in the PRC as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Shanghai have experienced rapid and significant growth. In recent years, certain major PRC cities have seen cyclical changes in their property markets.

In recent years, the Group has increased its investment in properties in the PRC. Currently, the Group has substantial property development and investment interests in Shanghai and expects to continue to develop and invest in properties in the PRC. The Group is therefore subject to risks usually associated with property development and investment in the PRC. Any real estate market downturn in Shanghai in the future could adversely affect the Group's profitability and prospects. There can be no assurance that the demand for commercial and residential properties in Shanghai will continue to grow. The Group's results of operations may be influenced by fluctuations of supply and demand in the real estate market, which may in turn be influenced by the general state of the PRC economy or PRC national or local government policies. For instance, since 2010, the PRC government at both the central and local levels have implemented home purchase restrictions, which have dampened the market sentiment and lowered transaction volume in the PRC property market. Any economic downturn or over-supply of commercial or residential properties could result in downward pressure on the Group's income and valuation of its property portfolio.

The PRC central and local governments also frequently adjust monetary and other economic policies to prevent and curtail the overheating of the national and local economies, and such economic adjustments may affect the PRC property market. For example in 2011, the PRC central government introduced measures to cool the property market and to tighten market liquidity and curb property speculation. Such policies may be adjusted by the central government of the PRC from time to time in response to the changing market environment. Given that the central and local governments of the PRC are expected to continue to exercise a substantial degree of control and influence over the PRC economy and property market, any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the Group's ability to make corresponding adjustments, may result in a material adverse effect on the Group's business and operating results and its future expansion plans in the PRC. In particular, decisions taken by PRC regulators concerning economic policies or goals that are inconsistent with the Group's interests could adversely affect its operating results, financial condition and prospects. See also "– *Risks Relating to the Group's Business in the PRC*".

In addition, development projects in the PRC are dependent on obtaining the approval of a variety of governmental authorities at different levels, receipt of which cannot be assured. These development projects have been and may in the future be subject to certain risks, including the cyclical nature of property markets, changes in governmental regulations and economic policies, including regulations and policies restricting construction of properties and buildings and related limitations on pre-sales and sales, extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other properties. Any restriction on the Group's ability to pre-sell or sell its properties or any restriction on the use of pre-sale or sale proceeds could extend the time required to recover its capital outlay and could have an adverse impact on its business, financial condition and results of operations, and in particular its cash flow position. There can be no assurance that required approvals will be obtained or that the cost of the Group's developments will not exceed projected costs. These factors could adversely affect the Group's business, operating results, financial condition and prospects.

The Group's businesses are subject to the effects of global economic events

Economic events outside Hong Kong and the PRC may adversely affect the Group's business. Since the second half of 2007, when problems emanating from the sub-prime residential mortgage market in the United States surfaced, the global financial markets have experienced, and may continue to experience, significant volatility including liquidity disruptions in the credit markets. The deterioration of the financial markets contributed to a recession in the United States and a slowdown in the global economy, which led to significant declines in employment, household income, consumer demand and the announcement of stimulus measures by a number of governments including quantitative easing. Related events such as the collapse of a number of financial institutions and other entities, rising government deficits and debt levels together with the downgrading of the sovereign credit of certain member states of the European Union, have had, and continue to have, a significant adverse impact on, among other things, the prospects for growth in Gross Domestic Product ("**GDP**") and international trade, the demand for real estate, the availability and cost of credit and consumer sentiment.

Although global economic conditions have improved and certain credit markets have shown signs of recovery in 2011 due, in large part, to stimulus measures adopted by various governments, there can be no assurance that these credit markets will continue to recover or that the various governments will maintain their stimulus measures. Recently, the global economy and financial markets have been affected by the ongoing sovereign debt crises in several member countries of the European Union in late 2011 to the present. If this situation were to worsen, or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost. The Group may also be subject to solvency risks of banks and of its counterparties in its financial investments and arrangements. These may have a material adverse impact on the operations of the Group.

The Group's property businesses require substantial capital investment

The Group has historically required and expects that it will require in the future additional financing to fund its capital expenditures, to support the future growth of its business, particularly with respect to its property development and investment activities, and/or to refinance existing debt obligations. The Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital and political and economic conditions in the PRC and Hong Kong. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The Group operates in highly competitive industries

The Group's principal business operations face significant competition across the markets in which it operates. New market entrants and intensified price competition among existing market players could adversely affect the Group's financial condition or results of operations. New properties and facilities built in areas where the Group's properties are located may compete with the Group for tenants and occupants, which may affect the Group's ability to maintain high occupancy and utilisation levels, rental rates and other charges in respect of its investment properties, and buyers, which may affect the Group's ability to sell its development properties. Competition risks faced by the Group include: (i) an increasing number of developers undertaking property investment and development in Hong Kong and the PRC, in particular Shanghai where the Group operates, which may affect the market share and returns of the Group; and (ii) significant competition and pricing pressure from other developers which may adversely affect the financial performance of the Group's operations.

The Group may not always be able to obtain sites that are suitable for development or redevelopment

The Group derives a substantial part of its revenue from sales or lease of properties that it has acquired or developed. This revenue stream depends on the completion of, and the Group's ability to sell or lease, its properties. In order to maintain and grow its business in the future, the Group will be required to replenish its project pipeline with suitable sites or buildings for improvement or development. The Group's ability to identify and acquire suitable sites or buildings is subject to a number of factors that are beyond its control. The Group's business, financial condition and results of operations may be adversely affected if it is unable to obtain sites or buildings for improvement or development at prices that allow it to achieve reasonable returns upon sale or lease to its customers. The limited supply of land in Hong Kong has, in the past, made it increasingly difficult to locate suitable property at economical prices for development which can be acquired by the Group. In addition, the Group's acquisition strategy in relation to the property it purchases may prove ineffective and may have a material adverse effect on the Group's business.

While the Hong Kong government has expressed its desire to increase land supply, the amount of land offered by the Hong Kong government by auction is nevertheless still fairly limited. This affects the Group's ability to replenish its Hong Kong land bank. In addition, the PRC Government controls all new land supply in the PRC and regulates land sales in the secondary market. The PRC central and local governments may regulate the means by which property developers, including the Group, obtain land sites for property developments. Please see "*Risks Relating to the Group's Business in the PRC – The economic, political and social conditions of the PRC, as well as government policies, could affect the Group's business*". As a result, the policies of the PRC Government towards land supply may adversely affect the Group's ability to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition.

The Group may not be able to manage properties in a way that meets the demands of local markets

The Group is focused on the repositioning, investment and redevelopment of quality commercial and premium residential properties in both Hong Kong and the PRC. The success of the Group's business model is dependent on the accuracy of its predictions of local demand for quality commercial and premium residential properties and economic growth of the cities where it has or will have, a portfolio of properties. The Group's success is also dependent on its managerial, operational and financial resources, as well as its knowledge of the demand for quality commercial and premium residential properties. There can be no assurance that the Group's business model will be successful in each of the markets that it enters into. If it fails to establish or expand its business according to its plans, the Group's business, reputation, financial position and results of operations may be materially and adversely affected.

Certain of the Group's business activities are conducted through joint ventures

The Group has equity interests in several joint venture entities in connection with its property investment and development projects. Such joint ventures may involve special risks associated with the possibility that the Group's joint venture partners may:

- have economic or business interests or goals that are inconsistent with those of the Group;

- take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its property investments;

- be unable or unwilling to fulfil their obligations under the joint ventures or other agreements; or

- experience financial or other difficulties.

In addition, the Group may not be able to pass certain important board resolutions requiring unanimous consent of all the directors of these joint ventures if there is a disagreement between the Group and its joint venture partners. As such, the Group may not be able to dispose of assets that are jointly owned by the Group and its joint venture partners. Any of these and other factors may have a material adverse effect on the Group's business.

The Group is subject to risks incidental to the ownership and development of real estate properties

Investment in property is generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale. Such illiquidity also limits the Group's ability to manage its portfolio in response to changes in economic or other conditions. Moreover, it may face difficulties in securing timely and commercially favourable financing in asset based lending transactions secured by real estate due to the illiquidity. The Group is subject to risks incidental to the ownership and operation of residential, office and other properties including, among other things: competition for tenants, changes in market rents, all of which could adversely affect the business, financial condition and results of operations of the Group.

The Group's property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including, among other things, the risk that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), that developed properties may not be leased or sold on profitable terms and that purchasers and/or tenants will default.

The Group is subject to the risks associated with renewing leases and re-letting property

The Group is subject to risks associated with the property industry such as competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increase in operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. The Group's business relies on the ability to identify and let property to premium tenants whom the Group targets. Failure to renew leases could adversely affect the business, financial condition and results of operations of the Group.

A material deterioration of its cash flow position may have a material adverse effect on the Group's ability to service its indebtedness and continue its operations

In addition to borrowing, the Group relies on sale of its properties as a major source of funding for its operations and to assist with servicing its debt. Should the Group's sales be significantly limited or otherwise materially and adversely affected as a result of changes in Hong Kong or PRC laws and regulations or in government policies relating to property or property development, or by a significant economic downturn in the Hong Kong or PRC or in the property markets where the Group operates or otherwise, the Group could experience cash flow difficulties and difficulties in servicing its indebtedness. If major commercial banks decline to provide additional loans to the Group or to re-finance its existing loans when they mature as a result of the Group's credit risk and the Group fails to raise adequate financing through other channels, the Group's financial condition, cash flow position and business prospects may be materially and adversely affected.

The continuing success of the Group depends on key management personnel

The success of the Group depends on key management personnel and on the continued service of its executive officers and other experienced and skilled managerial and technical personnel. The board of directors of the Guarantor comprises only four Executive Directors, each of whom plays a key role in the management and leadership of the Group, so that management of the Group is run on a very lean basis. Competition for qualified personnel is intense. The Group's business could suffer if the services of a number of key personnel were lost and if the Group could not recruit suitable replacements in a timely manner.

Furthermore, as the business of the Group continues to grow, the Group will need to recruit and train additional qualified personnel. If the Group fails to attract and retain qualified personnel, its business and prospects may be adversely affected.

The Group's business strategies and plans for expansion of the "Couture Homes" branded high-end luxury residential property division may not be successful

As part of the Group's commitment to expand its residential property development business, it rebranded its high-end luxury residential development division under the brand "Couture Homes" in 2010. The Group plans to diversify its project portfolio by continuing to expand into the premium lifestyle residential property development sector. However, factors beyond the Group's control, such as economic slowdown, change in government policy or change in market dynamics in the Hong Kong and PRC property markets may affect the implementation of the Group's strategies and expansion plans in its residential property division. There can be no assurance that the Group will be able to achieve its objectives as planned or at all, and the Group may not be able to leverage its experience in previous successful high-end luxury residential properties projects into new markets. If such business strategies and expansion plans are not successful, the Group's development, growth prospects and results of operations may be adversely affected.

The Group is subject to certain risks due to the cyclical nature of consumer spending and economic development

The Group derives a portion of its revenue from commercial and office properties which are closely tied to general consumer demand and commercial market sentiment. Any change in such general consumer demand and commercial market sentiment can affect overall economic outlook and investor confidence leading to changes in the tenant mix and credit standing of tenants. Competition from new market entrants and fluctuations in the level of disposable household income may adversely affect the relative bargaining position of the Group with its tenants in terms of lease rates, tenure and frequency of rental revisions, and thus adversely affect the Group's revenue and financial performance.

The Group's revenue and results of operations may fluctuate from period to period

Substantially all of the Group's revenue is derived from the sale of properties held for sale. The Group's results of operations may fluctuate in the future due to a combination of factors, including the overall improvement or development schedule of its property projects, the level of interest of properties by prospective customers, the proposed timing for completion and sale of the Group's improved or developed properties, the Group's revenue recognition policies, property acquisition costs and price volatility in construction-related and improvement or development expenses. Most of the Group's commercial property projects require at least a year or more to complete the relevant improvement works, whereas the Group's residential property projects require a few years to complete and are often undertaken in phases. Selling prices of developed properties are often higher closer to completion, due in part to the more established community available to prospective purchasers. Furthermore, according to the Group's accounting policy for revenue recognition, it recognises revenue from the sale of properties only upon completion of the relevant contracts of sale, which in the case of pre-sold residential properties would often be at the same time as the delivery of completed properties to purchasers. As such, even where a sale and purchase agreement has been entered into by the Group, the Group can only recognise revenue from such sale upon successful completion of that transaction. A time gap ranging from several months to a number of years may pass between the date on which the Group commences pre-sales of its residential properties and the date on which completed properties are delivered to purchasers. Accordingly, the Group's results of operations may vary significantly from period to period depending, in part, on the gross floor area ("**GFA**") sold and the timetable for the completion and delivery of properties contracted for sale. Historically, periods in which the Group completed more of its improvement works or GFA have often generated a higher level of revenue. Periods in which the Group sells or pre-sells a considerable amount of aggregate GFA, however, may not necessarily generate a higher level of revenue if such sold or pre-sold properties are not completed within the same period. The Group's results of operations are also affected by the limitation that during any particular period of time, it can only undertake a limited number of projects due to the substantial capital requirements for properties or land acquisitions, construction costs and the limited supply of appropriate buildings or land. The Group's ability to complete projects as scheduled may also be affected by seasonal factors, such as heavy winter rainfall and typhoons, which could hinder the renovation, and in turn, the completion of its property projects. The Group's revenue and profits, often recognised upon the completion and delivery of properties, may also be affected by such seasonal effects.

The Group relies on independent contractors and sub-contractors for the provision of certain services

The Group engages independent third-party contractors and sub-contractors to provide various services including construction, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, and transportation of materials by air, sea and road. There can be no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's contractors and subcontractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorisms, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption of delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and results of operations of the Group.

Property revaluations may have an adverse impact on the Group's financial results and position

In accordance with Hong Kong Financial Reporting Standards, the Group values its properties classified as properties held for sale at every reporting balance sheet date at the lower of their relevant cost of acquisition or their open market value on the basis of an external professional valuation. Any increase in the fair value of these properties above their relevant cost of acquisitions will not be credited to the income statement. However, any decrease in the fair value of the Group's properties below that of their relevant cost of acquisitions will reduce its profit and equity for that year. These factors could have an adverse effect on the Group's business, operating results, financial condition and prospects.

The Group is subject to risks relating to accidents or other incidents which may not be covered by insurance

The Group maintains insurance coverage on all of its properties under construction, third party liabilities and owner's liabilities in accordance with what it believes to be industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs disproportionate to the level of risks concerned or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to events such as war, civil disorder and acts of terrorism. Any losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents which are not covered by these arrangements could occur. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and results of operations of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors.

The Group faces contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time

The Group faces contractual risks relating to the pre-sale of properties. Failure to complete and/or deliver a pre-sold property in a timely manner may cause the Group to be liable to the relevant purchasers for losses suffered by them. The Group's failure to complete property developments in the time required by pre-sale contracts may entitle purchasers to claim damages under the pre-sale contracts, and in the event that such failure causes a delay that extends beyond any grace period stipulated in the pre-sale contracts, purchasers may be entitled to terminate the presale contracts, claim damages and request a refund of their purchase amount together with interest.

The Group may experience delays in completion or delivery of its renovated properties which could have an adverse effect on the income of the Group

The Group's profit margin is sensitive to fluctuations in the costs of construction and renovation materials. Construction costs comprise one of key components of the Group's cost of sales. Construction costs encompass all costs for the design, construction, renovation and fit-out of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs and interior design material costs have been the principal driver of the construction costs of the Group's property development projects. A general trend in the economy of increased inflationary risk may also have an impact on the construction costs and a wider impact on other costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. The Group manages the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of supplies of principal construction materials such as steel and cement for the Group's property projects at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), the Group will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin is sensitive to changes in the market prices for construction materials and these profit margins will be adversely affected if the Group cannot pass all of the increased costs onto its customers.

Potential liability for environmental problems could result in costs to the Group

The Group is subject to various laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as any adjoining properties. Environmental laws and conditions may result in delays to the Group's property developments, may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

Each project the Group develops in Hong Kong or the PRC is required under applicable laws and regulations to undergo environmental assessments. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request the Group to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. Although the environmental investigations conducted to date have not revealed any environmental liability that the Group believes would have a material adverse effect on its business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which the Group is unaware. Please see "*Description of the Group – Environmental and Safety Matters*" for a description of the foregoing environmental matters.

The Group's business is subject to various laws and regulations

The operations of the Group are subject to various laws and regulations of Hong Kong and the PRC in which the Group's operations are located. The Group's activities on its commercial and development properties are limited by zoning ordinances and other regulations enacted by the authorities. Developing properties, refurbishment and other redevelopment projects require government permits, some of which may take longer to obtain than others. From time to time, the authorities may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to routine inspections by the authorities with regard to various safety and environmental issues. There can be no assurance that the Group will be able to comply with such regulations or pass such inspections.

From time to time, changes in law and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase.

Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group is affected by currency fluctuations

The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies, including Renminbi. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial condition or results of operations.

The Guarantor is controlled by a single major Shareholder

The ultimate major shareholder of the Guarantor is Mr. Chung Cho Yee, Mico, who is Chairman and Executive Director of the Guarantor and has an interest in approximately 44% of the issued share capital of the Guarantor as at 7 January 2013 with the remaining shares being held by other employees of the Group and by public shareholders. Mr. Chung, as the Guarantor's controlling shareholder, is therefore able to exert considerable influence over the management and affairs of the Group. As a result, transactions between the Guarantor and other companies in which Mr. Chung has an interest are subject to the rules of the Hong Kong Stock Exchange which, in certain circumstances, may require disclosure to, and approval from, the shareholders of the Guarantor.

The Group's operations are subject to external risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in Hong Kong and the PRC, which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

The occurrence of contagious diseases in Asia could affect the Group's business, financial condition or results of operations

The outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza" among birds and in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. To date, there have been a large number of confirmed cases of influenza A/H1N1 globally. There can be no assurance that there will not be a serious outbreak of influenza A/H1N1 or another contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

Risks Relating to the Group's Business in the PRC

The economic, political and social conditions of the PRC, as well as government policies, could affect the Group's business

The Group's strategy is to continue to expand its business in the PRC to capitalise on China's economic growth and rapid urbanisation. The Group believes that one of its key growth drivers is expected to be its business initiatives in property development and investment in the PRC. The Group's financial condition, operating results and prospects will, accordingly, be subject to economic, political and legal developments in the PRC as well as in the economies in the surrounding region. The economy in the PRC differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular geographies, industries or companies. To curb its overheating economy and inflationary pressure, the PRC government has recently taken a number of credit tightening measures to increase the cost of credit and to reduce the availability of credit. The PRC government may implement further credit tightening measures which could have an adverse impact on the Group's ability to access onshore financing in the PRC.

The PRC's legal system is less developed than in certain other countries and the PRC laws may not be interpreted and enforced in a consistent manner

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group and its joint ventures. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and operating results.

Real estate is a highly regulated sector in the PRC

The supply of substantially all of the land in the PRC is controlled and regulated by the PRC government. The land supply policies adopted by the PRC government directly impact the Group's ability to acquire properties for development and the costs of such acquisitions. For example, in recent years, the PRC government has introduced a series of measures (and may implement further measures) to curb its overheating economy, including policies to prevent excessive rises in property prices in certain cities and sectors such as taxing capital gains to discourage speculation, restricting purchases of real estate by foreigners, limiting the amount of luxury villa developments and tightening of credit available to real estate developers and individual purchasers. Property developers must comply with various national and local regulatory requirements promulgated by different tiers of regulators. From time to time, the PRC government adjusts its macroeconomic policies to encourage or restrict property development which may have a direct impact on the Group's business. Starting from the second half of 2009, residential real estate prices in certain cities in the PRC rose rapidly. In order to reduce the risk of the overheating of the real estate market and possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilise the real estate market and facilitate its sustainable development.

The PRC government's restrictive measures to control the property development industry's rate of growth could limit the Group's access to capital resources, reduce market demand and increase the Group's operating costs. The PRC government may adopt additional and more stringent measures in the future, which may further slow the development of the industry and materially and adversely affect the Group's business and result of operations. In particular, any additional or more stringent measures imposed by the PRC government in the future to curb high-end residential real estate projects may materially and adversely affect the Group's business and results of operations.

Fluctuations in the value of RMB may have an adverse effect on the Group's financial condition and results of operations

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. On 21 July 2005, the PRC government changed its policy of attaching the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, Renminbi appreciated more than 20 per cent. against the U.S. dollar over the following three years. Since July 2008, Renminbi has traded at a relatively stable level within a narrow range against the U.S. dollar, but RMB has again begun gradual further appreciation against the U.S. dollar since the middle of 2010. It is unclear, however, whether this trend will continue.

There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and possibly more significant appreciation of Renminbi against foreign currencies. Some of the Group's revenue and costs are denominated in Renminbi, and its financial assets in the PRC are also denominated in Renminbi. Any fluctuation in the exchange rate between Renminbi and the U.S. dollar could result in foreign currency translation losses for financial reporting purposes.

Risks Relating to the Notes and the Guarantee of the Notes

The Issuer is a newly incorporated company

The Issuer was established specifically for the purpose of raising finance for the purposes of the Offering and will on-lend the net proceeds from the offering of the Notes to the Guarantor and/or any other members of the Group which will use it for future commercial and/or residential property investments and otherwise as general working capital of the Group. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Notes will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

Risks associated with the Guarantor's holding company structure

The Guarantor is a holding company that operates through subsidiaries. It is principally a holding company with limited operations of its own. The Guarantor depends, to a significant extent, upon the receipt of dividends from its subsidiaries and associates to meet its overhead expenses and to make payments with respect to its obligations, including its obligations under the Guarantee of the Notes, and in order to provide funds to its subsidiaries and associates. The ability of subsidiaries and associates of the Guarantor to pay dividends to their respective shareholders (including the Guarantor) is subject to the performance and cash flow requirements of such subsidiaries and associates and to applicable law and restrictions contained in debt instruments of such subsidiaries and associates, if any. The Guarantor's obligations under the Guarantee of the Notes will be effectively subordinated to all existing and future obligations of its direct and indirect subsidiaries and associates, other than the Issuer. All claims of creditors of these subsidiaries and associates, including trade creditors, lenders and all other creditors, will have priority as to the assets of such entities over claims of the Guarantor and its creditors, including holders of the Notes as beneficiaries of the Guarantee of the Notes. No assurance can be given that the Guarantor will have sufficient cash flow from dividends to satisfy its obligations, including its obligations under the Guarantee of the Notes or otherwise to enable the Issuer to make payments under the Notes, or that its subsidiaries and associates will pay dividends at all.

The Notes and the Guarantee of the Notes are unsecured obligations

As the Notes and the Guarantee of the Notes are unsecured obligations, their repayment may be compromised if:

- the Guarantor or the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's and the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

If the Group is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause the repayment of the Group's debt to be accelerated

If the Group is unable to comply with the restrictions and covenants in the Notes or its current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to the Group, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the Notes, may contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under other debt agreements. If any of these events should occur, there can be no assurance that the Group's assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group.

The Issuer may not be able to repurchase or redeem the Notes

The Issuer may (and at maturity, will) be required to redeem all of the Notes upon occurrence of certain events as set out in the "*Terms and Conditions of the Notes*", including upon a Change of Control. If any such event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer or the Guarantor would constitute an event of default under the Notes, which may also constitute a default under the terms of the Group's other indebtedness.

An active trading market may not develop for the Notes, and there are restrictions on the resale of the Notes

The Notes are a new issue of securities with no established trading market. The Joint Lead Managers are not obligated to make a market in the Notes and may discontinue their market-making activities at any time at their discretion without notice. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for securities and by changes in the Group's financial performance or prospects of companies in its industry in general. As a result, there can be no assurance that an active trading market will develop or be maintained for the Notes. If a market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Please see the section entitled "*Subscription and Sale*".

The liquidity and price of the Notes following the offering may be volatile

If an active trading market for the Notes were to develop, the price and trading volume of the Notes may be highly volatile. The Notes may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- the Group's results of operations, financial condition and future prospects;
- changes in the real property industry and competition;
- the market conditions for similar securities; and
- general economic conditions.

Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There can be no assurance that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Agents or their respective advisers

Market data and certain information and statistics relating to the real property industry and the Guarantor's affiliated entities are derived from both public and private sources, including market research, publicly available information and industry publications. While the Issuer and the Guarantor have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Agents or their respective advisers and, therefore, neither the Issuer nor the Guarantor make representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

TERMS AND CONDITIONS OF THE NOTES

The U.S.$150,000,000 6.50 per cent. Guaranteed Notes due 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 *(Further issues)* and forming a single series therewith) of Estate Sky Limited (the "**Issuer**") are constituted by a deed of covenant dated 16 January 2013 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are subject to and with the benefit of (a) a deed of guarantee dated 16 January 2013 (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into by CSI Properties Limited (the "**Guarantor**") and, (b) a fiscal agency agreement dated 16 January 2013 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citicorp International Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and the paying agent named therein (the "**Paying Agent**", which expression includes any successor or additional paying agent appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee applicable to them. Copies of the Agency Agreement, the Deed of Covenant and Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Status and Guarantee

(a) *Form and denomination:* The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes:* The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the **"Guarantee of the Notes**") constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers:* Subject to paragraphs (f) (*Closed Periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed and signed by the Noteholder or his attorney duly authorised in writing, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however,* that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

(d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (free of charge to the Holder and at the Issuer's (failing which the Guarantor's) expense airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its Specified Office.

(e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but upon (i) payment (or the giving of such indemnity or security as the Issuer, the Registrar or (as the case may be) the Transfer Agent may require) in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer, (ii) the Registrar or (as the case may be) the Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) the Issuer and/or the Registrar and/or the Transfer Agent being satisfied that the Regulations (as defined in the Agency Agreement) concerning the transfer of Notes have been complied with.

(f) *Closed periods:* A Noteholder may not require a transfer of a Note to be registered:

(i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes;

(ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*) or Condition 5(d) (*Redemption at the option of the Issuer*); and

(iii) after a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) (Redemption for Change of Control).

(g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Fiscal Agent and the Registrar. A copy of the current regulations will be mailed (free of charge to the Holder and at the Issuer's (failing which the Guarantor's) expense) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Guarantor shall procure that none of its Material Subsidiaries (other than any Listed Subsidiaries) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of such Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Listed Subsidiary**" means any Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 5 per cent. of the consolidated net profit, consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Guarantor, provided that:

 (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

 (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

 (iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is issued with the intention on the part of the issuer thereof that it should be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) in which the first Person holds a majority of the voting rights;

(b) of which the first Person has the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or

(c) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. Interest

The Notes bear interest from 16 January 2013 (the "**Issue Date**") at the rate of 6.50 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 16 January and 16 July in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment to the relevant Noteholder under these Conditions).

The amount of interest payable on each Interest Payment Date shall be U.S.$6,500 in respect of each Note of U.S.$200,000 denomination and U.S.$32.5 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months).

5. Redemption and Purchase

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 16 January 2018 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders, the Registrar and the Fiscal Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued to, but excluding, the date fixed for redemption, if:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 9 January 2013 and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 9 January 2013 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption for Change of Control:* At any time following the occurrence of a Change of Control, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date at 101 per cent. of their principal amount, together with accrued interest to, but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14 (*Notices*), the Registrar and the Fiscal Agent. The "**Change of Control Put Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders, the Registrar and the Fiscal Agent in accordance with Condition 14 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for Change of Control*).

In this Condition 5(c) (*Redemption for Change of Control*):

a "**Change of Control**" occurs when either:

(i) the Controlling Shareholder:

(A) ceases to hold, directly or indirectly, at least 30 per cent. of the voting rights of the issued share capital of the Guarantor; or

(B) ceases to be the largest single shareholder of the Guarantor; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person other than the Controlling Shareholder, *unless* the consolidation, merger, sale or transfer will result in the Controlling Shareholder:

(A) holding, directly or indirectly, at least 30 per cent. of the voting rights of the issued share capital of the Guarantor (in the case of a consolidation or merger) or the successor entity (in the case of a sale or transfer); and

(B) being the largest single shareholder of the Guarantor (in the case of a consolidation or merger) or the successor entity (in the case of a sale or transfer).

"**Controlling Shareholder**" means the aggregate shareholdings of Mr. Chung Cho Yee, Mico ("**Mr. Chung**") and:

(i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Mr. Chung and/or any of their associated companies (as defined in the Listing Rules of the Stock Exchange of Hong Kong Limited); or

(ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners, owners or Persons are, or are controlled by, Mr. Chung and/or such other Persons referred to in paragraph (i) above.

a "**Person**", as used in this Condition 5(c) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

(d) *Redemption at the option of the Issuer:* The Issuer may, at any time, on giving not less than 30 days' nor more than 60 days' notice to the Noteholders, the Registrar and the Fiscal Agent (which shall be irrevocable), redeem the Notes, in whole, but not in part, at their Make Whole Redemption Price, together with interest accrued to the date fixed for redemption.

For the purpose of this Condition 5(d) (*Redemption at the option of the Issuer*):

"**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London and New York City;

"**Comparable Treasury Issue**" means the United States Treasury selected by the Determination Agent as having a maturity comparable to the remaining term of the Notes from the relevant date fixed for redemption to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

"**Comparable Treasury Price**" means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the relevant date fixed for redemption of the Notes;

“**Determination Agent**” means an independent investment bank of international repute, appointed by the Issuer and the Guarantor (notice of which is given to Noteholders, the Registrar and the Fiscal Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

“**Interest Period**” means each period from, and including, the Issue Date or an Interest Payment Date to, but excluding the immediately following Interest Payment Date or, as the case may be, the Maturity Date;

“**Make Whole Redemption Price**” means in respect of each Note, (a) the principal amount of such Note or, if higher (b) the amount equal to the sum of the present value of the principal amount of such Note, together with the present values of the interest payable for the relevant Interest Periods from the relevant date fixed for redemption to the Maturity Date, in each case, discounted to such redemption date on a semi-annual compounded basis (assuming a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days lapsed) at the adjusted U.S. Treasury Rate plus 0.50 per cent., all as determined by the Determination Agent;

“**Reference Treasury Dealer**” means each of the three nationally recognised investment banking firms selected by the Determination Agent that are primary US Government securities dealers;

“**Reference Treasury Dealer Quotations**” means with respect to each Reference Treasury Dealer and any date fixed for redemption of the Notes, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day immediately preceding such due date for redemption; and

“**U.S. Treasury Rate**” means either (a) the rate per annum equal to the yield, that represents the average for the week immediately preceding that in which the third business day prior to the relevant date fixed for redemption falls, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue provided that (a) if no maturity appears that is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, and (b) if such release (or any successor release) is not published during the week preceding that in which the third business day prior to the relevant date falls or such release (or successor release) does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant date fixed for redemption, in each case calculated on the third business day immediately preceding the relevant date fixed for redemption.

Any reference in these Conditions to principal and/or interest shall be deemed to include any Make Whole Redemption Price which may be payable under this Condition 5(d) (*Redemption at the option of the Issuer*).

(e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of the Issuer*) above. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 5(b) (*Redemption for tax reasons*) or 5(d) (*Redemption at the option of the Issuer*) and any Change of Control Put Exercise Notice given by a Noteholder pursuant to Condition 5(c) (*Redemption for Change of Control*)) the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(f) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(g) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

6. Payments

(a) *Principal:* Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Paying Agent.

(b) *Interest:* Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Noteholder otherwise than by ordinary mail, expense of the Noteholder) (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments:* If the Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Noteholder otherwise than by ordinary mail, at the expense of such Noteholder) to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Bermuda or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) *Other connection:* held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or, as the case may be, payments made by the Guarantor by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) *Payment by another Paying Agent:* held by a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(d) *Presentation more than 30 days after the Relevant Date:* where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days assuming (whether or not such is in fact the case) that day to have been a business day (as defined in Condition 6 (*Payments*)).

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Bermuda and/or Hong Kong in respect of payments made by it of the principal or interest on the Notes, references in these Conditions to the British Virgin Islands, Bermuda and/or Hong Kong shall be construed as references to the British Virgin Islands, Bermuda and/or (as the case may be) Hong Kong and/or such other jurisdiction.

8. Events of Default

If any of the following events occur:

(a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or

(b) *Breach of other obligations:* the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Paying Agent; or

(c) *Cross-default of Issuer, Guarantor or Subsidiary:*

(i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay any amount payable by it under any Guarantee of any Indebtedness when due or (as the case may be) within any originally applicable grace period.

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$10 million (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount is rendered against the whole or a substantial part of the property, assets or revenue of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) *Insolvency, etc.:* (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any Material Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or a substantial part of its business (otherwise than, in the case of a Material Subsidiary only, for the purposes of or pursuant to amalgamation, reorganisation or restructuring whilst solvent); or

(g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Material Subsidiary only, for the purposes of or pursuant to amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Analogous event:* any event occurs which under the laws of the British Virgin Islands or Bermuda has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(i) *Unlawfulness:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(j) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or

(k) *Controlling shareholder:* the Issuer ceases to be a wholly-owned direct or indirect Subsidiary of the Guarantor,

then Noteholders holding not less than 5 per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any Event of Default has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date. The Agents shall not be responsible or liable for any amounts so prescribed.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar and a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

(a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the percentage of Notes outstanding required to call an Event of Default, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Notes outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail (at the Issuer's, failing which, the Guarantor's expense) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

15. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. Governing Law and Jurisdiction

(a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum:* Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England:* Condition 16(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 16 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V7EX, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

THE GLOBAL NOTE CERTIFICATE

The Global Note Certificate contains the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Note Certificate, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in the paragraphs herein.

The Notes will be represented by a Global Note Certificate which will be registered in the name of Citivic Nominees Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (Events of Default) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been issued and delivered by 5:00 p.m. (local time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate, then, at 5:00 p.m. (local time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (local time) on such due date (in the case of (b) above) the Registrar shall in respect of each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Notes (each an "**Accountholder**"), enter in the Register the name of such Accountholder as the holder of direct rights under the deed of covenant dated 16 January 2013 (the "**Deed of Covenant**") in respect of the Notes in an aggregate principal amount equal to the principal amount shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) of such Accountholder's interest in the Notes. To the extent that the Registrar makes such entries in the Register, the holder will have no further rights under the Global Note Certificate, but without prejudice to the rights which the holder or Accountholders may have under the Deed of Covenant. Under the Deed of Covenant, Accountholders will acquire directly against the Issuer, subject to their rights being entered in the Register as described above and subject as provided in the Deed of Covenant, all those rights to which they would have been entitled if, immediately before the date on which the Registrar is required to enter in the Register the rights of the Accountholders, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Note Certificate "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in New York City and Hong Kong.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 5(c) *(Redemption for Change of Control)* the Holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 *(Notices)*, so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The net proceeds from the offering of the Notes, after deducting underwriting commissions and expenses, are estimated to be approximately U.S.$147.6 million. The entire amount of the net proceeds will be on-lent by the Issuer to the Guarantor and/or other members of the Group, which will use the net proceeds for future commercial and/or residential property investments and otherwise as general working capital of the Group.

CAPITALISATION AND INDEBTEDNESS

As at 7 January 2013, the authorised share capital of the Guarantor was HK$180 million divided into 22,500 million ordinary shares of HK$0.008 par value each and its issued share capital was HK$76.1 million consisting of 9,518.1 million ordinary shares of HK$0.008 each.

The following table sets out the consolidated capitalisation and indebtedness of the Guarantor as at 30 September 2012 which has been extracted from the unaudited consolidated statement of financial position of the Guarantor as at the same date. The table should be read in conjunction with the unaudited consolidated financial statements of the Guarantor as at 30 September 2012 and the notes thereto.

	As at 30 September, 2012		
	HK$'000 (Actual)	U.S.$'000 (Actual)[1]	U.S.$'000 (As adjusted)
Short term bank and other borrowings[2] (including current portion of long term bank and other borrowings)	792,810	101,642	101,642
Long term bank and other borrowings[3] (net of current portion)	2,049,247	262,724	262,724
Notes to be issued	–	–	150,000
	2,842,057	364,366	514,366
Shareholders' funds:			
Share capital[4]	66,447	8,519	8,519
Reserves	6,105,509	782,758	782,758
Shareholders' equity	6,171,956	791,277	791,277
Total Capitalisation	9,014,013	1,155,643	1,305,643

Notes:

(1) A rate of HK$7.8 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) As at 31 December 2012, short term bank and other borrowings (including current portion of long term bank and other borrowings) amounted to HK$711.5 million (U.S.$91.2 million).

(3) As at 31 December 2012, long term bank and other borrowings (net of current portion) amounted to HK$2,730.9 million (U.S.$350.1 million). The increase in long term bank and other borrowings (net of current portion) included the amount of HK$0.7 billion (U.S.$89.7 million) banking facilities drawn by a wholly-owned subsidiary of Eagle Wonder Limited to finance the acquisition of Monterey Court Nos. 47 and 49 Perkins Road, Jardine's Lookout, Hong Kong in December 2012.

(4) As at 7 January 2013, the total authorised share capital of the Guarantor is HK$180 million divided into 22,500 million ordinary shares of HK$0.008 par value each and its issued share capital was HK$76.1 million consisting of 9,518.1 million ordinary shares of HK$0.008 each.

Save as disclosed above, there has been no material change in the capitalisation of the Guarantor since 30 September 2012.

Capitalisation and Indebtedness of the Issuer

As at 25 October 2012, the date of its incorporation, the Issuer was authorised to issue a maximum of 50,000 U.S.$1.00 par value shares of a single class and series, of which one share is held by the Guarantor. As at the date of this Offering Circular, the Issuer does not have any debt outstanding.

DESCRIPTION OF THE ISSUER

Formation

Estate Sky Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1740429). It was incorporated in the British Virgin Islands on 25 October 2012. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since its date of incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Guarantor and those incidental to the issuance of the Notes.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The directors of the Issuer are Messrs. Kan Sze Man and Chow Hou Man and each of their business addresses is c/o 3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

DESCRIPTION OF THE GROUP

Overview

The Guarantor is an investment holding company and is primarily engaged in property repositioning and investment. The subsidiaries of the Guarantor are primarily engaged in property enhancement and development and property investment in Hong Kong and the PRC.

Corporate Information

The Guarantor is a limited liability company incorporated in Bermuda, with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business in Hong Kong of the Guarantor is located at 3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

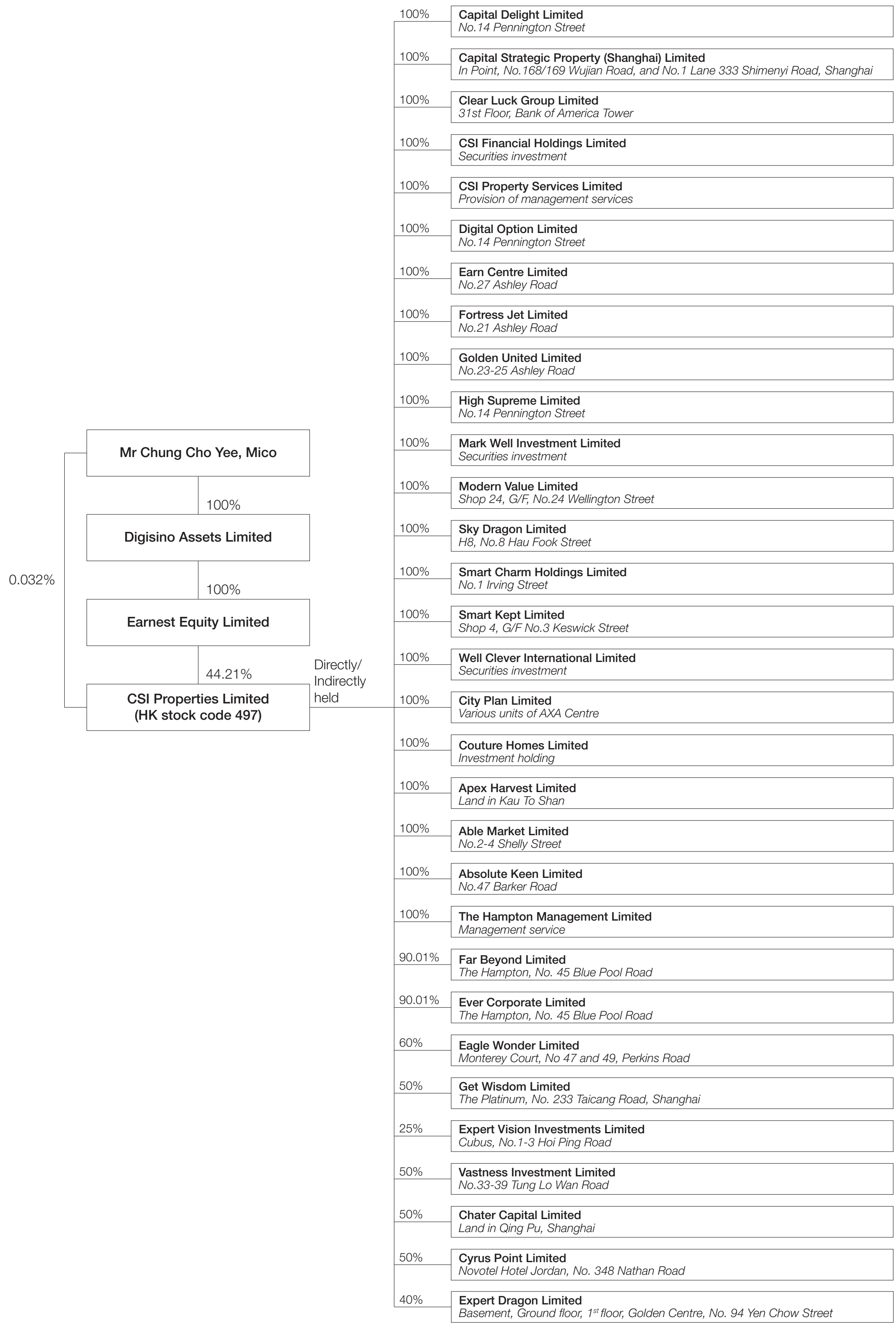
Business Organisation

Mr. Mico Chung, the Chairman and Executive Director, obtained control of the Group in 2004 as a platform to expand his property investment business. As at 7 January 2013, Mr. Chung had an interest in approximately 44% in the share capital of the Guarantor.

The following chart sets forth an overview of the Group's organisational structure:

Organisational Chart of the Group's Key Subsidiaries and Affiliates and showing principal business activities or properties held (excluding uncompleted commitments)

(as at the date of this Offering Circular)



Competitive Strengths

Solid execution capabilities with proven track record and excellent market reputation

The Group has successfully executed its dual-pronged investment strategy (based on investment in commercial and residential property) over the past decade and has established a solid investment track record in both Hong Kong and the PRC. The Group's total asset base increased from approximately HK$494 million as of 31 March 2003 to approximately HK$9.7 billion as of 30 September 2012, representing a compound annual growth rate of approximately 40 per cent. The Group currently owns and manages approximately 2.0 million square feet (attributable interest of approximately 1.3 million square feet) of prime commercial and residential space in Hong Kong and Shanghai.

Since 2004, the Group has sold approximately HK$10 billion worth of repositioned and redeveloped properties, generating an aggregate of over HK$4 billion in gross profits, which implies an average gross profit margin of approximately 40 per cent. on each property sold. The Group has generated investment returns at an average internal rate of return (the "**IRR**") of approximately 55 per cent. over an average holding period of 3 years. As at 30 September 2012, the Group held 16 major projects with a combined book value of approximately HK$8 billion (based on the Group's attributable interest) and appraised value of approximately HK$11 billion (based on the Group's attributable interest).

Self-funded business model through capital recycling

The Group funds its operations primarily via internally generated cash flow, in addition to bank loans. Compared to typical Hong Kong retail property and office property developers, the Group's inherent business model, coupled with its efficient practices, result in a shorter cash conversion cycle. In the Group's experience, the time required to acquire, reposition, and lease out a commercial property is on average 3 years, substantially less than the time required to develop and stabilise typical Hong Kong retail and office properties. Unlike typical Hong Kong commercial property developers who tend to hold on to the properties post completion, the Group sells those completed properties that have reached rental stabilisation. As such, the Group believes it is able to realise its cash returns earlier compared to commercial property developers and reinvest the sale proceeds back into its business through capital recycling. The Group generated approximately HK$2,006 million of operating cash flow for the year ended 31 March 2012.

Highly experienced and disciplined management

The Group has a dedicated and experienced management team which has achieved a consistent track record of success in the real estate sectors in both Hong Kong and Shanghai. The Group's management team has on average more than 20 years of relevant experience in the industry, providing the Group with both expertise and continuity.

- **Mr. Mico Chung**, Chairman and Executive Director, acquired control of the Group in 2004 and had previously been involved in several landmark deals. Under his leadership, the Group achieved approximately 35 per cent. average annual growth in assets from 2004 to present and an average return on investments of 55 per cent. on exited projects over the same period.

- **Mr. Kan Sze Man**, Group General Counsel, joined the Group in 2001 and has worked in the commercial department of Mayer Brown JSM (then known as Johnson Stokes & Master) and Freshfields Bruckhaus Deringer, before 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 has over 15 years of legal and compliance experience, as well as extensive experience in transaction negotiation and execution, including in relation to the Group's property acquisitions.

- **Mr. Chow Hou Man**, Group Chief Financial Officer, joined the Group in 2001. He has over 18 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants.

- **Mr. Wong Chung Kwong**, General Manager of the Group Property Division and Executive Director, joined the Group in 2004 and has about 40 years of experience in Hong Kong and China's real estate markets. Mr. Wong has extensive knowledge of, and a broad network within, the investment property arena in Hong Kong. Mr. Wong's role is key to the purchase, improvement, development, rental and sale of the Group's investment properties.

- **Ms. Dong Yan**, General Manager of Shanghai Investment Property Division, joined the Group in 2006. Ms. Dong has extensive knowledge of, and broad network within, the investment property arena over 10 years of experience as deputy General Manager at Shanghai Real Estate Co. Ltd. in Shanghai and is key to the purchase, improvement, development, rental and sale of the Group's properties in Shanghai. She also maintains close relationships with the respective city and district officials.

- **Mr. Steve Leung**, Vice Chairman of Couture Homes, joined the Group in 2012 and is an internationally renowned, award-winning architect and designer. Mr. Leung is a registered architect in Hong Kong and has been instrumental to numerous major property developers' successful and profitable development projects. His well recognized projects with the Group, including The Hampton, has helped to cement the Group as a premium residential property developer with ability to maximise value creation. Mr. Leung is the key inspiration in architectural and interior design plans for all current Couture Homes residences.

- **Mr. Jimmy Fong**, Managing Director of Sales and Marketing Division at Couture Homes, joined the Group in 2011 and has over 20 years of experience in luxury residential real estate project development and investment. Mr. Fong has extensive knowledge of, and has built a broad network within, the luxury residential property arena in Hong Kong. Mr. Fong's role is key to the successful sale of the Group's Couture Homes residences.

Recurring rental income base, underpinned by high quality portfolio with solid fundamentals

The Group currently has a portfolio of high quality commercial properties across different sectors covering retail, office and hotel in Hong Kong and Shanghai with a recurring income base. Rental income amounted to HK$225 million for the year ended 31 March 2012 and HK$109 million for the six months ended 30 September 2012. These properties had an average occupancy rate of over 95% for the year ended 31 March 2012 and for the six months ended 30 September 2012. The Group recently acquired a 50 per cent. interest in Novotel Hotel Jordan in July 2012. The property has committed rentals of approximately HK$65 million per annum (based on the Group's 50 per cent. interest) which will contribute further to the Group's rental income. Until their disposals, these properties generate a stable recurring income base which reduces the potential volatility in the Group's financial results which is associated with property trading and provide a solid foundation for the Group's future growth and strategy.

Prudent financial policy and conservative capital structure with low gearing

The Group has a conservative capital structure and adopts a balanced approach to maintaining an optimal mix of equity and debt financing. The Group had a net gearing ratio of 2.7 per cent. as at 31 March 2012 and 10.4% as at 30 September 2012 (net gearing ratio is calculated by the Group's borrowings less cash and bank balances divided by total assets). In addition, it is the Group's policy to maintain a prudent amount of cash and bank balances at all times in order to ensure, among other things, liquidity and credit-worthiness, as well as to provide funds towards acquisition projects when opportunities arise. The Group had consolidated cash and bank balances of approximately HK$2,445 million as at 31 March 2012 and HK$1,847 million as at 30 September 2012. In addition to its internally generated cash flow, the Group has access to diversified sources of funds for its operations. The Group recently raised approximately US$51 million via a top-up primary share placement on 18 October, 2012. The Group's ability to obtain funding from a variety of sources, both internally and externally, allows it to maintain a competitive advantage under volatile market conditions. These factors enable the Group to maintain a strong financial position with a healthy level of liquidity.

Strategies

Focus on core strength of making value-add investments in Hong Kong and the PRC

The Group's principal strategy is to make value-add investments in Hong Kong and the PRC with a focus on creating value through its "repositioning" strategy by investing in properties for resale and/or enhancing rental income. The Group's approach involves identifying and acquiring under-performing properties with room for rental and capital value enhancement. This is followed by implementation of the Group's proven enhancement strategy through a combination of, among other things: (i) upgrade and refurbishments; (ii) active lease management to improve the tenant mix; (iii) change of usage; and (iv) site redevelopment, followed by disposal soon after the enhancement process is complete and rental yield reaches stabilisation. The Group will continue to leverage on its core strength in identifying, acquiring, redeveloping and repositioning strategically located properties to improve rental yields and drive capital value appreciation.

Strategic partnerships with established developers

The Group is self-sufficient and capable of targeting, acquiring, repositioning, developing and exiting projects on its own. However, where it is expedient and value-adding to do so, the Group has entered into and will continue to enter into strategic partnerships and joint ventures with established property developers in both Hong Kong and the PRC or such other appropriate partners. The Group's existing joint ventures are all undertaken with existing and recognised institutions in the real estate industry whom the Group believes can provide complementary expertise beneficial to the Group's investment strategy.

Active management of the investment property portfolio to maximise value

The Group intends to actively manage its property portfolio to maximise value creation. The Group will continue to explore opportunities to carry out asset improvement activities on its properties to generate organic growth, including reconfiguration of certain retail and office units and converting certain ancillary areas into leasable space, as well as undertaking refurbishments to enhance the overall positioning of these properties. The Group's business model seeks to attract premium tenants to improve the overall offering of the Group's projects, as well as to improve product offering to allow renegotiation of existing lease agreements with a view to increasing the Group's rental cash flow as well as the capital value of the Group's properties. The Group will also continue to work closely with property managers to actively manage lease renewals and market the properties to prospective tenants in desired target groups, in order to achieve the optimal mix of types of tenants in addition to diversification within each type of tenant (for example, office tenants and food & beverage tenants accommodated separately).

Improving tenant mix is a key strategy of the Group and an aspect of the development process in which the Group takes an active role – benefiting the product overall and enhancing rental income potential. The Group will continue to monitor the macro environment and market conditions closely in order to capitalise on the optimal market window for property disposals.

Continue to leverage industry knowledge and relationship network in order to identify and invest in properties that fit within our value enhancement business model

The Group intends to continue to utilise its extensive network of property brokers and business relationships to identify under-performing properties and draw on its on-the-ground industry knowledge, structuring expertise and strong execution capabilities to seize development opportunities. The Group also demonstrates a competitive advantage with the speed and ease of its decision-making due to the size and closeness of its senior management, which allows the Group to identify potential acquisitions and execute transactions within a short time frame. The Group's close relationships with property brokers, which have been developed over a number of years, often allows the Group first access to view properties for sale and in advance of other investors, allowing the Group to identify mispricing opportunities earlier than its competitors.

Expand into luxury residential developments under the "Couture Homes" brand

The Group intends to further expand its luxury residential development business to capitalise on untapped demand from lifestyle oriented end-users who are willing to pay a premium for a quality residence in Hong Kong and the PRC. Having recognised a gap in the market to provide uniquely designed and furnished premium lifestyle residences to clients from Hong Kong, as well as from the PRC, Taiwan and elsewhere seeking a pre-furnished home in Hong Kong, the Group established the "Couture Homes" brand in 2010 in order to further extend its presence in the residential property markets of Hong Kong and the PRC. Couture Homes combines design concepts from world renowned interior designers with bespoke furnishings and décor. The Hampton in Happy Valley, the Group's first project launched under the Couture Homes brand designed and fitted-out by an internationally-renowned design team led by the award-winning architect and designer Mr. Steve Leung, was well received in the market. Mr. Leung has been appointed Vice Chairman of Couture Homes, and the aim of management is to grow Couture Homes into a world-class premium lifestyle residential developer and a distinguished provider of bespoke premium quality residences to satisfy the growing needs of lifestyle oriented end-users in Hong Kong and China.

Continue to grow investments in the PRC to capture the market's rapid economic growth and its nascent and growing commercial property market

The Group intends to expand its business footprint in China's affluent "Tier I" cities to take advantage of these markets' robust macroeconomic fundamentals and long term growth potential. The Group first entered the Shanghai property market in 2006 and has made a number of successful investments. The Group's investment in International Capital Plaza in 2007 generated an annual IRR of over 20 per cent. within a holding period of three and a half years, and the Group's investment in Novel Plaza in 2007 generated an annual IRR of 84 per cent. within a holding period of just one year. The Group currently has three projects in Shanghai, including the In Point mall and the Platinum office building as well as the development of luxury villas in Qing Pu (under Couture Homes). The Group intends to further expand its investments in China when appropriate opportunities arise. The Group intends to maintain its key focus in Shanghai.

Business

The business of the Guarantor follows a property repositioning model focusing on commercial projects and premium "lifestyle" residential properties in prime locations in Hong Kong and Shanghai. The Guarantor's luxury residential development division is marketed as "Couture Homes", and combines architectural and interior design to an internationally-recognised standard, with bespoke "lifestyle" furnishing and interior decoration.

Currently, the Group owns and manages over 2.0 million square feet (attributable interest of approximately 1.3 million square feet) of prime properties in Hong Kong and Shanghai.

The Group seeks to maximise shareholders' returns by identifying "mismatched" properties where the property's true value has not yet been reflected and to uplift its true capital value via the Group's strategic repositioning model. The Group builds on management's strengths in making swift and professional investment decisions, leverages on internal resources and forms strategic alliances with partners and shareholders.

The following table sets forth the revenues and results for the business divisions of the Group for the periods indicated:

	2012	2011
	HK$'000	HK$'000
Rental income/hotel operation	225,040	277,558
Sales of properties held for sale	2,992,851	2,467,734
	3,217,891	2,745,292

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

	Property holding	Strategic investment	Securities investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2012				
Gross proceeds	3,217,891	–	305,690	3,523,581
External Revenue				
Rental income/hotel operation	225,040	–	–	225,040
Sales of properties held for sale	2,992,851	–	–	2,992,851
Revenue of the Group	3,217,891	–	–	3,217,891
Interest income and dividend income	–	–	31,089	31,089
Share of results of jointly controlled entities	–	31,601	–	31,601
Share of results of associates	–	185,315	–	185,315
Segment revenue	3,217,891	216,916	31,089	3,465,896
Results				
Segment profit	1,593,574	230,086	55,979	1,879,639
Unallocated other income				23,830
Other gains and losses				119,490
Central administration costs				(83,287)
Finance costs				(52,859)
Profit before taxation				1,886,813

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

Market developments

The second half of 2011, 2012 and year to date 2013 have been challenging due to ongoing market uncertainty from the sovereign debt crisis in Europe as well as the economic slowdown in the PRC. The Hong Kong property market was also made much more volatile from the various measures the Hong Kong government undertook to rein in property prices.

The Group believes that the global economy is undergoing a slow recovery in light of the challenges of the continuing European debt crisis and the slow recovery of the US economy following the financial crisis which began in 2008. The economy of the PRC is also expected to face challenging conditions in the near term, and additionally, potential uncertainty due to the change in leadership of the central government of the PRC in November 2012. In Hong Kong, the new Hong Kong government administration took office in July 2012.

Such changes in leadership and regulation in both Hong Kong and in the PRC could create uncertainties in both markets, and could potentially result in greater market fluctuation. On the other hand, these changes in governance could however also present the Group with new and greater opportunities.

The Hampton in Happy Valley, Hong Kong, was the first project undertaken by the Group's recently established premium residential development division – Couture Homes. The Hampton, designed and fitted-out by an internationally-renowned design team led by the award-winning architect and designer Mr. Steve Leung (the Vice Chairman of Couture Homes) was well received in the market. The Group aims to grow Couture Homes into a high end life-style residential developer of high repute in the market, aimed at meeting the increasing needs of high net worth individuals looking to invest in and own a bespoke and ready furnished residential apartment.

In relation to Couture Homes, the Group is hopeful that the new Hong Kong local government administration will provide a more level playing field for medium sized developers to participate in government auctions and tenders by supplying more smaller sized lots for sale. In doing so, this would provide the Group with the opportunity to capture more development opportunities for Couture Homes, allowing the brand to establish itself as the premium lifestyle developer in Hong Kong and the PRC. On the commercial property side, the Group's management expects to leverage on its established strength in the market and continue to identify and invest in properties that fit into the Group's model of value enhancement in Hong Kong and Shanghai.

The Group has existing joint-ventures with a number of key partners on both the investment property and residential development sides of the business which have been set up in 2011 and 2012.

The Group has a proven track record in design, renovation, tenant repositioning and investment return on its projects, including the below:

Project	Year	Type of Work	Cost	Selling Price	Increase	IRR
			(HK$'m)	(HK$'m)	(%)	(%)
Paul Y. Centre, Kwun Tong (CSI – 25%)	2006-07	Renovation & tenants repositioning	780	1,150	48	178
No. 88 Gloucester Road, Wanchai	2003-07	Renovation & tenants repositioning	196	783	300	65
4 houses in Tai Tam, Island South	2006-09	Premium design & major renovation	331	555	68	68
Novel Plaza, Shanghai (CSI – 50%)	2007-08	Renovation & tenants repositioning	820	1,209	47	84
International Capital Plaza, Shanghai	2007-10	Design, renovation & tenants mix	875	1,353	55	24
Nos. 14-16 Hankow Road, Tsimshatsui	2007-11	Change in use from commercial to serviced apartments	620	1,380	122	43
9 units at the Hampton, Happy Valley (CSI – 90.01%)	2008-12	Design, major renovation & full furnishings	367	891	143	35
11 Floors at AXA Centre, Wanchai	2006-12	Renovation & tenants repositioning	802	1,748	118	32

The above table sets out the Group's successful disposal of properties previously owned and renovated by the Group, demonstrating considerable increase in IRR for each property sold.

Major Properties

The Group's business divisions are split to accommodate commercial properties and residential properties (which are branded under Couture Homes). Set out below is a list of the Group's major properties held/committed as at 30 September 2012. The table below sets out the breakdown of major commercial and residential properties held/committed by the Group in both Hong Kong and in Shanghai:

Portfolio Information	Location	Date of Purchase	Gross Area[3] (approx) sq ft	Gross Area Attributable to the Group (approx) sq ft	Market Value[1] [3]	Market Value Attributable to the Group	Book Value[3]	Book Value Attributable to the Group	Current/ Committed Annual Rent[3]	Current/ Committed Annual Rent Attributable to the Group	Occupancy
			('000)	**('000)**	(HK$'m)	**(HK$'m)**	(HK$'m)	**(HK$'m)**	(HK$'m)	**(HK$'m)**	(%)
Commercial Property											
Cubus, Nos. 1-3 Hoi Ping Road (CSI – 25%)	Causeway Bay	Apr '06	60	**15**	1,450[4]	**363**	515	**129**	40	**10**	100
G/F, 1506-07, 17-24F, 78 carparks, Sky-sign on the roof top of AXA Centre, No. 151 Gloucester Road	Wan Chai	Aug '06/ May '07	133	**133**	1,902	**1,902**	660	**660**	60	**60**	100
H8, No. 8 Hau Fook Street	Tsim Sha Tsui	Jun '06	45	**45**	540[5]	**540**	311	**311**	18	**18**	100
The Platinum, No. 233 Taicang Road (CSI - 50%)	Lu Wan	Apr '10	370	**185**	3,145	**1,573**	2,110	**1,055**	157	**79**	93
In Point, Nos. 168/169 Wujiang Road & No. 1 Lane 333 Shimenyi Road	Jing An	Aug '09	122	**122**	900	**900**	632	**632**	51	**51**	95
Nos. 23 - 25 & 27 Ashley Road (Redevelopment)	Tsim Sha Tsui	Sep '06	62	**62**	717	**717**	369	**369**	24	**24**	96
No. 2-4 Shelly Street (Redevelopment)	Central	Mar '11	32	**32**	285	**285**	285	**285**	7	**7**	N/A
Novotel Hotel Jordan, No. 348 Nathan Road (CSI - 50%)	Jordan	Jul '12	290	**145**	2,368	**1,184**	2,368	**1,184**	130	**65**	96
J-Plus Boutique Hotel, No. 1 Irving Street	Causeway Bay	May '11	45	**45**	575	**575**	575	**575**	20	**20**	96
Basement, G/F, 1/F, No. 94 Yen Chow Street (CSI - 40%)	Sham Shui Po	Dec '12[2]	30	**12**	480	**192**	480	**192**	15	**6**	99
			1,189	**796**	**12,362**	**8,231**					
Residential Property											
1A, 2A, The Hampton, No. 45 Blue Pool Road (CSI – 90.01%)	Happy Valley	May '08	7	**6**	146	**131**	73	**66**	N/A	N/A	N/A
2B, The Hampton, No.45 Blue Pool Road (CSI - 90.01%)	Happy Valley	May '08[6]	3	**3**	84	**76**	37	**33**	N/A	N/A	N/A
No. 47 Barker Road	The Peak	Feb '11	4	**4**	204	**204**	204	**204**	N/A	N/A	N/A
Nos. 33-39 Tung Lo Wan Road (CSI - 50%)	Causeway Bay	Jul '11	90	**45**	1,000	**500**	1,000	**500**	N/A	N/A	N/A
Land in Qing Pu (CSI - 50%)	Qing Pu	Jun '11	643	**322**	1,182	**591**	1,182	**591**	N/A	N/A	N/A
Land in Kau To Shan	Sha Tin	May '12	50	**50**	531	**531**	531	**531**	N/A	N/A	N/A
Monterey Court, Nos. 47 and 49 Perkins Road (CSI - 60%)	Jardine's Lookout	Dec '12[2]	73	**44**	1,403	**842**	1,403	**842**	36	**22**	100
			870	**474**	**4,550**	**2,875**					

* Note 1: Market value was based on valuation reports conducted by independent qualified professional valuers as at 31 March 2012 or the actual sale & purchase agreement.

* Note 2: Purchase agreement signed, completion took place in December 2012.

* Note 3: Gross area, market value, book value, current/committed annual rent on 100 per cent. interest basis.

* Note 4: Market value was based on valuation reports conducted by independent qualified professional valuers as at 31 December 2011. Subsequent to 30 September 2012, the shareholders of the joint venture company, Expert Vision Investments Limited, signed an agreement to dispose of the shares of Expert Vision Investments Limited with an agreed property value of HK$1.53 billion, target completion by end of January 2013.

* Note 5: Subsequent to 30 September 2012, a provisional sale and purchase agreement was signed to dispose of the property for HK$668 million, target completion in July 2013.

* Note 6: Sale agreement signed, completion took place in November 2012.

Commercial Properties

The Group's commercial properties section is engaged in investment, re-design, renovation and for redevelopment of commercial properties to add value for letting and disposal.

Disposals for the year ended 31 March 2012 and for the six months period ended 30 September 2012

Significant disposals completed in the year ended 31 March 2012 and for the six months period ended 30 September 2012 included the sale of the Mohan's Building, Nos. 14-16 Hankow Road, Tsim Sha Tsui for a total consideration of approximately HK$1.4 billion and portions of the 32nd floor, Bank of America Tower, 12 Harcourt Road, Central for a total consideration of approximately HK$318 million. In addition, the Group also completed the sale of 7 office floors and basement floor at AXA Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong for a combined consideration of approximately HK$1.3 billion. The Group continues to hold more than 8 office floors, as well as the sky sign on the roof, all ground floor shops and 78 car-parking spaces of the AXA Centre (please see below for full details), all of which will be periodically reviewed by the Group as to the optimal time for their disposal.

In relation to the Group's disposal strategy, set out below is a list of the Group's major commercial properties (including properties held under jointly-controlled entities and associates) held/committed for sale as at 30 September 2012:

Location	Use	Group's interest	Approximate gross floor area[(a)] (sq.ft.)	Approximate gross floor area Attributable to the Group (sq.ft.)	Market value[(a)]	Market value Attributable to the Group	Book cost[(a)]	Book cost Attributable to the Group
			('000)	**('000)**	(HK$'m)	**(HK$'m)**	(HK$'m)	**(HK$'m)**
Hong Kong								
Cubus, Nos. 1-3 Hoi Ping Road, Causeway Bay, Hong Kong	Commercial	25%	60	**15**	1,450[(c)]	**363**	515	**129**
G/F, 1506-1507, 17/F-24/F, 78 Carparks, sky-sign on the roof top in AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong	Commercial	100%	133	**133**	1,902[(b)]	**1,902**	660	**660**
Nos. 23-25 & 27 Ashley Road, Tsimshatsui, Hong Kong	Commercial	100%	62	**62**	717[(b)]	**717**	369	**369**
G/F. and 4/F, No. 21 Ashley Road, Kowloon, Hong Kong	Commercial	100%	1	**1**	71[(b)]	**71**	59	**59**
H8, No. 8 Hau Fook Street, Tsimshatsui, Hong Kong	Commercial	100%	45	**45**	540[(d)]	**540**	311	**311**

Location	Use	Group's interest	Approximate gross floor area[a] (sq.ft.)	Approximate gross floor area Attributable to the Group (sq.ft.)	Market value[a]	Market value Attributable to the Group	Book cost[a]	Book cost Attributable to the Group
			('000)	**('000)**	(HK$'m)	**(HK$'m)**	(HK$'m)	**(HK$'m)**
Office Unit 3102,31/F., & 4 Carparks, 4/F., Bank of America Tower, No. 12 Harcourt Road, Hong Kong	Commercial	100%	7	**7**	181[b]	**181**	154	**154**
Nos. 2-4 Shelly Street, Central, Hong Kong	Commercial/ Residential	100%	32	**32**	285[b]	**285**	285	**285**
No.14 Pennington Street, Causeway Bay, Hong Kong	Commercial	100%	3	**3**	130[b]	**130**	130	**130**
Shop 4, G/F, together with the yard apartment thereto, Keswick Court, No.3 Keswick Street, Causeway Bay, Hong Kong	Commercial	100%	1	**1**	33[b]	**33**	33	**33**
Shop 24, G/F, Duke Wellington House, No. 24 Wellington Street, Hong Kong	Commercial	100%	1	**1**	110[b]	**110**	110	**110**
Novotel Hotel Jordan, No. 348 Nathan Road, Jordon, Hong Kong	Hotel Operation	50%	290	**145**	2,368[b]	**1,184**	2,368	**1,184**
J-Plus Boutique Hotel, No. 1 Irving Street, Causeway Bay, Hong Kong	Hotel Operation	100%	45	**45**	575[b]	**575**	575	**575**
Basement, G/F, 1/F No. 94 Yen Chow Street Sham Shui Po, Hong Kong[e]	Commercial	40%	30	**12**	480[b]	**192**	480	**192**
The PRC								
In Point, Nos. 168/169 Wujiang Road and No. 1 Lane 333 Shimenyi Road, Jingan District, Shanghai, PRC	Commercial	100%	122	**122**	900[b]	**900**	632	**632**
The Platinum, No. 233 Taicang Road, LuWan District, Shanghai, PRC	Commercial	50%	370	**185**	3,145[b]	**1,573**	2,110	**1,055**

Notes:

(a) Approximate gross floor area, market value and book cost on 100 per cent. interest basis.

(b) Market value was based on valuation reports conducted by independent qualified professional valuers as at 31 March 2012 or the actual sale and purchase agreement.

(c) Market value was based on valuation reports conducted by independent qualified professional valuers as at 31 December 2011. Subsequent to 30 September 2012, the shareholders of the joint venture company, Expert Vision Investments Limited, signed an agreement to dispose of the shares of Expert Vision Investments Limited with an agreed property value of HK$1.53 billion, target completion by end of January 2013.

(d) Market value was based on a valuation report conducted by an independent qualified professional valuer as at 31 March 2012. Subsequent to 30 September 2012, a provisional sale and purchase agreement was signed to dispose of the property for HK$668 million, target completion in July 2013.

(e) Purchase agreement signed, completion took place in December 2012.

Major acquisitions for the year ended 31 March 2012 and for the six months period ended 30 September 2012

In May 2011, the Group completed the acquisition of J-Plus Boutique Hotel (previously known as Jia Boutique Hotel Hong Kong) at No. 1 Irving Street, Causeway Bay, Hong Kong. Since the acquisition, occupancy rates have continued to rise to close to full occupancy. Please see below for full details.

In July 2012, the Group, together with its joint-venture partner Gaw Capital, completed the acquisition of Novotel Hotel Jordan, a retail and hotel complex comprising of 389 rooms in the shopping and tourist hub of Nathan Road, Kowloon for a total consideration of HK$2,368 million, which equates to an entry yield of approximately 5.5 per cent. The Group's plan in the near term is to redesign and renovate the layout of the retail floors and reposition the building with premium tenants. The Group believes the project also has valuation upside potential due to the redevelopment opportunity arising from its prime location in Kowloon.

Set out below are the full details of the Group's major existing commercial property projects:

Hong Kong

Cubus, Causeway Bay, Hong Kong

The Group maintains a 25 per cent. interest in this Ginza-style food and beverage tower located at No.1-3 Hoi Ping Road, Causeway Bay, with a gross floor area of approximately 60,000 square feet. The building houses high-end restaurants, lifestyle stores and spas. The current market value of the property is approximately HK$1.5 billion, as compared with the Group's book value for the property of approximately HK$515 million. As at September 2012, rates of occupancy were 100 per cent., with an annual committed rent of approximately HK$40 million.

Nos. 23-25 & 27 Ashley Road, Tsim Sha Tsui, Hong Kong

The Group maintains an interest in these Ginza-style food and beverage buildings in Tsim Sha Tsui, with a gross floor area of approximately 62,000 square feet. The Group is also in the process of acquiring an adjacent lot at No. 21 and No. 21A Ashley Road, which provides a potential redevelopment opportunity consisting of approximately 9,000 square feet. These buildings have a current market value as at 31 March 2012 of approximately HK$717 million, as compared with the Group's book values for the properties of approximately HK$369 million. As at September 2012, rates of occupancy were approximately 96 per cent., with an annual committed rent of approximately HK$24 million.

AXA Centre, Wan Chai, Hong Kong

The Group maintains an interest in this grade-A office building located on No. 151 Gloucester Road, Wan Chai, with a prime view of Victoria harbour. The Group's interest is in 8 upper floors of the building (17-24th floors), as well as the sky-sign, ground floor and 78 car-parking spaces (following sale of the lower floors of the building), totalling a gross floor area of approximately 133,000 square feet. The Group's total interest in the building has a current market value as at 31 March 2012 of approximately HK$1,902 million, as compared with the Group's book value for the property of approximately HK$660 million. The Group's tenants at the AXA Centre include AXA Insurance (who base their Hong Kong headquarters in the building), as well as Porsche on the ground floor shop. As at September 2012 the Group's interest in the building has a 100 per cent. occupancy rate, with an annual committed rent of approximately HK$60 million.

H8, Tsim Sha Tsui, Hong Kong

The Group maintains an interest in these Ginza-style food and beverage buildings located at No. 8 Hau Fook Street in Tsim Sha Tsui. The building comprises a gross floor area of approximately 45,000 square feet, with a market value as at 31 March 2012 of approximately HK$540 million, as compared with the Group's book value of approximately HK$311 million. As at September 2012, the building had an occupancy rate of 100 per cent., with an annual committed rent of over HK$18 million.

Novotel Hotel, Nathan Road, Jordan, Hong Kong

The Group maintains a 50 per cent. interest in the Novotel Hotel Jordan in Jordan, acquired in 2012 for a total consideration of approximately HK$2,368 million. The building has a gross floor area of approximately 220,000 square feet which comprises 389 hotel rooms and an additional approximate 88,000 square feet of retail shopping space. The Group's plan in the near future is to redesign and renovate the retail floors layout, and reposition the buildings with premium tenants.

J-Plus Boutique Hotel, Causeway Bay, Hong Kong

In May 2011, the Group acquired the J-Plus Boutique Hotel in Causeway Bay. The J-Plus Boutique Hotel is a boutique hotel designed by Philippe Starck, which comprises 55 rooms. The hotel as at September 2012 was running at an occupancy rate of 96%. The Group has also identified a potential redevelopment opportunity in conjunction with the adjacent site at No. 14 Pennington Street, Causeway Bay, to create a combined site area of approximately 5,500 square feet.

Nos. 2-4 Shelly Street, Central, Hong Kong

In March 2011, the Group acquired this building in the SOHO area in Central, Hong Kong for a total consideration of HK$285 million. The building currently has a gross floor area of approximately 32,000 square feet, with the upper floors being used as service apartments and the ground floor level as retail/F&B outlets. The Group's current plan is to redevelop the site into either a new commercial office building or a new residential building.

The PRC

In addition to the Group's strong market presence in Hong Kong, the Group maintains a portfolio of commercial properties in the PRC under management or development comprising a gross floor area of approximately 0.5 million square feet (attributable interest of 0.3 million square feet). The Group's interests are focused in Shanghai, where the Group has an office employing local staff with knowledge of and expertise in the local market. The Group seeks to target the long term growth potential for sales of tailor-made residences to high net worth individuals in the PRC looking to invest in Shanghai as well as the long term growth in demand for prime retail and commercial spaces.

The Group has a proven value enhancement track record in the PRC. In 2006, the Group invested in the Novel Plaza project in Shanghai (in which CSI owned a 50 per cent. interest) for a total consideration of approximately US$105 million (approximately HK$820 million), and sold the resulting property in 2008 for a total consideration of approximately US$155 million (approximately HK$1.2 billion). In 2007, the Group invested in the International Capital Plaza project in Shanghai for a total consideration of RMB745 million (approximately HK$875 million) (including the cost of renovation), and sold the resulting property in December 2010 for a total consideration of approximately RMB1.16 billion (approximately HK$1.3 billion).

Particulars of the Group's commercial projects in the PRC are set out below:

The Platinum, Luwan District, Shanghai, PRC

The Group holds a 50 per cent. interest in the Platinum office tower, at No. 233 Tai Cang Road in the Luwan District of Shanghai. The building consists of 20 storeys and is located close to the Xin Tian Di district of Shanghai, with a gross floor area of approximately 370,000 square feet. The majority of the tenants are leading multinational corporations and/or financial institutions including McKinsey and Standard Chartered Bank. The market value of the building as at 31 March 2012 was approximately HK$3.1 billion, as compared with the Group's book value for the building of approximately HK$2.1 billion. As at September 2012, the building had an occupancy rate of approximately 93 per cent.

In Point, Jing An District, Shanghai, PRC

The Group holds an interest in In Point Mall, Shanghai, a shopping mall located in central Shanghai, with a gross floor area of approximately 122,000 square feet. The market value of the property as at 31 March 2012 was approximately HK$900 million, as compared with the Group's book value for the building of approximately HK$632 million. As at September 2012, the building had a committed occupancy rate of approximately 95 per cent., with an annual committed rent of approximately HK$51 million per annum. With the eventual opening of the shopping district developed by the Swire Properties Group in the neighbourhood, a further increase in shoppers' traffic and yield enhancement can be expected from this shopping mall, creating a further increase in the value of the property. In addition to active repositioning and value enhancement, the Group will closely monitor market conditions to optimise value on such assets' disposals.

Residential properties development – Couture Homes

Couture Homes as a brand was born from the success of the purchase of a complex of detached houses in Tai Tam, Hong Kong in 2006 for a total consideration of approximately HK$331 million (including renovation costs). The properties in this complex were later sold in 2008 and 2009 for a total consideration of HK$555 million. Following the success of the Tai Tam project, Couture Homes was formally launched in 2010 to meet the demand of premium lifestyle residences which target potential customers willing to pay a premium for bespoke design and furnishings.

Set out below is a table of the Group's residential property developments held/committed for sale (including properties held under jointly-controlled entities) as at 30 September 2012:

Location	Use	Group's interest	Approximate gross floor area[a] (sq.ft.)	Approximate gross floor area Attributable to the Group (sq.ft.)	Market value[a]	Market value Attributable to the Group	Book cost[a]	Book cost Attributable to the Group
			('000)	**('000)**	(HK$'m)	**(HK$'m)**	(HK$'m)	**(HK$'m)**
Hong Kong								
Flat 1A, 2A & 3 Carparks, The Hampton, No. 45 Blue Pool Road, Happy Valley, Hong Kong	Residential	90.01%	7	**6**	146[b]	**131**	73	**66**
Flat 2B & 1 Carpark, The Hampton, No. 45 Blue Pool Road, Happy Valley	Residential	90.01%	3	**3**	84[c]	**76**	37	**33**
No. 47 Barker Road, The Peak, Hong Kong	Residential	100%	4	**4**	204[b]	**204**	204	**204**
Land in Kau To Shan New Territories, Hong Kong	Residential	100%	50	**50**	531[b]	**531**	531	**531**
Nos. 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential	50%	90	**45**	1,000[b]	**500**	1,000	**500**
Monterey Court, Nos. 47 and 49 Perkins Road, Jardine's Lookout, Hong Kong[d]	Residential	60%	73	**44**	1,403[b]	**842**	1,403	**842**
PRC								
Land in Qing Pu District, Shanghai, PRC	Residential	50%	643	**322**	1,182[b]	**591**	1,182	**591**

Notes:

(a) Approximate gross floor area, market value and book cost are on 100 per cent. interest basis.

(b) Market value was based on a valuation report as at 31 March 2012 conducted by independent qualified professional valuers or the actual sale and purchase agreement.

(c) Market value was based on the sale agreement to dispose of the property which completed in November 2012.

(d) Purchase agreement signed, completion took place in December 2012.

Details of the Group's major existing/committed residential development projects are set out below:

The Hampton, Happy Valley, Hong Kong

The Hampton was the first project undertaken under the Couture Homes brand. As at September 2012, of the total of 11 apartment units, 8 units had been sold for a combined total consideration of approximately HK$807 million. The sale of 1 further unit (Flat 2B) for HK$84 million was completed in November 2012. The Group is working on the interior design and furnishing work for the remaining 2 units, which the Group is looking to sell the remaining 2 units in 2013. The Group believes that it will continue to be able to attract buyers who are looking for premium lifestyle residences at a market price.

Nos. 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong

In October 2011 the Group acquired a 50 per cent. interest in a residential site at Nos. 33-39 Tung Lo Wan Road in Causeway Bay. The site is approximately 9,500 square feet with an estimated gross floor area of approximately 90,000 square feet. The Group is currently working with its joint-venture development partner on the project. The units will be bespoke in design. The Group aims to create over 130 high-end units at the Tung Lo Wan Road property, ranging in size from 400 square feet to over 2,000 square feet each. The site benefits from a desirable location. The Group is targeting pre-sale launch in 2013.

No. 47 Barker Road, the Peak, Hong Kong

In February 2011 the Group acquired a heritage site at No. 47 Barker Road, Hong Kong, for a total consideration of approximately HK$204 million, consisting of an individual house. The property was a rare purchase in the premier residential area on the Peak in Hong Kong. The project involves redesign and refurbishment to allow the property to blend with its existing historical facade and characteristics, with a targeted completion and sale date in 2014.

Land at Kau To Shan, New Territories, Hong Kong

In May 2012, Couture Homes won the Hong Kong government tender for a total consideration of approximately HK$531 million, consisting of a house lot of approximately 50,000 square feet in Kau To Shan, a luxury residential district in New Territories, Hong Kong. The site is expected to be developed into over 20 luxury villas of approximately 2,500 square feet each. The luxury villas are also expected to each include a private garden and swimming pool. The site benefits from a good location which provides views over the Shatin racecourse and the surroundings, as well as a convenient location of approximately 20 minutes drive to Central or the PRC border (when traffic conditions permit). The Group intends to target completion and sale of the units in 2014.

Land in Qingpu District, Shanghai, PRC

In June 2011 the Group completed the acquisition of a 50 per cent. interest in the prime residential site at Qingpu District in Shanghai, PRC. The site is situated in a high-end district in Shanghai, and is located only fifteen minutes by road from the Hong Qiao International Airport. The site comprises a gross floor area of approximately 643,000 square feet. The site is planned to be developed into approximately 250 luxury villas, each due to be greater than 3,000 square feet each. Couture Homes is working with its joint venture partner in the design and planning of the project with a view to completion and sale in 2014 to 2015.

Monterey Court, Jardine's Lookout, Hong Kong

In May 2012, the Group acquired (completion took place in December 2012) Monterey Court at Jardine's Lookout, a premier residential district in Hong Kong. The site comprises a gross floor area of approximately 73,000 square feet. The Group intends to redevelop the site to construct 2 luxury villas and 18 luxury apartments (such apartments expected to have a gross floor area of approximately 5,000 square feet each). The Group is targeting completion of the project's redevelopment by the end of 2016.

Asset Value

The Group's properties held for sale are stated at the lower of cost and net realisable value on an individual property basis in accordance with current accounting standards. The principal assets of the Group's jointly controlled entities are properties held for sale and stated at the lower of cost and net realisable value in accordance with current accounting standards.

In order to fully reflect the underlying economic value of the properties held for sale of the Group and its jointly controlled entities, the Group considers it appropriate also to present supplementary information on the Group's statement of net assets on the basis that the Group were to state its properties held for sale at their open market valuations as at 31 March 2012.

	At 31 March 2012
	(Unaudited)
	HK$'000
Net assets attributable to owners of the Guarantor (audited)	5,958,888
Add: Attributable revaluation surplus relating to the Group's properties held for sale (1)	2,663,691
Attributable revaluation surplus relating to properties held for sale by jointly controlled entities (2)	862,426
Net assets attributable to owners of the Guarantor as if the properties held for sale and interests in jointly controlled entities were stated at open market value (3)	9,485,005
Net assets per ordinary share as if the properties held for sale and interests in jointly controlled entities were stated at open market value	$1.15

(1) Based on open market valuations as at 31 March 2012 carried out by independent firms of qualified professional valuers except for those properties where sale and purchase agreements have been signed before the end of the reporting period, pursuant to which the relevant properties would be disposed of by the Group shortly after the reporting period are stated at transaction price as per the sale and purchase agreements.

(2) Based on open market valuation as at 31 March 2012 carried out by an independent firm of qualified professional valuers.

(3) Deferred tax liabilities have not been provided for the attributable surplus of the properties held for sale.

Borrowings

As at 30 September 2012, the Group's borrowings (net of cash and bank balances and deposits) amounted to HK$1,007 million (as compared with HK$240 million for the year ended 31 March 2012).

As at 30 September 2012, the gearing ratio of the Group was 29.3 per cent. (as compared with 29.4 per cent. for the year ended 31 March 2012) representing the Group's borrowings (including bank borrowings and convertible notes) of HK$2,842 million (as compared with HK$2,664 million for the year ended 31 March 2012) as compared to the total assets of the Group of HK$9,699 million (as compared with HK$9,050 million for the year ended 31 March 2012). All bank borrowings are conducted at subsidiary level for properties investments and working capital and are floating rate loans at either bank prime lending rates or short-term inter-bank offer rates.

Competition

The Group competes with other property investment holding companies engaged in property repositioning, development and investment in Hong Kong and the PRC for the acquisition of suitable commercial and/or residential properties. The Group has entered into a number of strategic joint venture arrangements with certain of its competitors which are typically project based only and such arrangements do not restrict them from competing with the Group on other projects. New competitors entering the market would also make it more competitive for the Group to acquire suitable properties but the Group believes that its cumulative experience in property investment, development, leasing and management enable it to compete effectively with its competitors.

Intellectual Property

The Group has obtained the trademark in Hong Kong in relation to its “Couture Homes” brand. As of the date of this Offering Circular, there have been no instances of any material abuse of the Group’s intellectual property rights.

Insurance

The Group is covered by industry standard insurance policies arranged with reputable insurance companies which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Nothwithstanding the Group’s insurance coverage, damage to the Group’s buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters could nevertheless have a material adverse effect on the Group’s financial condition and results of operations.

Employees

The Group employs approximately 60 staff in Hong Kong and 20 in the PRC. The Group’s employees are remunerated in line with the prevailing market as well as with reference to individual performance, with remuneration packages and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

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 state managed retirement benefit schemes charged to the consolidated income statement for the year ended 31 March 2012 were HK$1,998,000 (as compared with HK$1,274,000 for the year ended 31 March 2011), which represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

Share option schemes

2001 Scheme

On 13 June 2001, the Guarantor adopted a share option scheme (the "**2001 Scheme**"), for the primary purpose of providing incentives to directors and eligible employees. The options granted under the 2001 Scheme expired on 12 June 2011. Under the 2001 Scheme, the board of directors of the Guarantor were entitled to grant options to eligible employees, including executive directors of the Guarantor and its subsidiaries, to subscribe for shares in the Guarantor.

The total number of shares in respect of which options may have been granted under the 2001 Scheme was not permitted to exceed the higher of 10 per cent. of the shares of the Guarantor 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 have been granted to any individual was not permitted to exceed the higher of 25 per cent. 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 have been taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may have been 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 have at their discretion determined the specific exercise period. The exercise price was determined by the directors of the Guarantor, and was not less than the higher of 80 per cent. of the average closing price of the Guarantor's shares for the five business days immediately preceding the date of grant, and the nominal value of the Guarantor's shares.

The 2001 Scheme was terminated on 26 August 2002.

The number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme as at 31 March 2011 was 69,290,352, representing 0.8% of the issued share capital of the Guarantor at 31 March 2011. All of the outstanding options under the 2001 Scheme were exercised during the year ended 31 March 2012 and the same number of shares of the Guarantor were issued.

2002 Scheme

On 26 August 2002, the Guarantor adopted a new share option scheme (the "**2002 Scheme**"), for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme expired on 25 August 2012. Under the 2002 Scheme, the board of directors of the Guarantor were entitled to grant options to eligible employees, including executive directors of the Guarantor and its subsidiaries, to subscribe for shares in the Guarantor.

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

Options granted must have been 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 have been exercised at any time from the date of grant to 25 August 2012. In each grant of options, the board of directors may have at their discretion determined the specific exercise period. The exercise price was determined by the directors of the Guarantor, and was not less than the higher of (i) the closing price, (ii) the average price of the Guarantor's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Guarantor's shares.

There were limits on the number of share options under the 2002 Scheme that may have been 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 per cent. 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 Guarantor to the exercise of share options exceeding such limit.

At 31 March 2011 and 2012, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 256,425,750, representing, for the year ended 31 March 2012, 3.1 per cent. (as compared with 3.6 per cent. for the year ended 31 March 2011) of the issued share capital of the Guarantor.

For the year ended 31 March 2012, the weighted average closing price of the Guarantor's shares immediately before the dates on which the options were exercised was HK$0.32. No share options were exercised during the year ended 31 March 2011.

2012 Scheme

On 16 August 2012, the Guarantor adopted a new share option scheme (the "**2012 Scheme**"), for the primary purpose of providing incentives to directors and eligible employees. The 2012 Scheme will expire on 15 August 2022. Under the 2012 Scheme, the board of directors of the Guarantor may grant options to eligible employees, including executive directors of the Guarantor and its subsidiaries, to subscribe for shares in the Guarantor.

The total number of shares which may be issued upon exercise of all options granted under the 2012 Scheme (excluding those options that have already been granted by the Guarantor prior to date of approval of the 2012 Scheme) must not in aggregate exceed 10% of the shares in issue at the adoption date unless the Guarantor 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 15 August 2022. 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 Guarantor, and will not be less than the higher of (i) the closing price, (ii) the average price of the Guarantor's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Guarantor's shares.

Environmental and Safety Matters

The Group believes that as at the date of this Offering Circular, it is in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC which relate to its business and operations. As at the date of this Offering Circular, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

Government Regulations

The operations of the Group are subject to various laws and regulations in Hong Kong and the PRC. The Group's activities conducted on its investment and development properties are limited by zoning ordinances and other regulations. Developing properties, refurbishment and other redevelopment projects require government permits, some of which may take a longer time to obtain than others. The Group's properties are subject to routine inspections by government officials in relation to various safety and environmental issues. The Group believes that, as at the date of this Offering Circular, it is in compliance in all material respects with government safety regulations currently in effect. The Group has not experienced significant problems with any regulation with regard to these issues, and is not aware of any pending legislation on these issues that might have a material adverse effect on its properties.

Legal Proceedings

The Group is involved in litigation as part of its day to day business although neither the Guarantor nor its subsidiaries is presently involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

Contingent Liabilities

	As at 4 January 2013
	HK$'000
	(unaudited)
Guarantees given by the Guarantor and its subsidiaries for banking facilities granted to:	
Jointly controlled entities	647,570
Associates	237,000
	884,570
And utilised by:	
Jointly controlled entities	647,570
Associates	227,771
	875,341

In addition, the other joint venture partner of a jointly controlled entity of which the Guarantor and its subsidiaries held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant jointly controlled entity amounting to approximately HK$625 million. The banking facilities utilised by the relevant jointly controlled entity amounted to approximately HK$361 million as at 4 January 2013. A counter-indemnity in favour of the other joint venture partner is executed pursuant to which the Guarantor and its subsidiaries undertake to indemnify the other joint venture partner 50% of the liabilities arising from the above loan facilities.

RECENT DEVELOPMENTS

Equity placement of 1,212,200,000 shares in the Guarantor

On 18 October 2012, Earnest Equity Limited, Mr. Chung Cho Yee, Mico, and the Guarantor entered into a placing agreement with CLSA Limited and J.P. Morgan Securities (Asia Pacific) Limited as joint bookrunners (the "**Joint Bookrunners**") pursuant to which the Joint Bookrunners procured placees to purchase 1,212,200,000 shares (the "**Shares**") held by Earnest Equity Limited in the Guarantor. Earnest Equity Limited and the Guarantor entered into a subscription agreement pursuant to which Earnest Equity Limited conditionally agreed to subscribe for the Shares. The gross proceeds of the equity placement were approximately HK$406.1 million. The net proceeds of the equity placement were approximately HK$394.8 million and are intended to be applied towards future property investments and as general working capital of the Group.

DIRECTORS

The members of the board of directors of the Guarantor as at the date of this Offering Circular are as follows:

Name	Age	Position
CHUNG Cho Yee Mico	52	Chairman and Executive Director
KAN Sze Man	40	Executive Director
CHOW Hou Man	42	Executive Director
WONG Chung Kwong	61	Executive Director
LAM Lee G.	53	Independent Non-Executive Director
WONG Sin Just	46	Independent Non-Executive Director
CHENG Yuk Wo	52	Independent Non-Executive Director

Chairman and Executive Director

Mr. Chung Cho Yee, Mico, aged 52, Chairman and Executive Director of the Guarantor, joined the Group in 2004. He is a director of certain subsidiaries of the Group. He is also the Chairman of the Executive Committee and the Nomination Committee, and a member of the Remuneration Committee of the Board. Mr. Chung 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 HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust and an independent non-executive director of HKC (Holdings) Limited, the shares of both of which are listed on the Stock Exchange. He was a non-executive director of PCCW Limited whose shares are also listed on the Stock Exchange.

Executive Directors

Mr. Kan Sze Man, aged 40, joined the Group as Group General Counsel in 2001. He is a director of certain subsidiaries and associates of the Group and a member of the Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as a solicitor in Hong Kong in 1997. He has worked in the commercial department of Mayer Brown JSM (then known as Johnson Stokes & Master) and Freshfields Bruckhaus Deringer, 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 Chairman of the Guarantor and the controlling shareholder of the Guarantor.

Mr. Chow Hou Man, aged 42, joined the Group as Group Chief Financial Officer in 2001. He is a director of certain subsidiaries and associates of the Group and a member of the Executive Committee of the Board. Mr. Chow graduated from Baptist University in Hong Kong and holds a Master of Business Administration degree from Hong Kong Polytechnic University. He has over 18 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 61, joined the Group in 2004 as General Manager of the Group Property Division and is responsible for the property related investments of the Group. He is also a director of certain subsidiaries of the Group and a member of the Executive Committee of the Board. Mr. Wong has been working in the local and mainland real estate markets for about 40 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 the PRC and Hong Kong.

Independent Non-Executive Directors

Dr. Lam Lee G., aged 53, joined the Group in 2001. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, investment banking and fund management across the telecommunications, media and technology (TMT), retail/consumer, infrastructure/real estates and financial services sectors. 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 from the City University of Hong Kong, a Master of Laws from the University of Wolverhampton in the UK, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS and a Doctor of Philosophy from the University of Hong Kong.

Dr. Lam 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 and as a Member of the Legal Aid Services Council of Hong Kong, Dr. Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (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 (YPO), a Member of the Chief Executives Organization (CEO), a Fellow of the Hong Kong Institute of Directors, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Real Estate Association, a founding Board Member and the Honorary Treasurer of the Hong Kong–Vietnam Chamber of Commerce, a Board Member of the Australian Chamber of Commerce in Hong Kong, a Board Member of Hong Kong Education City Limited, and a visiting professor (in the fields of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

Dr. Lam is an independent non-executive director of Hutchison Harbour Ring Limited, Far East Holdings International Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Glorious Sun Enterprises Limited and Imagi International Holdings Limited (shares of all these are listed on the main board of the Stock Exchange) and a non-executive director of Sunwah Kingsway Capital Holdings Limited (shares of all these are listed on the main board of the Stock Exchange). He was an independent non-executive director of China.com Inc. up to March 2011, Finet Group Limited up to January 2011, Sino Resources Group Limited up to March 2011 and Mingyuan Medicare Development Company Limited up to May 2012 (shares of all these are listed on the Stock Exchange) and TMC Life Sciences Berhad (shares of which are listed on Bursa Malaysia).

Dato' Wong Sin Just, aged 46, joined the Group in 2001. He is a member of the Audit Committee of the Board. 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 Group. Dato' Wong is currently the non-executive chairman of Westminster Travel Limited, the shares of all of which are listed on the Singapore Stock Exchange Limited, In addition, he is an independent non-executive director of China Zenith Chemical Group Limited, whose shares are listed on the Stock Exchange. Dato' Wong was also a non-executive director of Suncorp Technologies Limited up to October 2009, China Renji Medical Group Limited up to December 2009, an independent non-executive director of China.com Inc. up to March 2011, all of which shares are listed on the Stock Exchange, and a non-independent non-executive director of Intelligent Edge Technologies Berhad up to January 2010, the shares of which are listed on the Malaysia MESDAQ.

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.

Mr. Cheng Yuk Wo, aged 52, joined the Group in 2002. He is Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Board. 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 has 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 an executive director of 21 Holdings Limited and an independent non-executive director of C.P. Lotus Corporation, Chong Hing Bank Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited, Imagi International Holdings Limited, CPMC Holdings Limited, Top Spring International Holdings Limited and South China Land Limited, the shares of both of which are listed on the Stock Exchange. 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.

Senior Management

Hong Kong

Mr. Leung Chi Tien, Steve, joined the Group in 2012 and is the Vice Chairman of Couture Homes, a wholly-owned subsidiary of the Group. He is a leading award-winning architect and designer recognised internationally. He graduated from the University of Hong Kong with a Bachelor of Architecture degree and holds a Master of Urban Planning degree from the University of Hong Kong. Mr. Leung is a Registered Architect and is the founder of Steve Leung Designs Limited which has offices in Hong Kong, Shenzhen, Shanghai and Beijing.

Mr. Fong Man Bun, Jimmy, joined the Group in 2011 and is a Managing Director of Couture Homes. Mr. Fong is also responsible in identifying and advising on residential development and investment for both acquisition and disposal planning for the Group. Mr. Fong has over 20 years experience in luxury residential real estate project development and investment. He has worked as a Director of Savills Hong Kong Limited (formerly known as First Pacific Davis) since 1993. Mr. Fong worked in Shanghai, PRC in the 1990s and also in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989.

Mr. Fung Wing Kwong, Arnold, joined the Group in 2012 and is a Managing Director of Couture Homes. He graduated from the University of Hong Kong with a Bachelor of Architecture degree and holds a Master of Business Administration degree from the University of Southern California, USA. Mr. Fung is a Registered Architect and Authorized Person – Architect in Hong Kong and has over 28 years of experience in both architectural and interior design field. He is a member of the Hong Kong Institute of Architects, the Royal Institute of British Architects, Royal Architectural Institute of Canada, and Ontario Association of Architects and has a PRC Class 1 Registered Architect Qualification. Mr. Fung joined the Group in 2012 immediately prior to which he was an Executive Director of Steve Leung Designs Limited. Some of Arnold's key projects include The Hampton, AXA building refurbishment, restaurant designs in the Cubus in Causeway Bay and architectural and interior design works at numerous luxury residential projects in China and Hong Kong.

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 postgraduate diploma in urban planning and inner city renewal course from the Institute of Housing and Urban Development Studies, Rotterdam, Netherlands in 1993 and a management master degree from the Norwegian School of Management (BI), and an EMBA from the Antai School of Management, Jiao Tong University.

The Board of Directors of the Guarantor

The Guarantor has four regular board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the general executive board committee (the "**General Executive Board Committee**"), to oversee the businesses and corporate governance of the Guarantor and its subsidiaries.

Audit Committee

The Audit Committee, which is comprised only of Independent Non-Executive Directors, 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 13 March 2012.

The current members of the Audit Committee are Cheng Yuk Wo (Chairman), Wong Sin Just and Lam Lee G.

Remuneration Committee

The Remuneration Committee, which is comprised of a majority of Independent Non-Executive Directors, 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 and revised on 13 March 2012.

The current members of the Remuneration Committee are Cheng Yuk Wo (Chairman), Chung Cho Yee, Mico and Lam Lee G.

General Executive Board Committee

A General Executive Board Committee comprised of the executive directors was formed with terms of reference adopted on 21 June 2005 and revised on 14 March 2011.

The current members of the General Executive Board Committee are Chung Cho Yee, Mico (Chairman), Kan Sze Man, Chow Hou Man and Wong Chung Kwong.

Nomination Committee

The Nomination Committee, which is comprised of a majority of Independent Non-Executive Directors, was established on 13 March 2012 with its terms of reference adopted on the same day.

The current members of the Nomination Committee are Chung Cho Yee, Mico (Chairman), Lam Lee G. and Cheng Yuk Wo.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Directors' interests in share capital

As at 7 January 2013, the interests and short positions of the Directors and the chief executive of the Guarantor in shares, underlying shares or debentures of the Guarantor 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 Guarantor and 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 deemed 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 Guarantor 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 Guarantor 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 Guarantor	4,211,362,062 (L)	–	44.24
	Interest of controlled corporation	The Guarantor	4,208,317,062 (L)	–	44.21
Kan Sze Man	Beneficial owner	The Guarantor	23,790,500 (L)	–	0.25
Chow Hou Man	Beneficial owner	The Guarantor	20,088,569 (L)	–	0.21

Notes:

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

(2) Mr. Chung is the beneficial owner of 4,211,362,062 shares in the Guarantor (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 4,208,317,062 shares). Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("**Digisino**"). The entire issued share capital of Digisino is held by Mr. Chung and thus 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.

Save as disclosed above, as at 7 January 2013, none of the Directors and chief executive of the Guarantor had any interest in any securities of the Guarantor or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Guarantor 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 Guarantor and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, at no time during the year ended 31 March 2012, was the Guarantor or its subsidiaries, a party to any arrangements to enable the directors of the Guarantor to acquire benefits by means of the acquisition of shares in, or debentures of, the Guarantor or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance, to which the Guarantor or its subsidiaries was a party and in which a director of the Guarantor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2012.

Substantial Shareholders' interests in share capital

As at 7 January 2013, according to the register kept by the Guarantor pursuant to Section 336 of SFO, and so far as is known to any Directors or the Guarantor, no person, other than a Director or chief executive of the Guarantor, had any interest or short position in shares and underlying shares which would fall to be disclosed to the Guarantor under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that neither the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

Bermuda

Tax

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Guarantor or any shareholders who are resident outside Bermuda. Furthermore, the Guarantor has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computer on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, be applicable to the Guarantor or to any of its operations, or to shares, debentures or other obligations of the Guarantor except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Guarantor except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Guarantor or to land in Bermuda leased or let to the Guarantor.

Stamp duty

As an exempted company, the Guarantor is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Guarantor, the shareholders and the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

British Virgin Islands

As the Issuer is incorporated pursuant to the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands ("**BVI**") (i) payment of principal, premium, (if any) and interest in respect of the Notes will not be subject to taxation in the BVI, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Note save for interest payable to an individual resident in the European Union on any payment to or by the Issuer by way of principal or interest on borrowings, and (iii) the Notes will not be liable to stamp duty in the BVI. Gains derived from the sale of the Notes by persons who are non resident in the BVI or not otherwise liable to BVI income tax will not be subject to BVI income tax. The BVI currently has no capital gains, estate duty, inheritance tax or gift tax.

The European Union Savings Directive (the "**Directive**") on the taxation of savings income in the form of interest payments took effect on 1 July 2005. The aim of this Directive is to enable savings income in the form of interest payments made in one Member State to beneficial owners who are individuals resident in another Member State to be made subject to effective taxation in accordance with the laws of the latter Member State.

Pursuant to the bilateral agreements that the BVI has entered into with each of the Member States, the BVI has given paying agents the option to offer beneficial owners the choice of having withholding tax on interest payments deducted at source or information about such payments exchanged with the relevant Member State.

The Directive specifies that any jurisdiction implementing the withholding tax must set up procedures to allow beneficial owners to opt not to pay a withholding tax either by authorising the paying agent to report information or by providing a tax certificate drawn up by their competent authority.

Under the withholding tax option, a BVI paying agent will automatically deduct tax from interest payments. The paying agent will pay the withholding tax to the Commissioner of Inland Revenue in the BVI. Seventy-five per cent. of the withholding tax levied will be remitted to the tax authorities in the receiving Member State and the Commissioner of Inland Revenue will retain 25 per cent.

Receiving Member States will not receive information relating to the beneficial owner. Under the automatic exchange of information option, the Directive requires the following information be collected by the BVI paying agent:

(a) the identity and residence of the beneficial owner;

(b) the name and address of the paying agent;

(c) the account number of the beneficial owner; and

(d) information concerning the savings income.

This information must be reported by the BVI paying agent at least once a year to the competent authority in the country where the account is held and forwarded to the competent authority of the country where the beneficial owner resides.

Hong Kong

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Securities arising under the laws of any other taxing jurisdiction.

Withholding tax

Under current Hong Kong legislation, no tax in Hong Kong is required to be withheld from or chargeable on payments of principal or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes is not subject to Hong Kong profits tax except under the following circumstances:

(i) interest on the Notes is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Securities will be subject to profits tax.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of a Note.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 commenced operation on 11 February 2006. Estates of persons who pass away on or after the commencement date of that ordinance are not subject to Hong Kong estate duty.

EU Directive on the Taxation Of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc and Merrill Lynch International (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 9 January 2013 among the Issuer, the Guarantor and the Joint Lead Managers, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the Issue Price (100 per cent. of their principal amount), any subsequent offering of the Notes to investors may be at a price different from the Issue Price. The Issuer has agreed to pay the Joint Lead Managers certain fees and an underwriting commission, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and to indemnify the Joint Lead Managers against certain liabilities in connection with the offering and sale of the Notes. In addition, the Issuer has agreed to pay to certain private banks a commission based on the principal amount of the Notes purchased by private bank clients. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes. The Joint Lead Managers and certain of their affiliates may have performed investment banking and advisory services for the Guarantor from time to time, for which they may have received customary fees and expenses. The Joint Lead Managers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Guarantor in the ordinary course of business.

The Joint Lead Managers and certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers and their respective affiliates may purchase the Notes for their own accounts and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States, except in accordance with Rule 903 of Regulation S. In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Joint Lead Manager has represented, warranted and undertaken that it will not make an offer of Notes which is the subject of the offering contemplated by this Offering Circular to the public in the Netherlands unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in the Netherlands.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in the Netherlands in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Netherlands by any measure implementing the Prospectus Directive in the Netherlands, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Netherlands, and includes any relevant implementing measure in the Netherlands, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

Hong Kong

Each Joint Lead Manager has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) (the "**SFO**") of Hong Kong and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) (the "**CO**") of Hong Kong or which do not constitute an offer to the public within the meaning of the CO; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Joint Lead Manager has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, as amended (the "**SFA**"). Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Bermuda

Each Joint Lead Manager has acknowledged that: (i) this Offering Circular, the Notes and any other document relating to the Notes are not subject to, and have not received approval from either the Bermuda Monetary Authority or the Registrar of Companies in Bermuda and no statement to the contrary, explicit or implicit, is authorised to be made in this regard; (ii) for the purposes of the Companies Act 1981 of Bermuda (as amended), the Notes being offered hereby are being offered on a private basis to investors who satisfy the criteria outlined in any of the documents relating to the Notes; (iii) the Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda (as amended); (iv) non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorised to do so under applicable Bermuda legislation; and (v) engaging in the activity of offering or marketing the securities being offered in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that it has not and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The securities codes for the Notes are as follows:

Common Code:	085733974
ISIN:	XS0857339740

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in the British Virgin Islands in connection with the issue and performance of the Notes. The Guarantor has obtained all necessary consents, approvals and authorisations in Bermuda in connection with the Guarantee of the Notes. The issue of the Notes was authorised by written resolutions of the directors of the Issuer dated 7 January 2013 and the giving of the Guarantee of the Notes was authorised by a resolution of the General Board Executive Committee of the Guarantor passed on 7 January 2013.

3. **Listing of the Notes:** Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Guarantor shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note Certificate is exchanged for Individual Certificates. In addition, in the event that the Global Note Certificate is exchanged for Individual Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Individual Certificates, including details of the paying agent in Singapore, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Guarantor or the Group since 30 September 2012.

5. **Litigation:** Except as disclosed in this Offering Circular, neither the Issuer, the Guarantor nor any member of the Group is involved in any governmental, legal or arbitration proceedings which is material in the context of the issue of the Notes, nor is the Issuer, the Guarantor or any member of the Group aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the latest annual report, the most recently published consolidated financial statements of the Guarantor and the latest interim report and unaudited interim consolidated financial information of the Guarantor may be obtained free of charge, and copies of the Agency Agreement (which includes the form of the Global Note Certificate), the Deed of Covenant and the Deed of Guarantee, will be available for inspection at the specified office of the Guarantor at 3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours, so long as any of the Notes is outstanding. The Guarantor publishes unaudited consolidated interim financial information every year for the six months ended 30 September.

7. **Auditor:** The consolidated financial statements of the Guarantor for each of the years ended 31 March 2011 and 2012 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

8. **Issuer's Financial Statements:** Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any of its financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

INDEX TO FINANCIAL STATEMENTS

The following are extracted from the unaudited condensed consolidated interim financial statements of the Guarantor and its subsidiaries for the six months ended 30 September 2012 as they appear in the 2012 interim report, and the audited consolidated financial statements of the Guarantor and its subsidiaries for the years ended 31 March 2012 and 31 March 2011 together with their respective independent auditors' reports as they appear in the 2012 annual report and the 2011 annual report of the Group, respectively.

References to page numbers in the audited consolidated financial statements refer to the original page numbers in the 2012 and 2011 annual reports, and cross-references to page numbers included in the independent auditors' report are to such original page numbering.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 MARCH 2012

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 MARCH 2011

Deloitte.
德勤

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Hong Kong

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CSI PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 27, which comprise the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 November 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	NOTES	Six months ended 30 September 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue		**793,017**	2,510,827
Cost of sales		**(314,676)**	(1,147,415)
Gross profit		**478,341**	1,363,412
Income and gains (losses) from investments	4	**51,788**	(41,931)
Other gains and losses	5	**46**	(3,495)
Other income		**14,182**	7,311
Administrative expenses		**(90,087)**	(99,019)
Finance costs	6	**(33,255)**	(25,710)
Share of results of jointly controlled entities		**1,537**	30,169
Share of results of associates		**14,044**	155,964
Profit before taxation		**436,596**	1,386,701
Taxation	7	**(46,552)**	(71,183)
Profit for the period	8	**390,044**	1,315,518
Profit for the period attributable to:			
Owners of the Company		**372,969**	1,312,060
Non-controlling interests		**17,075**	3,458
		390,044	1,315,518
Earnings per share (HK cents)	10		
– Basic		**4.5**	16.0
– Diluted		**4.5**	15.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**390,044**	1,315,518
Other comprehensive income		
Exchange differences arising on translation of foreign operations for the period	**(19,817)**	33,580
Released on disposal of an associate	**–**	4,737
Change in fair value of available-for-sale investments	**4,392**	890
	(15,425)	39,207
Total comprehensive income for the period	**374,619**	1,354,725
Total comprehensive income attributable to:		
Owners of the Company	**357,544**	1,351,267
Non-controlling interests	**17,075**	3,458
	374,619	1,354,725

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	NOTES	**30 September 2012 HK$'000 (unaudited)**	31 March 2012 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment	11	**691,072**	732,558
Available-for-sale investments		**71,822**	67,430
Conversion options embedded in convertible notes		**21,826**	20,180
Long-term loan receivables	12	**88,317**	14,040
Club memberships		**6,860**	6,860
Interests in jointly controlled entities	13	**1,281,419**	1,181,518
Amounts due from jointly controlled entities	14	**965,754**	498,657
Deposit paid for establishment of a jointly controlled entity	14	**–**	118,400
Interests in associates		**61,338**	47,285
Amount due from an associate	14	**759**	768
		3,189,167	2,687,696
Current Assets			
Trade and other receivables	15	**45,392**	41,724
Deposit paid for acquisition of properties held for sale		**453,689**	72,871
Properties held for sale	16	**3,079,904**	3,241,836
Properties under development for sale	17	**532,012**	–
Investments held for trading		**547,928**	551,392
Taxation recoverable		**4,086**	9,255
Cash held by securities brokers		**12,491**	20,832
Bank balances and cash		**1,834,735**	2,424,037
		6,510,237	6,361,947

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2012

	NOTES	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Current Liabilities			
Other payables and accruals	18	**135,267**	85,441
Taxation payable		**242,924**	214,597
Amounts due to jointly controlled entities	14	**5,323**	457
Amounts due to associates	14	**68,399**	68,399
Amounts due to non-controlling shareholders of subsidiaries	14	**180,663**	28,658
Convertible notes – due within one year	19	**–**	9,398
Derivative financial instruments		**4,237**	–
Bank borrowings – due within one year	20	**792,810**	726,169
		1,429,623	1,133,119
Net Current Assets		**5,080,614**	5,228,828
		8,269,781	7,916,524
Capital and Reserves			
Share capital	21	**66,447**	65,865
Reserves		**6,105,509**	5,893,023
Equity attributable to owners of the Company		**6,171,956**	5,958,888
Non-controlling interests		**30,558**	13,483
Total Equity		**6,202,514**	5,972,371
Non-Current Liabilities			
Bank borrowings – due after one year	20	**2,049,247**	1,928,303
Derivative financial instrument		**–**	7,312
Deferred tax liabilities	22	**18,020**	8,538
		2,067,267	1,944,153
		8,269,781	7,916,524

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	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)	Contributed surplus HK$'000 (Note b)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible note equity reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012 (audited)	65,865	1,228,256	371	1,698	276,058	59,685	6,999	7,323	834	4,311,799	5,958,888	13,483	5,972,371
Profit for the period	–	–	–	–	–	–	–	–	–	372,969	372,969	17,075	390,044
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(19,817)	–	–	–	–	(19,817)	–	(19,817)
Increase in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	4,392	–	–	–	4,392	–	4,392
Total comprehensive income for the period	–	–	–	–	–	(19,817)	4,392	–	–	372,969	357,544	17,075	374,619
Issue of shares upon exercise of share options	582	5,854	–	–	–	–	–	–	–	–	6,436	–	6,436
Transfer on redemption of convertible notes upon maturity	–	–	–	–	–	–	–	–	(834)	834	–	–	–
Disposal of partial interest in a subsidiary without losing control (note 23)	–	–	–	48,430	–	–	–	–	–	–	48,430	–	48,430
Lapse of share options	–	–	–	–	–	–	–	(7,323)	–	7,323	–	–	–
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	–	(199,342)	(199,342)	–	(199,342)
At 30 September 2012 (unaudited)	66,447	1,234,110	371	50,128	276,058	39,868	11,391	–	–	4,493,583	6,171,956	30,558	6,202,514
At 1 April 2011 (audited)	65,311	1,221,459	371	1,698	276,058	21,474	3,170	7,136	17,788	2,623,070	4,237,535	(721)	4,236,814
Profit for the period	–	–	–	–	–	–	–	–	–	1,312,060	1,312,060	3,458	1,315,518
Exchange differences arising on translation of foreign operations	–	–	–	–	–	33,580	–	–	–	–	33,580	–	33,580
Released on disposal of an associate	–	–	–	–	–	4,737	–	–	–	–	4,737	–	4,737
Increase in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	890	–	–	–	890	–	890
Total comprehensive income for the period	–	–	–	–	–	38,317	890	–	–	1,312,060	1,351,267	3,458	1,354,725
Issue of shares upon exercise of share options	554	6,797	–	–	–	–	–	–	–	–	7,351	–	7,351
Transfer on redemption of convertible notes upon maturity	–	–	–	–	–	–	–	–	(8,046)	8,046	–	–	–
Transfer on early redemption of convertible notes	–	–	–	–	–	–	–	–	(8,908)	8,908	–	–	–
Recognition of equity – settled share-based payments	–	–	–	–	–	–	–	184	–	–	184	–	184
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	–	(82,331)	(82,331)	–	(82,331)
At 30 September 2011 (unaudited)	65,865	1,228,256	371	1,698	276,058	59,791	4,060	7,320	834	3,869,753	5,514,006	2,737	5,516,743

Notes:

(a) The capital reserve as of 1 April 2012 represents the Group's share of the deemed capital contribution arising from interest free loans granted to an associate by its shareholders and the difference between the amount of non-controlling interests disposed of and the fair value of consideration received.

The capital reserve during the six months ended 30 September 2012 represents the difference between the carrying amount of the 40% interest transferred, and the consideration received, net of tax provision, in relation to the disposal of partial interest in Eagle Wonder Limited ("Eagle Wonder").

(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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	NOTES	Six months ended 30 September 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash (used in) from operating activities:			
Increase in properties under development for sale		**(532,012)**	–
Increase in deposit paid for acquisition of properties held for sales		**(388,179)**	(34,947)
(Increase) decrease in trade and other receivable		**(3,668)**	106,301
Decrease (increase) in investments held for trading		**22,793**	(36,428)
Increase in other payables and accruals		**49,826**	111,721
Decrease (increase) in properties held for sales		**165,899**	(185,305)
Net cash inflows from other operating activities		**534,075**	1,179,476
		(151,266)	1,140,818
Net cash used in investing activities:			
Advances to an associate and jointly controlled entities		**(635,570)**	(138,836)
Increase in loan receivables		**(74,277)**	–
Purchase of property, plant and equipment		**(169)**	(1,949)
Decrease in cash held by securities brokers		**8,341**	112,256
Repayment from jointly controlled entities		**53,688**	–
Investment in a jointly controlled entity		**–**	(500,000)
Deposit paid for acquisition of interest in a jointly controlled entity		**–**	(250,000)
Proceed from disposal of an associate		**–**	22,000
Repayment from an associate		**–**	89,360
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	24	**–**	113,904
Dividend received from an associate and a jointly controlled entity		**–**	122,398
Net cash inflows from other investing activities		**10,031**	6,566
		(637,956)	(424,301)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the six months ended 30 September 2012

	NOTES	Six months ended 30 September 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash from (used in) financing activities:			
Dividends paid		**(199,342)**	(82,331)
Repayments of borrowings		**(148,807)**	(639,150)
Redemption of convertible notes		**(9,550)**	(174,350)
Proceeds from disposal of partial interest in a subsidiary	23	**58,000**	–
Advances from non-controlling shareholders of subsidiaries		**152,005**	2,697
New borrowings raised		**336,392**	641,600
Net cash inflows from other financing activities		**11,222**	6,278
		199,920	(245,256)
Net (decrease) increase in cash and cash equivalents		**(589,302)**	471,261
Cash and cash equivalents at beginning of the period		**2,424,037**	1,721,786
Cash and cash equivalents at end of the period, represented by bank balances and cash		**1,834,735**	2,193,047

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 7	Financial Instruments: Disclosure – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance, are summarised as follows:

(a) Property holding segment, which engages in the investment and trading of properties and hotel operation;

(b) Strategic investment segment, which engages in property holding 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.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the six months ended 30 September 2012 (unaudited)				
Gross proceeds	793,017	–	371,222	1,164,239
Revenue				
Rental income/hotel operation	108,892	–	–	108,892
Sales of properties held for sale	684,125	–	–	684,125
	793,017	–	–	793,017
Interest income and dividend income	–	–	22,406	22,406
Share of results of jointly controlled entities (Note ii)	–	1,537	–	1,537
Share of results of associates (Note ii)	–	14,044	–	14,044
Segment revenue	793,017	15,581	22,406	831,004
Segment profit	412,743	17,660	41,239	471,642
Unallocated other income				12,102
Other gains and losses				46
Central administrative costs				(13,939)
Finance costs				(33,255)
Profit before taxation				436,596

Notes:

(i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.

(ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the six months ended 30 September 2011 (unaudited)				
Gross proceeds	2,510,827	–	91,446	2,602,273
Revenue				
Rental income/hotel operation	109,376	–	–	109,376
Sales of properties held for sale	2,401,451	–	–	2,401,451
	2,510,827	–	–	2,510,827
Interest income and dividend income	–	–	12,444	12,444
Share of results of jointly controlled entities (Note ii)	–	30,169	–	30,169
Share of results of associates (Note ii)	–	155,964	–	155,964
Segment revenue	2,510,827	186,133	12,444	2,709,404
Segment profit	1,319,897	198,881	(42,980)	1,475,798
Unallocated other income				7,311
Other gains and losses				(16,243)
Central administrative costs				(54,455)
Finance costs				(25,710)
Profit before taxation				1,386,701

Notes:

(i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.

(ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

Segment profit (loss) represents profit (loss) earned/incurred by each segment, interest income, dividend income, fair value change of investments, gain on disposal of an associate and share of results of jointly-controlled entities and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, 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.

3. SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by reportable and operating segments:

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Property holding	**4,617,499**	3,899,353
Strategic investment	**2,309,270**	1,846,628
Securities investment	**658,264**	655,316
Total segment assets	**7,585,033**	6,401,297
Property, plant and equipment	**171,344**	179,667
Cash held by securities brokers	**12,491**	20,832
Bank balances and cash	**1,834,735**	2,424,037
Other unallocated assets	**95,801**	23,810
Consolidated assets	**9,699,404**	9,049,643

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, taxation recoverable, certain other receivables, cash held by securities brokers and bank balances and cash.

4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	Six months ended 30 September	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Interest income from		
– investments held for trading	**19,498**	11,817
– available-for-sale investments	**2,099**	300
Dividend income from		
– investments held for trading	**811**	229
– available-for-sale investments	**–**	98
Increase (decrease) in fair values of		
– investments held for trading	**27,845**	(65,402)
– conversion options embedded in convertible notes	**1,646**	(1,500)
– derivative financial instruments	**(111)**	(2,986)
Gain on derecognition of investments in convertible notes (included in available-for-sale investments) (Note)	**–**	15,513
	51,788	(41,931)

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

Note: The amount represented gain on derecognition of the investment in the convertible notes issued by ITC Properties Group Limited ("ITCP") which were acquired in previous years and matured in May 2011 (the "Old ITCP CB"). During the six months ended 30 September 2011, the Group accepted the offer by ITCP to repurchase the Old ITCP CB with new convertible bonds of the principal amount of HK$26,400,000 issued by ITCP (the "New ITCP CB"). The difference between the then carrying amount of the Old ITCP CB and the fair value of the New ITCP CB at the date of repurchase was therefore recognised as a gain on derecognition of the investment in the convertible notes in the condensed consolidated income statements.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other gains (losses) comprise:		
Exchange gain	**46**	454
Gain on disposal of an associate	**–**	12,748
Loss on early redemption of convertible notes (Note)	**–**	(16,697)
	46	(3,495)

Note: During the six months ended 30 September 2011, the Company exercised its early redemption rights by serving notice to the noteholder, an independent third party, to redeem all of the then outstanding 2012 Convertible Notes II (as defined in note 19) at a consideration of HK$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on early redemption of HK$16,697,000.

6. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	**17,936**	11,405
Bank borrowings not wholly repayable within five years but contain a repayment on demand clause in the loan agreement	**1,590**	2,085
Bank borrowings not wholly repayable within five years	**11,980**	10,200
Convertible notes wholly repayable within five years	**232**	2,020
Other borrowings	**1,517**	–
	33,255	25,710

7. TAXATION

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	**47,219**	73,400
(Over) under provision in prior years	**(579)**	16
	46,640	73,416
Deferred taxation (note 22)	**(88)**	(2,233)
	46,552	71,183

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	**–**	–
Salaries and other benefits	**8,070**	7,770
Performance-related incentive bonus	**9,568**	51,000
Contributions to retirement benefits schemes	**404**	140
Share-based payments	**–**	49
	18,042	58,959
Other staff costs:		
Salaries and other benefits	**11,787**	8,629
Performance-related incentive bonus	**2,472**	12,000
Contributions to retirement benefits schemes	**547**	562
Share-based payments	**–**	135
	14,806	21,326
Total staff costs	**32,848**	80,285
Depreciation of property, plant and equipment	**41,653**	5,486
Cost of properties held for sales recognised as an expense	**279,156**	1,088,040
and after crediting:		
Bank interest income	**10,031**	6,474

9. DIVIDENDS

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Final dividend of HK2.4 cents (2011: HK1.0 cent) per share recognised as distribution for the year ended 31 March 2012 (2011: for the year ended 31 March 2011) and paid during the period	**199,342**	82,331

The directors do not recommend the payment of an interim dividend for the period (2011: nil).

10. 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:

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**372,969**	1,312,060
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**222**	1,340
Earnings for the purpose of diluted earnings per share	**373,191**	1,313,400

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 September 2012 Number of shares	2011 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**8,300,176**	8,221,643
Effects of dilutive potential ordinary shares (in thousands):		
Share options	**77,773**	137,553
Convertible notes	**10,496**	108,498
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**8,388,445**	8,467,694

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during both periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$169,000 (six months ended 30 September 2011: HK$1,949,000) on additions of the property, plant and equipment.

12. LONG-TERM LOAN RECEIVABLES

The Group offers loans to buyers of properties sold by the Group and the repayment terms of the loan are specified in the loan agreement.

The Group's long-term loan receivables are denominated in Hong Kong dollars, the functional currency of the relevant group entity, and carry interest rates at prime rate minus a fixed margin per annum and are secured by second mortgage over the property acquired by the purchaser. The effective interest rate of the loan receivable is 3.78% (31 March 2012: 3.78%) per annum. The receivable is to be settled within 1 to 2 years by instalments and a lump-sum at maturity.

13. MOVEMENTS IN JOINTLY CONTROLLED ENTITIES

During the period, the Group set up Cyrus Point Limited ("Cyrus Point"), an entity jointly controlled by the Group and the joint venture partner, which is an independent third party, and owned as to 50% of the issued share capital by each of the Group and the joint venture partner. In addition, each of the Group and the joint venture partner advanced an amount of HK$610,450,000 to Cyrus Point as additional capital resources. The amount advanced by the Group is included in amounts due from jointly controlled entities, as set out in note 14.

During the period, Cyrus Point acquired the entire interest in Surplus King Grand Investment Holding Limited, an entity incorporated in the British Virgin Islands whose subsidiaries are engaged in principal business of hotel operation and have principal asset of a hotel property in Hong Kong.

The acquisition was completed in July 2012 and the Group for the purpose of its equity accounting of Cyrus Point is still assessing the fair values of identifiable assets and liabilities of the acquiree.

14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/ NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/DEPOSIT PAID FOR ESTABLISHMENT OF A JOINTLY CONTROLLED ENTITY

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Amounts due from jointly controlled entities included in non-current assets (Note i)	**965,754**	498,657
Amount due from an associate included in non-current assets (Note ii)	**759**	768
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iii)	**180,663**	28,658
Amounts due to jointly controlled entities included in current liabilities (Note iv)	**5,323**	457
Amounts due to associates included in current liabilities (Note iv)	**68,399**	68,399
Deposit paid for establishment of a jointly controlled entity (Note v)	**–**	118,400

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

14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/ NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/DEPOSIT PAID FOR ESTABLISHMENT OF A JOINTLY CONTROLLED ENTITY (Continued)

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. During the period, the Group advanced an aggregate amount of HK$635,570,000 (six months ended 30 September 2011: HK$137,236,000) to its jointly controlled entities. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Accordingly, the amounts were classified as non-current.

At the end of the reporting period, the carrying amount is determined based on present value of future cash flows of the principal amount of HK$1,215,855,000 (31 March 2012: HK$600,009,000) discounted using effective interest rates ranging from 6% to 6.21% (31 March 2012: 6.9%) per annum. The corresponding adjustment is recognised against the interest in the relevant jointly controlled entities.

In addition, included in the amounts is share of loss of a jointly controlled entity of HK$4,000 (31 March 2012: HK$5,364,000) allocated in excess of the cost of investment.

(ii) The amount was unsecured, non-interest bearing and repayable on demand. The directors considered that the amount form part of the net investment in the associate and the amount was therefore classified as non-current. The directors of the Company considered the carrying amount of the balance approximated its fair value.

Included in the amounts is share of loss of an associate of HK$1,341,000 (31 March 2012: HK$8,832,000) allocated in excess of the cost of investment.

(iii) Included in the balance as at 30 September 2012, the amount of HK$137,595,000 (31 March 2012: Nil) is unsecured, carrying interest at 1% above the prime rate and without fixed term of repayment. The remaining balance as at 30 September 2012 and the whole balance as at 31 March 2012 are unsecured, non-interest bearing and repayable on demand.

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

(v) The entire balance at 31 March 2012 represented a deposit paid by the Group in respect of investment of 50% interest in Cyrus Point. The balance represented 10% of the total amount of the Group's investment to be injected to Cyrus Point and was stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate. Cyrus Point has been duly incorporated in the current period.

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Trade receivables:		
0 – 30 days	**2,565**	1,874
31 – 90 days	**2,556**	2,318
	5,121	4,192
Loan receivables – due within one year	**4,780**	780
Prepayments and deposits	**13,676**	14,524
Other receivables	**21,815**	22,228
	45,392	41,724

16. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group incurred HK$70,432,000 (six months ended 30 September 2011: HK$1,005,445,000) on acquisition of properties held for sale.

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

During the current period, the Company acquired a piece of land in Shatin, Hong Kong with medium term lease.

The Group intended to develop residential properties on the land. The development work has not yet been commenced and the properties under the development are not scheduled to be realised within twelve months after the end of the reporting period.

18. OTHER PAYABLES AND ACCRUALS

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Receipt in advance for sales of properties held for sale	**–**	10,425
Rental and related deposits received	**51,152**	50,485
Other tax payables	**1,921**	1,934
Other payables and accruals	**82,194**	22,597
	135,267	85,441

Other payables and accruals include accrued renovation costs of approximately HK$19,243,000 (31 March 2012: HK$1,394,000) incurred in respect of the Group's properties held for sale.

During the period, the Group also received approximately HK$28,800,000 from an independent third party to acquire 30% interest in a wholly owned subsidiary of the Group, which is engaged in property trading business in Hong Kong. The intended acquisition was terminated before 30 September 2012 and the amount was refunded to the independent third party subsequent to 30 September 2012.

19. CONVERTIBLE NOTES

At 1 April 2011, the convertible notes issued by the Company included (i) an aggregate principal amount of HK$70,500,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes"), (ii) an aggregate principal amount of HK$8,000,000 unsecured 2% convertible notes due 2012 (the "2012 Convertible Notes I") and (iii) an aggregate principal amount of HK$78,000,000 unsecured 4% convertible note due 2012 ("2012 Convertible Notes II").

The holders of all of the convertible notes have the right to convert their convertible notes into ordinary shares of HK0.8 cent each of the Company at any time during the period from the 7th day after the respective dates of the issues of the convertible notes up to and including the date which is 7 days prior to their respective maturity dates. The issuer of the convertible notes has the right to redeem any of the notes from time to time prior to their respective maturity dates.

Each of the convertible notes contains two components, namely the liability and equity elements. The equity elements is presented in equity under the heading of "convertible notes equity reserve".

19. CONVERTIBLE NOTES (Continued)

During the year ended 31 March 2012, the Company fully redeemed the 2011 Convertible Notes upon its maturity. In addition, the Company exercised its early redemption right by serving the notice to the noteholder, an independent third party, to redeem the entire amount of the 2012 Convertible Notes II at an aggregate consideration of HK$96,800,000. Convertible note equity reserve transferred to accumulated profits upon redemption of the 2011 Convertible Notes and the early redemption of the 2012 Convertible Notes II amounted to HK$8,046,000 and HK$8,908,000 respectively.

At 31 March 2012, the convertible notes issued by the Company included an aggregate principal amount of HK$8,000,000 ("2012 Convertible Notes I").

During the current period, the Company fully redeemed the 2012 Convertible Notes I with a principal amount of HK$8,000,000 upon its maturity. Convertible note equity reserve transferred to accumulated profits upon redemption of the 2012 Convertible Notes I amounted to HK$834,000.

The movements of the liability component of the convertible notes for the period/year are set out below:

	Six months ended 30 September 2012 HK$'000 (unaudited)	Year ended 31 March 2012 HK$'000 (audited)
Carrying amount at the beginning of the period/year	**9,398**	165,845
Redemption	**(9,550)**	(157,653)
Interest charge	**232**	2,424
Interest paid	**(80)**	(1,218)
Carrying amount at the end of the period/year	**–**	9,398
Analysed for reporting purposes as:		
Current liability	**–**	9,398

20. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK$336,392,000 (six months ended 30 September 2011: HK$641,600,000) and repaid bank borrowings of approximately HK$148,807,000 (six months ended 30 September 2011: HK$639,150,000). The loans carry interest at market rates ranging from 0.85% to 6.21% (six months ended 30 September 2011: 0.7% to 5.2%) per annum and are repayable in instalments over more than five years. The proceeds were used for general working capital purposes and to finance the acquisition of properties held for sale.

The bank borrowings are secured by the Group's property, plant and equipment and properties held for sale. The carrying amounts of the assets pledged are set out in note 26.

21. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2011, 30 September 2011, 31 March 2012 and 30 September 2012	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2011	8,163,817,074	65,311
Issue of shares upon exercise of share options (Note i)	69,290,352	554
At 30 September 2011 and 31 March 2012	8,233,107,426	65,865
Issue of shares upon exercise of share options (Note ii)	72,812,250	582
At 30 September 2012	8,305,919,676	66,447

Notes:

(i) During the six months ended 30 September 2011, 69,290,352 shares of HK0.8 cent each were issued at a price of HK10.61 cents each upon the exercise of share options.

(ii) During the six months ended 30 September 2012, 72,812,250 shares of HK0.8 cent each were issued at a price of HK8.84 cents each upon the exercise of share options.

All the shares issued by the Company during the six months ended 30 September 2011 and 2012 rank pari passu with the then existing ordinary shares in all respects.

22. DEFERRED TAXATION

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

	Disposal of partial interest in a subsidiary HK$'000	Accelerated tax depreciation HK$'000	Convertible notes HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2011 (audited)	–	8,687	1,059	(413)	9,333
Credit to condensed consolidated income statement for the year	–	362	(1,049)	(108)	(795)
At 31 March 2012 (audited)	–	9,049	10	(521)	8,538
Credit to condensed consolidated income statement for the period	–	45	(10)	(123)	(88)
Charged to capital reserve	9,570	–	–	–	9,570
At 30 September 2012 (unaudited)	9,570	9,094	–	(644)	18,020

23. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

During the period ended 30 September 2012, the Group entered into a sale and purchase agreement with an independent third party, Spring Plus Limited ("Spring Plus"), to dispose of its 40% equity interest in Eagle Wonder, an indirect wholly-owned subsidiary of the Group, at the consideration of HK$58,000,000. Imperial Time Limited ("Imperial Time"), an indirect wholly-owned subsidiary of Eagle Wonder, has entered into a sales and purchase agreement in connection with the acquisition of certain properties in Hong Kong and the aforesaid acquisition is expected to be completed in December 2012. As the Group has not lost control over Eagle Wonder, HK$48,430,000, being the difference between the nominal carrying amount of the 40% interests transferred and the consideration received, net of deferred tax provision of HK$9,570,000, is credited to capital reserve.

24. DISPOSAL OF SUBSIDIARIES

During the period ended 30 September 2011, the Group disposed of, to an independent third party, the entire interest in Favor Fast Limited ("Favor Fast") for a cash consideration of HK$113,904,000. Since Favor Fast was principally engaged in the business of property trading and the property held for sale represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of Favor Fast in the condensed consolidated income statement as disposal of the underlying property held for sale. The consideration allocated to the sale of property was regarded as revenue generated from sales of properties held for sale by the Group.

The aggregate amounts of the assets and liabilities attributable to Favor Fast on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Trade and other receivables	361
Properties held for sale	72,114
Other payables and accruals	(1,209)
Amounts due to group entities	(32,909)
Bank borrowings	(33,900)
	4,457
Assignment of shareholders' loans (Note)	32,909
Gain on disposal of a subsidiary	76,538
	113,904
Total consideration satisfied by cash and cash inflow arising on disposal	113,904

	HK$'000
Gain on disposal of a subsidiary is included in the condensed consolidated income statement as follows:	
Revenue	148,652
Cost of sales	(72,114)
	76,538

24. DISPOSAL OF SUBSIDIARIES (Continued)

Note: As part of the disposal arrangement, the consideration received by the Group included an amount of HK$32,909,000 from the buyer as consideration for the assignment to the purchaser of the shareholders' loans to Favor Fast.

Net cash inflows (outflows) contributed by the subsidiary disposed of during the period up to the date of disposal:

	HK$'000
Net cash inflows from operating activities	107
Net cash outflows from financing activities	(1,580)
	(1,473)

25. CONTINGENT LIABILITIES

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Jointly controlled entities	**597,650**	597,650
An associate	**141,000**	84,800
	738,650	682,450
And utilised by:		
Jointly controlled entities	**517,650**	533,650
An associate	**132,976**	84,800
	650,626	618,450

In addition, the other joint venture partner of a jointly controlled entity of which the Group held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant jointly controlled entity amounting to approximately HK$625 million (At 31 March 2012: 625 million). The banking facilities utilised by the relevant jointly controlled entity amounted to approximately HK$343.1 million (At 31 March 2012: 318 million) at the end of the reporting period. A counter-indemnity in favour of the other joint venture partner is executed pursuant to which the Group undertakes to indemnify the other joint venture partner 50% of the liabilities arising from the above loan facilities.

The directors assessed the risk of default of the jointly controlled entities and the associates at the end of the reporting period and considered the risk to be insignificant and it is less likely than not that any guaranteed amount will be claimed by the counterparties.

26. PLEDGE OF ASSETS

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

	30 September 2012 HK$'000 (unaudited)	31 March 2012 HK$'000 (audited)
Property, plant and equipment	**652,479**	689,090
Properties held for sale	**2,912,055**	3,095,275
Property under development for sale	**532,012**	–
Investments held for trading	**121,251**	101,061
	4,217,797	3,885,426

27. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 October 2012, the Company entered into a placing agreement with placing agents in respect of the placement of up to 1,212,200,000 shares ("The Placing") and a subscription agreement in respect of the issue of up to 1,212,200,000 Shares ("The Subscription") at a subscription price of HK$0.335 per share. Details of the Placing and the Subscription were announced on 18 October 2012. The Placing was completed and shares were issued on 30 October 2012 and the proceeds, net of transaction cost, of approximately HK$395 million from the Placing was received accordingly. The proceeds from the Subscription are intended to be applied towards future property investments and as general working capital purposes of the Group.

28. RELATED PARTY DISCLOSURES

(a) The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 September	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Short-term benefits	**9,270**	8,970
Post-employment benefits	**464**	200
Share-based payments	**–**	49
	9,734	9,219

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

Deloitte.
德勤

TO THE MEMBERS OF CSI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 139, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	**3,217,891**	2,745,292
Cost of sales/services		**(1,551,631)**	(1,773,100)
Gross profit		**1,666,260**	972,192
Income and gains from investments	7	**63,237**	17,311
Other income	8	**24,252**	5,609
Other gains and losses	9	**132,238**	41,691
Administrative expenses		**(163,231)**	(98,625)
Finance costs	10	**(52,859)**	(79,953)
Share of results of jointly controlled entities		**31,601**	55,766
Share of results of associates		**185,315**	26,426
Profit before taxation		**1,886,813**	940,417
Taxation	11	**(118,511)**	(84,106)
Profit for the year	12	**1,768,302**	856,311
Attributable to:			
Owners of the Company		**1,754,106**	857,732
Non-controlling interests		**14,196**	(1,421)
		1,768,302	856,311
Earnings per share (HK cents)	16		
Basic		**21.32**	10.51
Diluted		**20.85**	9.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**1,768,302**	856,311
Other comprehensive income (expense)		
Exchange differences arising on translation	**33,474**	44,788
Share of exchange difference of associates	**–**	(1,704)
Reclassification of translation reserve upon disposal of associates/subsidiaries	**4,737**	(39,156)
Reclassification of investment revaluation reserve upon derecognition of available-for-sale investments	**(3,880)**	–
Change in fair value of available-for-sale investments	**7,709**	3,170
	42,040	7,098
Total comprehensive income for the year	**1,810,342**	863,409
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,796,146**	864,304
Non-controlling interests	**14,196**	(895)
	1,810,342	863,409

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-Current Assets			
Property, plant and equipment	17	**732,558**	126,522
Available-for-sale investments	18	**67,430**	5,005
Conversion options embedded in convertible notes	18	**20,180**	–
Long-term loan receivable	19	**14,040**	–
Club memberships		**6,860**	6,860
Interests in jointly controlled entities	20	**1,181,518**	182,671
Amounts due from jointly controlled entities	20	**498,657**	401,396
Deposit paid for establishment of a jointly controlled entity	20	**118,400**	–
Interests in associates	21	**47,285**	11,294
Amounts due from associates	21	**768**	89,360
		2,687,696	823,108
Current Assets			
Trade and other receivables	22	**41,724**	164,511
Deposit paid for acquisition of properties held for sale		**72,871**	245,430
Properties held for sale	23	**3,241,836**	4,150,512
Available-for-sale investments	18	**–**	21,504
Conversion options embedded in convertible notes	18	**–**	20
Investments held for trading	24	**551,392**	412,748
Taxation recoverable		**9,255**	7,093
Amount due from a non-controlling shareholder of a subsidiary		**–**	25
Cash held by securities brokers	25	**20,832**	137,568
Bank balances and cash	25	**2,424,037**	1,721,786
		6,361,947	6,861,197
Current Liabilities			
Other payables and accruals	26	**85,441**	511,394
Taxation payable		**214,597**	104,696
Amounts due to jointly controlled entities	20	**457**	439
Amounts due to associates	21	**68,399**	12,201
Amounts due to non-controlling shareholders of subsidiaries	38(b)	**28,658**	11,203
Convertible notes – due within one year	27	**9,398**	78,709
Bank borrowings – due within one year	28	**726,169**	1,007,958
		1,133,119	1,726,600
Net Current Assets		**5,228,828**	5,134,597
		7,916,524	5,957,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	NOTES	**2012** HK$'000	2011 HK$'000
Capital and Reserves			
Share capital	29	**65,865**	65,311
Reserves		**5,893,023**	4,172,224
Equity attributable to owners of the Company		**5,958,888**	4,237,535
Non-controlling interests		**13,483**	(721)
Total Equity		**5,972,371**	4,236,814
Non-Current Liabilities			
Convertible notes – due after one year	27	**–**	87,136
Bank borrowings – due after one year	28	**1,928,303**	1,614,007
Derivative financial instruments	30	**7,312**	10,415
Deferred tax liabilities	31	**8,538**	9,333
		1,944,153	1,720,891
		7,916,524	5,957,705

The consolidated financial statements on pages 31 to 139 were approved and authorised for issue by the Board of Directors on 27 June 2012 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 2012

	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)	Contributed surplus HK$'000 (Note b)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010	65,311	1,221,459	371	1,698	276,058	18,072	–	6,521	19,413	1,804,532	3,413,435	174	3,413,609
Profit for the year	–	–	–	–	–	–	–	–	–	857,732	857,732	(1,421)	856,311
Exchange difference arising on translation	–	–	–	–	–	44,117	–	–	–	–	44,117	671	44,788
Reclassified to profit or loss on disposal of subsidiaries (note 33)	–	–	–	–	–	(39,011)	–	–	–	–	(39,011)	(145)	(39,156)
Share of other comprehensive expense of associates	–	–	–	–	–	(1,704)	–	–	–	–	(1,704)	–	(1,704)
Increase in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	3,170	–	–	–	3,170	–	3,170
Total comprehensive income and expense for the year	–	–	–	–	–	3,402	3,170	–	–	857,732	864,304	(895)	863,409
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	615	–	–	615	–	615
Realised on partial redemption of convertible notes (net of tax)	–	–	–	–	–	–	–	–	(1,625)	1,625	–	–	–
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	–	(40,819)	(40,819)	–	(40,819)
At 31 March 2011	65,311	1,221,459	371	1,698	276,058	21,474	3,170	7,136	17,788	2,623,070	4,237,535	(721)	4,236,814
Profit for the year	–	–	–	–	–	–	–	–	–	1,754,106	1,754,106	14,196	1,768,302
Exchange difference arising on translation	–	–	–	–	–	33,474	–	–	–	–	33,474	–	33,474
Reclassified to profit or loss on disposal of an associate	–	–	–	–	–	4,737	–	–	–	–	4,737	–	4,737
Reclassified to profit or loss on derecognition of available-for-sale investments	–	–	–	–	–	–	(3,880)	–	–	–	(3,880)	–	(3,880)
Increase in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	7,709	–	–	–	7,709	–	7,709
Total comprehensive income for the year	–	–	–	–	–	38,211	3,829	–	–	1,754,106	1,796,146	14,196	1,810,342
Issue of shares upon exercise of share options	554	6,797	–	–	–	–	–	–	–	–	7,351	–	7,351
Capital contributed by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	8	8
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	187	–	–	187	–	187
Transfer on redemption of convertible note upon maturity	–	–	–	–	–	–	–	–	(8,046)	8,046	–	–	–
Transfer on early redemption of convertible notes	–	–	–	–	–	–	–	–	(8,908)	8,908	–	–	–
Dividend recognised as distribution (note 15)	–	–	–	–	–	–	–	–	–	(82,331)	(82,331)	–	(82,331)
At 31 March 2012	65,865	1,228,256	371	1,698	276,058	59,685	6,999	7,323	834	4,311,799	5,958,888	13,483	5,972,371

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 2012

	NOTE	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**1,886,813**	940,417
Adjustments for:			
Finance costs		**52,859**	79,953
Depreciation of property, plant and equipment		**35,463**	10,684
Gain on disposal of property, plant and equipment		**(126,186)**	–
Gain on derecognition of investments in convertible notes, net		**(19,133)**	–
Gain on disposal of an associate		**(12,748)**	–
Gain on disposal of subsidiaries	33	**(76,361)**	(624,066)
Income from amortisation of financial guarantee contracts		**(422)**	(379)
Increase in fair value of financial instruments		**(13,015)**	(5,685)
Interest income		**(20,348)**	(3,548)
Loss on early redemption of convertible notes		**16,697**	1,112
Share-based payment expenses		**187**	615
Share of results of jointly controlled entities		**(31,601)**	(55,766)
Share of results of associates		**(185,315)**	(26,426)
Operating cash flow before movements in working capital		**1,506,890**	316,911
Decrease (increase) in trade and other receivables		**123,171**	(143,172)
Increase in deposit paid for acquisition of properties held for sale		**(72,871)**	(197,430)
Increase in investments held for trading		**(122,029)**	(137,538)
Decrease (increase) in properties held for sale		**511,233**	(776,799)
Decrease (increase) in cash held by securities brokers		**116,736**	(102,385)
Increase in other payables and accruals		**13,344**	427,747
Decrease in derivative financial instruments		**(6,819)**	(6,669)
Net cash used in operations		**2,069,655**	(619,335)
Hong Kong Profits Tax paid		**(11,567)**	(12,665)
Interest paid		**(51,653)**	(66,187)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**2,006,435**	(698,187)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Investment/acquisition of jointly controlled entities		**(911,607)**	–
Acquisition of a business	32(a)	**(548,000)**	–
Advances to jointly controlled entities		**(133,134)**	(39,455)
Deposit paid for establishment of a jointly controlled entity		**(118,400)**	–
Purchases of property, plant and equipment		**(41,298)**	(1,609)
Purchases of convertible notes		**(41,700)**	–
Increase in loan receivable		**(14,820)**	–
Advances to associates		**(2,100)**	(10,200)
Repayment from a non-controlling shareholder of a subsidiary		**25**	–
Proceeds from disposal of available-for-sale investments		**3,697**	6,000
Interest received		**20,348**	3,548
Proceed from disposal of an associate		**22,000**	–
Repayments from associates		**89,360**	40,692
Net cash inflow on disposals of subsidiaries (net of cash and cash equivalents disposed of)	33	**132,846**	1,474,699
Dividend received from an associate		**146,141**	1,600
Proceeds on disposal of property, plant and equipment		**211,908**	–
Dividend received from a jointly controlled entity		**–**	6,202
Repayments from jointly controlled entities		**–**	19,580
Net cash inflow on acquisition of subsidiaries	32(b)	**–**	138,395
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,184,734)**	1,639,452
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(1,121,414)**	(669,948)
Redemption of convertible notes		**(174,350)**	(17,972)
Dividends paid		**(82,331)**	(40,819)
Capital contributions by non-controlling interests of subsidiaries		**8**	–
Proceeds on issue of shares upon exercise of share options		**7,351**	–
Advance from non-controlling shareholders of subsidiaries		**17,455**	4,465
New bank borrowings raised		**1,177,633**	917,488
Repayments to jointly controlled entities		**–**	(4,639)
Advance from associates		**56,198**	10,201
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(119,450)**	198,776
NET INCREASE IN CASH AND CASH EQUIVALENTS		**702,251**	1,140,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,721,786**	581,745
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**2,424,037**	1,721,786

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 directors of the Company considers that Earnest Equity Limited, a private company incorporated in the British Virgin Islands ("BVI"), as its immediate holding company while Digisino Assets Limited, also a private company incorporated in the BVI, as its ultimate holding company.

The consolidated financial statements are presented in Hong Kong dollars, which is also 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 43, 20 and 21 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

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

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" and amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on 1 April 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on 1 April 2014, with retrospective application required.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

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

The amendments to HKAS 1 are effective for the Group annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 may have significant impact on the Group's investments in convertible notes that are classified as available-for-sale investments and conversion options embedded in convertible notes but will not affect the other financial assets and the financial liabilities.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

A package of five new or revised standards on consolidation, joint arrangements, associates and disclosures, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), was issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 April 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 March 2014 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, which is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. The directors are in the process of determining its impacts to the Group.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments. All of the Group's jointly controlled entities are currently accounted for using the equity method of accounting and would be classified as joint ventures in accordance with HKFRS 11.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

HKFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives, which laid down that entities should disclose information that help users of financial statements evaluate the nature of the risks associated with interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in HKFRS 12 are more extensive than those in the current standards. The directors of the Company consider that significant efforts may be required to collect the necessary information for the relevant disclosures.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "*Financial Instruments: Disclosures*" will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 April 2013, with earlier application permitted.

Other than the above, the directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard will not affect the amounts reported in the consolidated financial statements but result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have not material impact on the consolidated financial statements.

3. Significant accounting policies

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.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

3. Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

3. Significant accounting policies (Continued)

Business combinations (Continued)

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

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

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

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

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

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.

3. Significant accounting policies (Continued)

Jointly controlled entities (Continued)

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 initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

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

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

3. Significant accounting policies (Continued)

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 initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

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

3. Significant accounting policies (Continued)

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. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included as receipt in advance for sales of properties held for sale under current liabilities in the consolidated statement of financial position.

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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset (including financial assets at fair value through profit or loss) 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 provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

Properties held for sale

Properties held for sale are stated in the consolidated statement of financial position at the lower of cost and net realisable value on an individual property basis. Cost includes the cost of the properties and other direct attributable expenses. Net realisable value is calculated at the actual or estimated selling price less the estimated costs necessary to make the sales.

If an item of properties held for sale is transferred to property, plant and equipment because its use has been changed, evidenced by the commencement of owner-occupation of the relevant property, the carrying amount of the properties held for sale at the date of transfer is recognised as the cost of the property, plant and equipment.

Properties under development under current assets

Properties under development under current assets are properties held for future sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost includes the cost of property interests, development expenditure and other direct attributable expenses.

Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into accounts the price ultimately expected to be realised, less the estimated costs necessary to make the sale and the anticipated cost to completion.

3. Significant accounting policies (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant accounting policies (Continued)

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 profit or loss when the asset is derecognised.

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 or 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

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; or
- it is a derivative that is not designated and effective as a hedging instrument.

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 and is included in income and gains (losses) from investments in the consolidated income statement. Fair value is determined in the manner described in note 41.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable, amount(s) due from a non-controlling shareholder of a subsidiary, associates and jointly controlled entities, cash held by securities brokers and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

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

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

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 and loan receivable, 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 or a loan 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.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument. 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes issued by the Company (Continued)

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.

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 redeemed, 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 redemption. The difference between the consideration paid for the redemption 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 redemption is recognised in profit or loss while the difference between the consideration paid for the redemption of the conversion option component and its carrying amount at the date of the transaction is included in equity (accumulated profits).

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represented derivative financial instruments which 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 interest paid on the financial liabilities and is included in income and gains (losses) from investments in the consolidated income statement. Fair value is determined in the manner described in note 41.

Other financial liabilities

Other financial liabilities including other payables, amounts due to non-controlling shareholders of subsidiaries, jointly controlled entities and associates and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Embedded derivatives

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

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 contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant accounting policies (Continued)

Borrowing costs

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

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

Retirement benefits costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefits schemes/ the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service 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.

Deferred tax is recognised on temporary differences between the carrying amounts 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which 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.

3. Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, 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 profits will be available to allow all or part of the asset to be recovered.

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

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

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

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 re-translated.

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 and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group, (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. 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 under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

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

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

3. Significant accounting policies (Continued)

Impairment losses

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

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

If the recoverable amount of an asset 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 immediately in profit or loss.

Where 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.

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 profit or loss 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.

3. Significant accounting policies (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

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 original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share 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.

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.

4. Key sources of estimation uncertainty (Continued)

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.

(i) Estimated impairments on properties held for sale and deposit paid for 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 HK$3,314,707,000 (2011: HK$4,395,942,000) 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.

No impairments nor reversals of impairments were recognised during the years ended 31 March 2011 and 2012.

(ii) Fair value of derivative financial instruments

Conversion options embedded in convertible notes of HK$20,180,000 (2011: HK$20,000) and derivative financial liabilities of HK$7,312,000 (2011: HK$10,415,000) are carried in the consolidated statement of financial position at fair value, as disclosed in notes 18 and 30 respectively. 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 valuation techniques that include unobservable inputs as the basis for assessing the fair value of conversion options embedded in convertible notes and the valuation provided by counterparty financial institution as the basis for fair value of derivative financial liabilities. The use of methodologies, models and assumptions in pricing and valuing these financial instruments is subjective and requires varying degrees of judgment by counterparty entities/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:

	2012	2011
	HK$'000	HK$'000
Rental income/hotel operation	**225,040**	277,558
Sales of properties held for sale	**2,992,851**	2,467,734
	3,217,891	2,745,292

6. Segmental information

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess performance, are summarised as follows:

(a) property holding segment, which engages in the investment and trading of properties and hotel operation;

(b) strategic investment segment, which engages in property holding 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.

6. Segmental information (Continued)

Segment revenue and results

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

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2012				
Gross proceeds	**3,217,891**	**–**	**305,690**	**3,523,581**
EXTERNAL REVENUE				
Rental income/hotel operation	**225,040**	**–**	**–**	**225,040**
Sales of properties held for sale	**2,992,851**	**–**	**–**	**2,992,851**
Revenue of the Group	**3,217,891**	**–**	**–**	**3,217,891**
Interest income and dividend income	**–**	**–**	**31,089**	**31,089**
Share of results of jointly controlled entities	**–**	**31,601**	**–**	**31,601**
Share of results of associates	**–**	**185,315**	**–**	**185,315**
Segment revenue	**3,217,891**	**216,916**	**31,089**	**3,465,896**
RESULTS				
Segment profit	**1,593,574**	**230,086**	**55,979**	**1,879,639**
Unallocated other income				**23,830**
Other gains and losses				**119,490**
Central administration costs				**(83,287)**
Finance costs				**(52,859)**
Profit before taxation				**1,886,813**

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

6. Segmental information (Continued)

Segment revenue and results (Continued)

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2011				
Gross proceeds	2,745,292	–	147,311	2,892,603
EXTERNAL REVENUE				
Rental income	277,558	–	–	277,558
Sales of properties held for sale	2,467,734	–	–	2,467,734
Revenue of the Group	2,745,292	–	–	2,745,292
Interest income and dividend income	–	–	11,626	11,626
Share of results of jointly controlled entities	–	61,130	–	61,130
Share of results of associates	–	26,426	–	26,426
Segment revenue	2,745,292	87,556	11,626	2,844,474
RESULTS				
Segment profit	981,242	87,935	13,482	1,082,659
Unallocated other income				5,230
Other gains and losses				2,776
Central administration costs				(64,931)
Finance costs				(79,953)
Share of results of a jointly controlled entity				(5,364)
Profit before taxation				940,417

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit earned by each segment, interest income, dividend income, fair value change of investments and share of results of jointly-controlled entities and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, 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:

	2012 HK$'000	2011 HK$'000
Segment assets		
Property holding	**3,899,353**	4,543,502
Strategic investment	**1,846,628**	681,297
Securities investment	**655,316**	450,690
Total segment assets	**6,401,297**	5,675,489
Property, plant and equipment	**179,667**	126,522
Cash held by securities brokers	**20,832**	137,568
Bank balances and cash	**2,424,037**	1,721,786
Other unallocated assets	**23,810**	22,940
Consolidated assets	**9,049,643**	7,684,305
Segment liabilities		
Property holding	**99,419**	505,919
Strategic investment	**68,856**	11,791
Securities investment	**8,132**	1,057
Total segment liabilities	**176,407**	518,767
Convertible notes	**9,398**	165,845
Bank borrowings	**2,654,472**	2,621,965
Taxation payable	**214,597**	104,696
Other unallocated liabilities	**22,398**	36,218
Consolidated liabilities	**3,077,272**	3,447,491

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, taxation recoverable, certain other receivables, cash held by securities brokers 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 borrowings and deferred tax liabilities.

6. Segmental information (Continued)

Other segment information

For the year ended 31 March 2012

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets and liabilities:						
Interests in jointly controlled entities	**–**	**1,181,518**	**–**	**1,181,518**	**–**	**1,181,518**
Interests in associates	**–**	**47,285**	**–**	**47,285**	**–**	**47,285**
Net increase in fair value of investment held for trading	**–**	**–**	**16,615**	**16,615**	**–**	**16,615**
Gain on derecognition of investments in convertible notes (included in available-for-sale investments)	**–**	**–**	**19,133**	**19,133**	**–**	**19,133**

For the year ended 31 March 2011

	Property holding HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets and liabilities:						
Interests in jointly controlled entities	–	182,671	–	182,671	–	182,671
Interests in associates	–	11,294	–	11,294	–	11,294
Net increase in fair value of investment held for trading	–	–	17,108	17,108	–	17,108

6. Segmental information (Continued)

Geographical information

The Group's operations in property holding, strategic investment 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 held for sale are allocated based on the geographical 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)	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong	**3,162,667**	1,297,060	**1,287,744**	313,368
PRC	**55,224**	1,448,232	**792,017**	291
Singapore	**–**	–	**–**	6,828
	3,217,891	2,745,292	**2,079,761**	320,487

Note: Non-current assets exclude financial instruments.

Information about major tenants and buyers of properties

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

	2012 HK$'000	2011 HK$'000
Buyer A	**1,380,000**	N/A[1]
Buyer B	**N/A[1]**	1,324,231
Buyer C	**N/A[1]**	413,742
	1,380,000	1,737,973

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

	2012	2011
	HK$'000	HK$'000
Interest income from		
– investments held for trading	**30,545**	9,358
– available-for-sale investments	**300**	314
Dividend income from		
– investments held for trading	**244**	713
– available-for-sale investments	**–**	1,241
Increase (decrease) in fair values of		
– investments held for trading	**16,615**	17,305
– conversion options embedded in convertible notes	**116**	(3,730)
– derivative financial instruments	**(3,716)**	(7,890)
Gain on derecogntion of investments in convertible notes (note 18)	**19,133**	–
	63,237	17,311

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

	2012	2011
	HK$'000	HK$'000
– investments held for trading	**47,404**	27,376
– available-for-sale investments	**19,433**	1,555
– conversion options embedded in convertible notes	**116**	(3,730)
– derivative financial instruments	**(3,716)**	(7,890)
	63,237	17,311

8. Other income

	2012	2011
	HK$'000	HK$'000
Bank interest income	**20,348**	3,548
Amortisation of financial guarantee contracts	**422**	379
Others	**3,482**	1,682
	24,252	5,609

9. Other gains and losses

	2012	2011
	HK$'000	HK$'000
Other gains (losses) comprise:		
Gain on disposal of property, plant and equipment	**126,186**	–
Gain on disposal of an associate	**12,748**	–
Net exchange gain	**10,001**	3,888
Loss on early redemption of convertible notes (Note)	**(16,697)**	(1,112)
Net gain on disposal of subsidiaries (note 33)	**–**	38,915
	132,238	41,691

Note: During the year ended 31 March 2012, the Company exercised its early redemption rights by serving notice to the noteholder, an independent third party, to redeem all of the then outstanding 2012 Convertible Notes II (as defined in note 27) at a consideration of HK$96,800,000, representing a premium of 11% per annum to the outstanding principal amount (inclusive of interest).

During the year ended 31 March 2011, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company redeemed certain of the convertible notes with an aggregate principal amount of HK$15,600,000 and with an aggregate carrying amount of the liability component of HK$16,860,000 for an aggregate consideration of HK$17,972,000, resulting in a loss of HK$1,112,000. The details are set out in note 27.

10. Finance costs

	2012	2011
	HK$'000	HK$'000
Interests on:		
Bank borrowings wholly repayable within five years	**23,010**	42,210
Bank borrowings not repayable within five years but contain a repayment on demand clause in the loan agreement	**4,706**	2,965
Bank borrowings not wholly repayable within five years	**22,719**	16,518
Convertible notes wholly repayable within five years	**2,424**	18,260
	52,859	79,953

11. Taxation

	2012	2011
	HK$'000	HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**118,095**	44,529
– Underprovision in prior years	**1,211**	3,540
	119,306	48,069
PRC Enterprise Income Tax ("EIT") – current year	**–**	47,411
	119,306	95,480
Deferred taxation (note 31)	**(795)**	(11,374)
	118,511	84,106

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

11. Taxation (Continued)

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 for the year ended 31 March 2012 has been made in the consolidated financial statements as all of the PRC subsidiaries had no assessable profits for the year then ended.

According to the Circular on the State Administration of Taxation on Strengthening the Management of EIT Collection of Proceeds from Equity Transfers by Non-Resident Enterprises (Guoshuihan [2009] No. 698) ("Circular No. 698"), a non-PRC Tax Resident Enterprise is subject to the PRC EIT on the gain arising from a sale or transfer of any intermediate offshore company directly or indirectly holds an interest, including any assets, subsidiaries, or other forms of business operations, in the PRC at a rate of 10%, or otherwise stipulated in an applicable tax treaty or arrangement. Circular No. 698 applies to all such transactions conducted on or after 1 January 2008.

Included in the PRC EIT for the year ended 31 March 2011 is an amount of HK$ 41,800,000 for the gain on disposal of certain property interests in the PRC through disposal of an intermediate offshore company. As set out in note 33, the subsidiaries disposed of were principally engaged in the business of property trading and the consideration allocated to the properties is included in revenue of the Group.

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

	2012 **HK$'000**	2011 HK$'000
Profit before taxation	**1,886,813**	940,417
Taxation at Hong Kong Profits Tax rate of 16.5%	**311,324**	155,169
Tax effect of expenses not deductible for tax purpose	**22,307**	16,485
Tax effect of income not taxable for tax purpose	**(178,810)**	(41,928)
Tax effect of share of results of jointly controlled entities	**(5,214)**	(9,201)
Tax effect of share of results of associates	**(30,577)**	(4,360)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(26,833)
Tax effect of tax losses not recognised	**412**	241
Utilisation of tax loss previously not recognised	**(2,142)**	(9,007)
Underprovision in prior years	**1,211**	3,540
Tax charge for the year	**118,511**	84,106

12. Profit for the year

	2012	2011
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 13):		
Fees	**450**	300
Salaries and other benefits	**15,762**	12,332
Performance-related incentive bonus	**46,450**	22,403
Contributions to retirement benefits schemes	**570**	453
Share-based payments	**50**	451
	63,282	35,939
Other staff costs:		
Salaries and other benefits	**18,691**	13,091
Performance-related incentive bonus	**12,000**	4,400
Contributions to retirement benefits schemes	**1,428**	821
Share-based payments	**137**	164
	32,256	18,476
Total staff costs	**95,538**	54,415
Auditor's remuneration	**1,050**	930
Depreciation of property, plant and equipment	**35,463**	10,684
Cost of properties held for sale recognised as an expense	**1,426,022**	1,697,466

13. Directors' remuneration

The emoluments paid or payable to each of seven (2011: eight) directors were as follows:

For the year ended 31 March 2012

	Mr. Chung Cho Yee, Mico HK$'000 (Note i)	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000 (Note ii)	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000	Mr. Cheng Yuk Wo HK$'000	Total HK$'000
Directors' remuneration								
Fee	–	–	–	–	150	150	150	450
Salaries and other benefits	10,200	2,265	1,980	1,317	–	–	–	15,762
Performance-related incentive bonus (Note iii)	40,850	2,200	2,200	1,200	–	–	–	46,450
Contributions to retirement benefits schemes	12	223	209	126	–	–	–	570
Share-based payments	–	–	–	50	–	–	–	50
	51,062	4,688	4,389	2,693	150	150	150	63,282

For the year ended 31 March 2011

	Mr. Chung Cho Yee, Mico HK$'000 (Note i)	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000 (Note ii)	Mr. Hubert Chak HK$'000 (Note iv)	Dr. Lam Lee G. HK$'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	6,810	2,205	1,680	1,144	493	–	–	–	12,332
Performance-related incentive bonus (Note iii)	18,000	1,835	1,650	918	–	–	–	–	22,403
Contributions to retirement benefits schemes	–	158	167	103	25	–	–	–	453
Share-based payments	–	–	–	164	287	–	–	–	451
	24,810	4,198	3,497	2,329	805	100	100	100	35,939

13. Directors' remuneration (Continued)

Notes:

(i) Mr. Chung Cho Yee, Mico has been re-designated from a non-executive director to an executive director on 6 July 2010.

(ii) Mr. Wong Chung Kwong has been appointed as executive director on 1 April 2010.

(iii) Performance-related incentive 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.

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

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 for both years included four directors of the Company whose emoluments are set out in note 13. The emoluments of the remaining one (2011: one) individual were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**2,400**	955
Performance-related incentive bonus (Note)	**151**	420
Contribution to retirement benefits schemes	**127**	69
	2,678	1,444

14. Employees' remuneration (Continued)

The emoluments of the individual were within the following bands:

	2012 Number of employee	2011 Number of employee
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	1	1

Note: Performance-related incentive 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.

15. Dividends

	2012 HK$'000	2011 HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK1 cent per share in respect of financial year ended 31 March 2011 (2011: Final dividend of HK0.5 cent per share in respect of financial year ended 31 March 2010)	**82,331**	40,819
Dividend proposed after the end of the reporting period		
– Final dividend of HK2.4 cent per share (2011: Final dividend of HK1 cent per share)	**199,342**	82,331

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:

Earnings	2012 HK$'000	2011 HK$'000
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	**1,754,106**	857,732
Effects of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**1,724**	17,148
Loss on partial redemption of convertible notes (net of tax)	**–**	1,112
Earnings for the purpose of diluted earnings per share	**1,755,830**	875,992

Number of shares	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**8,227,375**	8,163,817
Effects of dilutive potential ordinary shares (in thousands)		
– Share options	**129,315**	142,409
– Convertible notes	**63,573**	582,986
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**8,420,263**	8,889,212

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during both years. In addition, it does not assume the conversion of certain of the Company's outstanding convertible notes since exercise of which would result in increase in earnings per share for the years ended 31 March 2011 and 2012.

17. Property, plant and equipment

	Hotel property HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST							
At 1 April 2010	–	116,295	3,459	1,137	4,498	30,344	155,733
Additions	–	970	–	284	355	–	1,609
Disposal of subsidiaries	–	–	–	(352)	–	–	(352)
At 31 March 2011	–	117,265	3,459	1,069	4,853	30,344	156,990
Additions	27,000	–	11,672	135	2,491	–	41,298
Acquisition of a business	548,000	–	–	–	–	–	548,000
Transfer from properties held for sale	–	137,923	–	–	–	–	137,923
Disposal	–	(97,649)	(3,439)	–	(1,080)	–	(102,168)
At 31 March 2012	575,000	157,539	11,692	1,204	6,264	30,344	782,043
DEPRECIATION							
At 1 April 2010	–	9,540	2,021	526	3,554	4,220	19,861
Provided for the year	–	3,001	692	74	888	6,029	10,684
Eliminated on disposals of subsidiaries	–	–	–	(77)	–	–	(77)
At 31 March 2011	–	12,541	2,713	523	4,442	10,249	30,468
Provided for the year	22,109	4,414	1,775	78	1,058	6,029	35,463
Eliminated on disposals	–	(12,063)	(3,303)	–	(1,080)	–	(16,446)
At 31 March 2012	22,109	4,892	1,185	601	4,420	16,278	49,485
CARRYING VALUES							
At 31 March 2012	552,891	152,647	10,507	603	1,844	14,066	732,558
At 31 March 2011	–	104,724	746	546	411	20,095	126,522

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

Hotel property/land and buildings	Over the shorter of the terms of the relevant lease of the relevant land on which buildings are erected, or 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	33%
Vessel	20%

The Group's hotel properties and buildings comprise properties erected on land held under long-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 35.

18. Available-for-sale investments/conversion options embedded in convertible notes

	2012 **HK$'000**	2011 HK$'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)	**62,425**	21,504
	67,430	26,509
Analysed for reporting purposes as:		
Non-current asset	**67,430**	5,005
Current asset	**–**	21,504
	67,430	26,509
Convertible options embedded in convertible notes, at fair value and analysed for reporting purpose as (Note ii):		
Non-current asset	**20,180**	–
Current asset	**–**	20
	20,180	20

Notes:

(i) Unlisted equity securities

The carrying value of unlisted equity securities represents a 8.27% (2011: 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.

18. Available-for-sale investments/conversion options embedded in convertible notes (Continued)

Notes: (Continued)

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

The unlisted debt securities as at 31 March 2012 represent the fair value of debt elements of the convertible notes issued by following companies that are independent third parties of the Group, whose shares are listed on the Stock Exchange:

(a) ITC Properties Group Limited ("ITCP"), with a principal amount of HK$26,400,000 carries interest at 3.25% per annum with maturity on 24 November 2013 at redemption amount of 105% of the principal amount (the "New ITCP CB").

During the year ended 31 March 2011, the board of directors of ITCP proposed to issue the New ITCP CB to repurchase the original notes issued by ITCP. The Company resolved to accept the offer during the year.

The original notes carried interest at 1% per annum during the original holding period from 4 March 2009 to 15 June 2011 and would have been redeemed at redemption amount of 110% of the principal amount on the original maturity date on 15 June 2011 (the "Old ITCP CB").

The difference between the then carrying amount of the Old ITCP CB and the fair value of the New ITCP CB at the date of repurchase amounting to HK$15,513,000 is recognised as a gain on derecognition of the investment in the convertible notes in the consolidated income statements.

(b) ITC Corporation Limited ("ITCC") with a principal amount of HK$9,000,000 carries interest at 5% per annum with maturity on 2 November 2013 at redemption amount of 100% of the principal amount (the "New ITCC CB").

During the year, the board of directors of ITCC proposed to extend the maturity of the convertible notes by a period of 24 months upon acceptance by the noteholders for the proposal. The Company resolved to accept the offer during the year.

The original notes also carried interest at 5% per annum during the original holding period from 2 November 2009 to 2 November 2011 and would have been redeemed at the redemption amount of 100% of the principal amount on the original maturity date on 2 November 2011 (the "Old ITCC CB").

The difference between the sum of the then carrying amount of the Old ITCC CB and the investment revaluation reserve accumulated in equity and the fair value of the New ITCC CB at the date of repurchase amounting to HK$3,620,000 is recognised as a gain on derecognition of the investment in the convertible notes in the consolidated income statements.

18. Available-for-sale investments/conversion options embedded in convertible notes (Continued)

Notes: (Continued)

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

(c) Crosby Capital Limited with a principal amount of HK$4,000,000 carries zero coupon and with maturity on 4 October 2015 at redemption amount of 118.94% of the principal amount ("Crosby CB").

(d) Asia Orient Holdings Limited with a principal amount of HK$38,000,000 carries interest at 6.5% per annum with maturity on 14 October 2014 at redemption amount of 100% of the principal amount ("Asia Orient CB").

Both the Crosby CB and Asia Orient CB are newly acquired during the year. As at 31 March 2011, other than the Old ITCP CB and the Old ITCC CB, the Group also held the following convertible notes:

(a) Hanny Holdings Limited with a principal amount of HK$3,697,000 carried interest at 2% per annum with maturity on 15 June 2011 at redemption amount of 100% of the principal amount and has been redeemed by the issuer upon maturity.

The Group has designated the debt elements of the convertible notes as available-for-sale investments on initial recognition.

At the end of the reporting period, 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 at the end of the reporting period was measured at fair value using the binomial option pricing model.

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 were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited and Vigers Appraisal & Consulting Limited, firms of independent valuers not connected with the Group.

19. Long-term loan receivable

	2012 HK$'000	2011 HK$'000
The Group's variable rate loan receivable are repayable as follows:		
Within one year	**780**	–
More than one year, but not exceeding two years	**14,040**	–
	14,820	–
Less: Amount due within one year (included in other receivables)	**(780)**	–
	14,040	–

The Group offers a loan to a buyer of a property sold by the Group and the repayment terms of the loan are specified in the loan agreement.

The Group's long-term loan receivable is denominated in Hong Kong dollars, the functional currency of the relevant group entity, and carry interest rates (which are the contractual interest rates) at prime rate minus a fixed margin per annum and are secured by second mortgage over the property acquired by the purchaser. The effective interest rate of the loan receivable is 3.78% per annum. The receivable is to be settled within 1 to 2 years by instalments and a lump-sum at maturity.

20. Interests in jointly controlled entities/amounts due from (to) jointly controlled entities/deposit paid for establishment of a jointly controlled entity

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in jointly controlled entities	**911,848**	241
Share of post-acquisition profits, net of dividend received	**72,886**	41,285
Exchange difference arising on translation	**30,319**	10,901
Deemed capital contribution – interest-free loans (Note i)	**164,087**	128,196
Deemed capital contribution – financial guarantee contracts	**2,378**	2,048
	1,181,518	182,671
Amounts due from jointly controlled entities included in non-current assets (Note i)	**498,657**	401,396
Amounts due to jointly controlled entities included in current liabilities (Note ii)	**457**	439
Deposit paid for establishment of a jointly controlled entity (Note iii)	**118,400**	–

Notes:

(i) The amounts with principal amount of HK$662,744,000 (2011: HK$529,592,000) 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. The carrying amounts as at 31 March 2012 is determined based on the present value of future cash flows discounted using an effective interest rate of 5.9% (2011: 5.7%). The corresponding adjustment is recognised against the interests in the jointly controlled entities.

In addition, share of loss of a jointly controlled entity amounted to HK$4,744,000 was allocated in excess of the cost of investment during the year ended 31 March 2011 (2012: nil).

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

(iii) The entire balance at 31 March 2012 represented a deposit paid by the Group in respect of investment of 50% interest in Cyrus Point Limited and its wholly-owned subsidiaries (the "Cyrus Point Group"), which will be principally engaged in property holding in Hong Kong. The balance represented 10% of the total amount of the Group's investment to be injected to Cyrus Point Group and was stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate. Cyrus Point Limited has been duly incorporated subsequent to the end of the reporting period. Details of the committed investment amount in Cryrus Point Group are set out in note 36(b).

20. Interests in jointly controlled entities/amounts due from (to) jointly controlled entities/deposit paid for establishment of a jointly controlled entity (Continued)

As at 31 March 2011 and 2012, 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) 2012	2011	Principal activity
Chater Capital Limited	Incorporated	British Virgin Islands ("BVI")	PRC	Ordinary	**50%** (Note ii)	–	Property holding
City Synergy Limited	Incorporated	BVI	Hong Kong	Ordinary	**50%** (Note ii)	–	Property holding
Clever Keen Limited	Incorporated	BVI	Hong Kong	Ordinary	**50%** (Note ii)	–	Marketing and management
Favor Win Limited	Incorporated	BVI	Hong Kong	Ordinary	**50%**	50%	Inactive
Get Wisdom Limited ("Get Wisdom")	Incorporated	BVI	PRC	Ordinary	**50%**	50% (Note iv)	Property holding
GI Plus Space Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	**–** (Note v)	50%	Marketing and management
Singon Holdings Limited	Incorporated	Hong Kong	Macau	Ordinary	**50%**	50%	Property holding
Vastness Investment Limited	Incorporated	BVI	Hong Kong	Ordinary	**50%** (Note iii)	–	Property holding

Notes:

(i) All the interests shown are held indirectly by the Group.

(ii) These companies are established by the Group and the joint venture partner during the year and are principally engaged in property holding in the PRC and Hong Kong. The total investment costs in these entities by the Group to HK$564,800,000.

(iii) This company is acquired by the Group during the year with an aggregate consideration of HK$336,808,000. The acquiree is principally engaged in property holding in Hong Kong.

(iv) During the year ended 31 March 2011, the Group disposed of 20% interest in Get Wisdom and its subsidiaries to the non-controlling shareholder of Get Wisdom while the Group previously had 70% interest immediately before the transaction. Get Wisdom then became a jointly controlled entity of the Company following the transaction. Under the relevant shareholders' agreement, decisions on operating and financing activities of Get Wisdom require unanimous consent from all joint venture partner. Accordingly, neither the Group nor the other venture partner has the ability to control Get Wisdom unilaterally and it is considered as jointly controlled by the Group and the joint venture partner. Therefore, Get Wisdom is classified as a jointly controlled entity of the Group. Details are set out in note 33.

(v) This company is disposed of by the Group during the year and the impact to the consolidated financial statements is insignificant.

20. Interests in jointly controlled entities/amounts due from (to) jointly controlled entities/deposit paid for establishment of a jointly controlled entity (Continued)

The summarised financial information, extracted from relevant management accounts of jointly controlled entities for the year ended 31 March 2012 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2011) and adjusted for the consideration paid by the Group over the relevant carrying amounts of the assets and liabilities recorded by the relevant entities, in respect of the Group's interests in the jointly controlled entities, is set out below:

	2012	2011
	HK$'000	HK$'000
Non-current assets	**1,784,846**	1,098,818
Current assets	**796,683**	114,126
Current liabilities	**(786,577)**	(654,159)
Non-current liabilities	**(779,899)**	(506,358)
	1,015,053	52,427
Income/gains recognised in profit or loss	**125,768**	105,686
Expenses recognised in profit or loss	**(94,167)**	(49,920)
	31,601	55,766

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:

	2012	2011
	HK$'000	HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**11**	2
Accumulated unrecognised share of losses of jointly controlled entities	**593**	582

21. Interests in associates/amounts due from (to) associates

	2012	2011
	HK$'000	HK$'000
Costs of unlisted investment in associates	**97**	33,552
Share of post-acquisition losses and other comprehensive income, net of dividend received	**43,171**	(26,275)
Deemed capital contribution – Financial guarantee contracts	**4,017**	4,017
	47,285	11,294
Amounts due from associates included in non-current assets (Note i)	**768**	89,360
Amounts due to associates included in current liabilities (Notes ii and iii)	**68,399**	12,201

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 considered that the amounts as at the end of the reporting period form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. The directors of the Company consider that the carrying amounts of these balances approximates to their fair values. Included in the amount is share of loss of an associate of HK$8,832,000 (2011: HK$7,500,000) recognised in excess of its cost of investment.

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

(iii) Included in the amounts at 31 March 2011 was HK$411,000 that were denominated in Singapore Dollars ("SGD"), which was different from the functional currency of the relevant group entity. During the year, the amount was settled in full.

21. Interests in associates/amounts due from (to) associates

(Continued)

At 31 March 2011 and 2012, 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 2012	2011	Principal activity
Clemenceau Mauritius Holdings	Mauritius	Singapore	– (Note)	25%	Property holding
Expert Vision Investments Limited	BVI	Hong Kong	**25%**	25%	Property holding
Femville Pte. Ltd.	Singapore	Singapore	**20%**	20%	Inactive
Maxland Management Limited	Hong Kong	Hong Kong	**40%**	40%	Inactive
Trend Rainbow Limited	Hong Kong	Hong Kong	**40%**	40%	Property holding

Note: This Company is disposed of by the Group during the year with a consideration of HK$22,000,000, resulting in a gain on disposal of HK$12,748,000, as set out in note 9.

21. Interests in associates/amounts due from (to) associates
(Continued)

The summarised combined financial information, extracted from relevant management accounts of associates for the year ended 31 March 2012 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2011), in respect of the Group's associates, is set out below:

	2012	2011
	HK$'000	HK$'000
Total assets	**805,274**	1,188,718
Total liabilities	**(692,713)**	(1,187,141)
Net assets	**112,561**	1,577
Group's share of net assets of associates	**43,268**	7,277
Revenue	**35,072**	165,444
Investment income	**458,941**	–
Other expenses	**(26,888)**	(18,310)
Profit for the year	**467,125**	147,134
Group's share of profit of associates for the year	**185,315**	26,426

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

	2012 HK$'000	2011 HK$'000
Trade receivables:		
0 – 30 days	**1,874**	1,690
31 – 90 days	**2,318**	1,734
	4,192	3,424
Long-term loan receivable – due within one year (note 19)	**780**	–
Consideration receivables for sales of properties held for sale (Note)	**–**	124,000
Prepayments and deposits	**14,524**	20,027
Other receivables	**22,228**	17,060
	41,724	164,511

Note: The amount as at 31 March 2011 was held under an escrow account, and has been fully settled during the year.

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

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

23. Properties held for sale

	2012 HK$'000	2011 HK$'000
The Group's carrying amounts of properties held for sale, stated at cost, comprise:		
– Completed properties	**3,241,836**	3,781,321
– Properties under development	**–**	369,191
	3,241,836	4,150,512

23. Properties held for sale (Continued)

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

During the year, properties held for sales of HK$137,923,000 were transferred to properties, plant and equipment, upon commencement of owner-occupation of the relevant properties.

Certain of the above properties held for sale are pledged to secure the general facilities granted to the Group. Details are set out in note 35.

24. Investments held for trading

Investments held for trading, at fair values, comprise:

	2012	2011
	HK$'000	HK$'000
Listed equity securities (Note i)	**60,274**	19,102
Unlisted mutual funds (Note ii)	**96,795**	128,862
	157,069	147,964
Listed debt securities (Note iii)	**394,323**	264,784
	551,392	412,748
Total and reported as:		
Listed		
Hong Kong	**68,128**	19,102
Elsewhere	**386,469**	264,784
	454,597	283,886
Unlisted	**96,795**	128,862
	551,392	412,748

24. 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 mutual funds 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 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 was determined with reference to the value of the underlying assets of the funds. An increase in fair value of unlisted mutual funds of HK$14,624,000 (2011: HK$20,553,000) was recognised in the consolidated income statement for the year ended 31 March 2012.

(iii) The listed debt securities at 31 March 2012 represent bonds with fixed interest of 1.60% to 13.50% (2011: 4.9% to 13.00%) per annum. The maturity dates of the listed debt securities range from 9 November 2012 to 31 December 2049 (2011: 9 November 2012 to 31 December 2049). Their fair values are determined based on quoted market bid prices available from the market.

Certain of the listed debt securities is pledged to secure the general banking facilities granted to the Group. Details are set out in note 35.

25. Cash held by securities brokers/bank balances and cash

Cash held by securities brokers are short term deposits which carry variable interest rate ranged from 0.001% to 0.1% (2011: 0.14% to 0.8%) per annum.

The amounts of Group's cash held by securities brokers denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	HK$'000	HK$'000
United States dollars ("USD")	**15,677**	35,274

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 1.85% (2011: 0.001% to 1.25%) per annum.

25. Cash held by securities brokers/bank balances and cash

(Continued)

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:

	2012 HK$'000	2011 HK$'000
Renminbi ("RMB")	**12,512**	220,020
USD	**196,567**	67,407
Australian Dollar ("AUD")	**–**	4,345
SGD	**–**	2,696
Euro ("EUR")	**7,852**	–
	216,931	294,468

26. Other payables and accruals

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

	2012 HK$'000	2011 HK$'000
Receipt in advance for sales of properties held for sale	**10,425**	437,936
Rental and related deposits received	**50,485**	50,367
Other tax payables	**1,934**	7,993
Other payables	**1,673**	1,762
Accruals	**20,924**	13,336
	85,441	511,394

27. Convertible notes

1.5% convertible notes due 2011 (2011 Convertible Notes)

On 17 May 2006, 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 with maturity 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 (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 shall 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 element is presented in equity under the heading of "convertible notes equity reserve".

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

During the year ended 31 March 2012, the Company redeemed all of the then outstanding 2011 Convertible Notes with principal amounted to HK$70,500,000 at aggregate consideration of HK$77,550,000 upon its maturity. Convertible note equity reserve transferred to accumulated profits upon redemption of the 2011 Convertible Notes amounted to HK$8,046,000.

27. 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 with maturity 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 (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".

27. Convertible notes (Continued)

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

During the year ended 31 March 2011, the Company entered into another agreement with an independent third party and pursuant to which the Company redeemed the 2012 Convertible Notes I with an aggregate carrying amount of HK$16,860,000 at an aggregate consideration of HK$17,972,000, representing a 14% premium to the outstanding principal amount (inclusive of interest) resulting in a loss on redeemed of HK$1,112,000 included in other gains and losses for the year.

As at 31 March 2011, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes I was HK$8,000,000, which is convertible into 18,648,018 new shares at the adjusted conversion price of HK$0.429.

During each of the two years ended 31 March 2011 and 2012, 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 with maturity 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.

At any time after the first anniversary after the issue date, the Company may redeem unexercised 2012 Convertible Notes II at an amount equal to outstanding principal amount of the 2012 Convertible Notes II plus a premium calculated to provide a yield of 11% per annum (inclusive of interest of 4% per annum) from the issue date to the date of redemption if the spot price was at least 180% 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, the Company shall 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.

27. Convertible notes (Continued)

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

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 element is presented in equity under the heading of "convertible notes equity reserve".

None of the 2012 Convertible Notes II were converted nor redeemed from the date of issue until during the year. The Company exercised its early redemption right by serving the notice to the noteholder, an independent third party, to redeem the entire amount of the 2012 Convertible Notes II with a carrying amount of HK$80,103,000 at an aggregate consideration of HK$96,800,000, resulting in a loss on redemption of HK$16,697,000 included in other gains and losses for the year.

Convertible note equity reserve transferred to accumulated profits upon the early redemption of the 2012 Convertible Notes II amounted to HK$8,908,000.

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

	2012	2011
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**165,845**	168,939
Redemption	**(157,653)**	(16,860)
Interest charge	**2,424**	18,260
Interest paid	**(1,218)**	(4,494)
Carrying amount at the end of the year	**9,398**	165,845
Analysed for reporting purposes as:		
Current liability	**9,398**	78,709
Non-current liability	**–**	87,136
	9,398	165,845

28. Bank borrowings

	2012 HK$'000	2011 HK$'000
The Group's secured borrowings are repayable as follows:		
Within one year	**358,844**	613,925
More than one year, but not exceeding two years	**115,903**	102,807
More than two years, but not exceeding three years	**333,611**	124,527
More than three years, but not exceeding four years	**116,859**	356,242
More than four years, but not exceeding five years	**221,916**	136,505
More than five years	**1,140,014**	893,926
	2,287,147	2,227,932
The Group's secured borrowings that contain a repayment on demand clause in the loan agreements:		
Repayable within one year	**22,424**	72,187
Not repayable within one year	**344,901**	321,846
	367,325	394,033
	2,654,472	2,621,965
Less: Amount due within one year or contain a repayment on demand clause in the loan agreement shown under current liabilities	**(726,169)**	(1,007,958)
	1,928,303	1,614,007

28. Bank borrowings (Continued)

The secured bank borrowings were secured by certain of the Group's property, plant and equipment, properties held for sale and investments held for trading. The carrying amount of the assets pledged are disclosed in note 35.

All amounts of the Group's bank borrowings are denominated in the functional currency of the relevant group entity.

The bank borrowings carried floating rate interests, of which borrowings amounting to HK$2,383,078,000 (2011: HK$2,342,950,000) bear interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 0.6% to 3.0% (2011: HIBOR plus 0.5% to 1.4%) per annum and borrowings amounting to HK$271,394,000 (2011: HK$279,015,000) bear interest at the quoted lending rate of People's Bank of China minus a fixed margin for both years. At 31 March 2012, the effective interest rates ranged from 0.7% to 6.2% (2011: 0.6% to 5.9%) per annum, which are also equal to contracted interest rates for bank borrowings. Interest is repriced every six months.

29. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2010, 31 March 2011 and 2012	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2010 and 31 March 2011	8,163,817,074	65,311
Issue of shares upon exercise of share options (Note)	69,290,352	554
At 31 March 2012	8,233,107,426	65,865

Note: During the year, the Company has issued 69,290,352 shares upon exercise of share options by the employees and directors at an exercise price of HK$0.1061 per share.

30. Derivative financial instruments

	Liabilities	
	2012	2011
	HK$'000	HK$'000
Interest rate collar contract	**7,312**	10,415

Notes:

Major terms of the interest rate collar as at 31 March 2012 and 2011 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 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 the reporting period with reference to market data, settlement date, settlement price and interest rates.

31. Deferred taxation

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

	Accelerated tax depreciation HK$'000	**Convertible notes** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2010	18,891	2,172	(356)	20,707
Credit to consolidated income statement for the year	(10,204)	(1,113)	(57)	(11,374)
At 31 March 2011	8,687	1,059	(413)	9,333
Charge (credit) to consolidated income statement for the year	362	(1,049)	(108)	(795)
At 31 March 2012	9,049	10	(521)	8,538

As at 31 March 2012, the Group had unused tax losses of approximately HK$119,003,000 (2011: HK$128,834,000) available for offset against future profits of which certain of these tax losses have not yet been agreed with the tax authority. A deferred tax asset has been recognised in respect of tax loss of HK$3,158,000 (2011: HK$2,504,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$115,845,000 (2011: HK$126,330,000) 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. For financial reporting purposes, the deferred tax balances are analysed as deferred tax liabilities.

32. Acquisition of a business/assets through acquisition of subsidiaries

(a) Acquisition of a business

For the year ended 31 March 2012

On 31 May 2011, the Group completed the acquisition of a hotel operation in Hong Kong, whose sole asset at the acquisition date was a hotel property, from an independent third party for a cash consideration of HK$548,000,000. The directors consider that the fair value of the hotel property acquired approximated to the consideration transferred.

Included in the profit for the year is HK$10,654,000 attributable to the hotel operation while revenue for the year includes HK$28,872,000 generated from the hotel operation. Had the acquisition been completed on 1 April 2011, total Group's revenue for the year would have been HK$3,223,000,000, and profit for the year would have been HK$1,768,000,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

(b) Acquisition of assets through acquisition of subsidiaries

For the year ended 31 March 2011

On 1 April 2010, the Group completed the acquisition of the entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly owned subsidiary for a consideration of HK$1,820,495,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

32. Acquisition of a business/assets through acquisition of subsidiaries (Continued)

(b) Acquisition of assets through acquisition of subsidiaries (Continued)

For the year ended 31 March 2011 (Continued)

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Properties held for sale	2,105,295
Bank balances and cash	138,395
Other receivables	7,732
Other payables and accruals	(60,990)
Taxation payable	(5,953)
Bank borrowings	(363,984)
	1,820,495
Total consideration satisfied by:	
Cash paid during the year ended 31 March 2010	1,820,495
Net cash inflow arising on acquisition during the year ended 31 March 2011:	
Bank balances and cash acquired	138,395

33. Disposal of subsidiaries

For the year ended 31 March 2012

During the year, the Group disposed of, to independent third parties, the entire interests in Favor Fast Limited ("Favor Fast") and Enjoy Win Limited ("Enjoy Win") for a cash consideration of HK$113,904,000 and HK$18,942,000 respectively. Since Favor Fast and Enjoy Win were principally engaged in the holding of properties held for sale, which represented their single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the properties held for sale. Accordingly, the Group has accounted for the sale of Favor Fast and Enjoy Win in the consolidated income statement as sale of the underlying properties held for sale. The considerations allocated to the sale of properties are regarded as revenue generated from sales of properties held for sale by the Group.

The aggregate amounts of the assets and liabilities attributable to Favor Fast and Enjoy Win on the respective dates of disposal were as follows:

	HK$'000
Net assets disposed of:	
Trade and other receivables	396
Properties held for sale	91,258
Other payables and accruals	(1,269)
Amounts due to group entities	(51,639)
Bank borrowings	(33,900)
	4,846
Assignment of shareholders' loans (Note)	51,639
Gain on disposal of subsidiaries	76,361
Total consideration, satisfied by cash and cash inflow arising on disposal	132,846

33. Disposal of subsidiaries (Continued)

For the year ended 31 March 2012

	HK$'000
Gain on disposal of a subsidiary is included in the consolidated income statement as follows:	
Revenue	167,619
Cost of sales	(91,258)
	76,361

Note: As part of the disposal arrangement, the consideration received by the Group included an amount of HK$51,639,000 from the buyers as consideration for the assignment to the purchasers of the shareholders' loans to Favor Fast and Enjoy Win.

Net cash inflows (outflows) contributed by the subsidiaries disposed of during the year up to the respective dates of disposal:

	HK$'000
Net cash inflows from operating activities	107
Net cash outflows from financing activities	(1,580)
	(1,473)

33. Disposal of subsidiaries (Continued)

For the year ended 31 March 2011

During the year ended 31 March 2011, the Group disposed of its 20% interest in Get Wisdom, a subsidiary owned by the Group as to 70% immediately before the transaction, to the non-controlling shareholder of Get Wisdom. Get Wisdom and its subsidiaries ("Get Wisdom Group") became jointly controlled entities of the Group following the transaction.

In addition, the Group also disposed of, to independent third parties, the entire interests in (i) Ocean Plaza Investments Limited and its subsidiaries; (ii) Stand Success Limited and its subsidiaries; (iii) Favor Rise Group Limited and its subsidiaries; and (iv) Made Success Limited and its subsidiary (collectively referred to as the "Other Disposals Group") for a cash consideration of HK$1,480,071,000. Since all of the subsidiaries of the Other Disposals Group were principally engaged in the business of property trading and the respective properties held for sale represented the single predominant asset of the relevant subsidiaries, the Group is principally selling, and the buyers are principally acquiring, the respective properties held for sale. Accordingly, the Group has accounted for the disposal of the Other Disposals Group in the consolidated profit or loss account as disposal of the underlying properties held for sale. The revenue recognised by the Group therefore consist of the consideration allocated to the sale of properties.

33. Disposal of subsidiaries (Continued)

For the year ended 31 March 2011 (Continued)

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	Get Wisdom Group HK$'000	Other Disposals Group HK$'000	Total HK$'000
Net assets disposed of:			
Property, plant and equipment	–	275	275
Trade and other receivables	5,229	1,675	6,904
Properties held for sale	2,121,633	1,388,953	3,510,586
Bank balances and cash	169,431	31,118	200,549
Other payables and accruals	(53,363)	(32,674)	(86,037)
Taxation payable	(9,673)	–	(9,673)
Amounts due to group entities	(685,289)	(915,996)	(1,601,285)
Amount due to non-controlling shareholder of a subsidiary	(292,390)	–	(292,390)
Bank borrowings	(1,255,096)	(494,427)	(1,749,523)
	482	(21,076)	(20,594)
Non-controlling interests	(145)	–	(145)
Translation reserve reclassified to profit or loss	–	(39,011)	(39,011)
Assignment of shareholders' loans (Note i)	195,177	915,996	1,111,173
Interest in a jointly controlled entity (Note ii)	(241)	–	(241)
Gain (loss) on disposal of subsidiaries	(96)	624,162	624,066
	195,177	1,480,071	1,675,248
Total consideration satisfied by:			
Cash	195,177	1,480,071	1,675,248
Net cash inflow (outflow) arising on disposal:			
Cash received	195,177	1,480,071	1,675,248
Bank balances and cash disposed of	(169,431)	(31,118)	(200,549)
	25,746	1,448,953	1,474,699
Gain (loss) on disposals of subsidiaries is included in the consolidated income statement as follows:			
Revenue	–	1,974,104	1,974,104
Cost of sales	–	(1,388,953)	(1,388,953)
Other gains and losses	(96)	39,011	38,915
	(96)	624,162	624,066

33. Disposal of subsidiaries (Continued)

For the year ended 31 March 2011 (Continued)

Notes:

(i) As part of the disposal arrangements, the Group received an aggregate cash amount of HK$1,111,173,000 from the buyers as consideration for the assignment to the purchasers of 20% of the shareholders' loans to Get Wisdom Group and 100% of the shareholders' loans to each of the subsidiaries disposed of within the other Disposals Group.

(ii) The carrying amounts of the assets and liabilities held by Get Wisdom at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom.

Net cash inflow (outflow) contributed by the subsidiaries disposed of during the year up to the respective dates of disposals:

	Get Wisdom Group	**Other Disposals Group**	**Total**
	HK$'000	HK$'000	HK$'000
Net cash outflows from operating activities	(10,548)	(295,310)	(305,858)
Net cash inflows from financing activities	11,544	272,204	283,748
	996	(23,106)	(22,110)

34. Contingent liabilities

	2012	2011
	HK$'000	HK$'000
Corporate guarantee given by the Group for banking facilities granted to:		
Jointly controlled entities	**597,650**	447,500
An associate	**84,800**	84,800
	682,450	532,300
and utilised by:		
Jointly controlled entities	**533,650**	413,100
An associate	**84,800**	84,800
	618,450	497,900

In addition, at 31 March 2012, the other joint venture partner of a jointly controlled entity of which the Group held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant jointly controlled entity amounting to approximately HK$625 million (2011: nil). The banking facilities utilised by the relevant jointly controlled entity amounted to approximately HK$318 million (2011: nil) at the end of the reporting period. A counter-indemnity in favour of the other joint venture partner is executed pursuant to which the Group undertakes to indemnify the other joint venture partner 50% of the liabilities arising from the above loan facilities.

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 less likely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to jointly controlled entities amounted to HK$1,620,000 (2011: HK$1,712,000).

35. Pledge of assets

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

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	**689,090**	87,751
Properties held for sale	**3,095,275**	3,755,566
Investments held for trading	**101,061**	–
	3,885,426	3,843,317

36. Operating lease and capital commitments

(a) Operating lease commitments

The Group as lessee

During the year, the Group incurred HK$1,141,000 (2011: HK$422,000) minimum lease payments in respect of office premises.

At 31 March 2012, the Group had outstanding commitments for further lease payments under non-cancellable operating leases, amounting to HK$999,000 (2011: nil), which falls due within one year.

The Group as lessor

Property rental income earned during the year was HK$225,040,000 (2011: HK$277,558,000). Certain of the properties, which are classified as properties held for sale, have committed tenants for the next two to eight years.

36. Operating lease and capital commitments (Continued)

(a) Operating lease commitments (Continued)

The Group as lessor (Continued)

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

	2012	2011
	HK$'000	HK$'000
Within one year	**165,403**	127,770
In the second to fifth years inclusive	**229,835**	142,800
Over five years	**6,821**	12,068
	402,059	282,638

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.

(b) Capital commitment

	2012	2011
	HK$'000	HK$'000
Capital commitment contracted for but not provided in the consolidated financial statements in respect of investment in a jointly controlled entity	**1,065,600**	–

37. 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$1,998,000 (2011: HK$1,274,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

38. Related party disclosures

(a) The directors are not aware of any significant transactions with related parties during each of the two years ended 31 March 2012.

(b) The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. Details of the amounts due from jointly controlled entities and associates are set out in the consolidated statement of financial position and on notes 20 and 21.

38. Related party disclosures (Continued)

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

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**64,763**	38,177
Post-employment benefits	**697**	624
Share-based payments	**50**	615
	65,510	39,416

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

39. 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 expired 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.

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.

39. Share option schemes (Continued)

2001 Scheme (Continued)

The 2001 Scheme was terminated on 26 August 2002.

The number of shares in respect of which options had been granted and remained outstanding under 2011 Scheme as at 31 March 2011 was 69,290,352, representing 0.8% of the issued share capital of the Company at 31 March 2011. All of the outstanding options under the 2011 Scheme were exercised during the year and the same number of shares of the Company were issued.

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.

There are 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 2011 and 2012, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 256,425,750, representing 3.1% (2011: 3.6%) of the issued share capital of the Company at 31 March 2012.

39. Share option schemes (Continued)

The following tables disclose movements in the Company's share options during the two years ended 31 March 2012.

	Option scheme type	Date of grant	Adjusted exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2010	Reclassified during the year (Note i)	Number of options outstanding at 31.3.2011	Exercised during the year (Note ii)	Number of options outstanding at 31.3.2012
Directors/a former director									
Kan Sze Man	2001	30.8.2001	0.1061	30.8.2001 – 12.6.2011	24,534,562	–	24,534,562	(24,534,562)	–
	2002	23.9.2002	0.0884	23.9.2002 – 25.8.2012	19,785,938	–	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	(5,302,631)	–
	2002	23.9.2002	0.0884	23.9.2002 – 25.8.2012	19,785,938	–	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)	–	–	–
Wong Chung Kwong	2002	3.10.2007	0.3198	3.10.2007 – 25.08.2012	–	25,326,000	25,326,000	–	25,326,000
Total for directors					113,729,569	(18,994,500)	94,735,069	(69,409,069)	25,326,000
Employees and consultants									
	2001	30.8.2001	0.1061	30.8.2001 – 12.6.2011	39,453,159	–	39,453,159	(39,453,159)	–
	2002	23.9.2002	0.0884	23.9.2002 – 25.8.2012	90,223,875	–	90,223,875	–	90,223,875
	2002	8.1.2004	0.0884	8.1.2004 – 25.8.2012	47,486,250	–	47,486,250	–	47,486,250
	2002	9.1.2004	0.0948	9.1.2004 – 25.8.2012	23,743,125	–	23,743,125	–	23,743,125
	2002	3.10.2007	0.3198	3.10.2007 – 25.8.2012	50,652,000	18,994,500	69,646,500	–	69,646,500
Total for employees and consultants					251,558,409	18,994,500	270,552,909	(39,453,159)	231,099,750
Grand total					365,287,978	–	365,287,978	(108,862,228)	231,099,750
Exercisable as at 31 March 2011 and 2012					365,287,978		365,287,978		256,425,750
Weighted average exercise price (HK$)					0.1523	0.3198	0.1523	0.0997	0.1747

Notes:

(i) During the year ended 31 March 2011, re-classification of participants were made according to their latest status with the Group. The total number of options re-classified is 18,994,500.

(ii) Included in the share options exercised during the year is 39,571,876 share options of which the Company received the notice from two directors on exercise of such share options in March 2012 but the Company completed the procedures for the issue of the relevant shares subsequent to 31 March 2012.

39. Share option schemes (Continued)

For the year ended 31 March 2012, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.32. No share options were exercised during the year ended 31 March 2011.

The Group recognised the total expense of HK$187,000 for the year ended 31 March 2012 (2011: HK$615,000) in relation to share option granted by the Company.

40. 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 27 and bank borrowings disclosed in note 28, 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 and new share issues as well as the issue of new debt or the redemption of existing debt.

41. Financial instruments

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Investments held for trading	**551,392**	412,748
Conversion options embedded in convertible notes	**20,180**	20
	571,572	412,768
Loans and receivables		
Trade and other receivables	**27,200**	144,484
Long-term loan receivable	**14,040**	–
Amounts due from jointly controlled entities	**498,657**	401,396
Amounts due from associates	**768**	89,360
Amount due from a non-controlling shareholder of a subsidiary	**–**	25
Cash held by securities brokers	**20,832**	137,568
Bank balances and cash	**2,424,037**	1,721,786
	2,985,534	2,494,619
Available-for-sale financial assets		
Available-for-sale investments	**67,430**	26,509
Financial liabilities		
At amortised cost		
Other payables	**45,864**	47,622
Amounts due to jointly controlled entities	**457**	439
Amounts due to associates	**68,399**	12,201
Amounts due to non-controlling shareholders of subsidiaries	**28,658**	11,203
Convertible notes	**9,398**	165,845
Bank borrowings	**2,654,472**	2,621,965
	2,807,248	2,859,275
Derivative financial instruments	**7,312**	10,415

41. Financial instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, conversion options embedded in convertible notes, trade and other receivables, loan receivable, amounts due from a non-controlling shareholder of a subsidiary, jointly controlled entities and associates, cash held by securities brokers, bank balances and cash, available-for-sale investments, other payables, amounts due to non-controlling shareholders of subsidiaries, jointly controlled entities and associates, convertible notes, bank 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 currency risk in relation to RMB, USD and EUR arising from foreign currency bank balances and cash, cash held by securities brokers and amounts due to associates as set out in notes 25 and 21.

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

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**12,512**	220,020	**–**	–
USD	**212,244**	102,681	**–**	–
AUD	**–**	4,345	**–**	–
SGD	**–**	2,696	**–**	(411)
EUR	**7,852**	–	**–**	–

41. 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% (2011: 5%) increase and decrease in the functional currency of each group entity against the above foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items 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% (2011: 5%) change in foreign currency rate. A positive number below indicates an increase in profit where the above foreign currencies strengthen by 5% (2011: 5%) against the functional currency of each group entity. For a 5% (2011: 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.

	2012	2011
	HK$'000	HK$'000
Profit for the year	**850**	9,463

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.

41. Financial instruments (Continued)

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

Market risks (Continued)

(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), amounts due from (to) jointly controlled entities/associates, investments held for trading, convertible notes liabilities issued by the Company and derivative financial instruments as set out in notes 18, 20, 21, 24, 27 and 30 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate loan receivable, bank balances, cash held by securities brokers, and bank borrowings as set out in notes 19, 25 and 28 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 cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings and interest 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 loan receivable, cash held by securities brokers, bank balances and bank 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 (2011: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2011: 50 basis points) for bank 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.

41. Financial instruments (Continued)

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

Market risks (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analyses for cash flow interest rate risk (Continued)

For financial assets carried at amortised cost, if interest rates had been 10 (2011:10) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2012 would increase/decrease by HK$2,054,000 (2011: HK$1,553,000).

For financial liabilities carried at amortised cost, if interest rates had been 50 (2011: 50) basis points higher/lower and all variables were held constant, the Group's post-tax profit for the year ended 31 March 2012 would decrease/increase by HK$11,082,000 (2011: HK$10,947,000).

No sensitivity 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 increased during the year mainly due to increase in the balances of variable rate bank borrowings as at 31 March 2012. 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.

(iii) Equity and other price risks

The Group is exposed to equity and other price risks through its investments in investments held for trading. 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. The management considers that there is no significant equity and other price risks through 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.

41. Financial instruments (Continued)

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

Market risks (Continued)

(iii) Equity and other price risks (Continued)

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 listed equity securities and unlisted mutual funds had been 5% (2011: 5%) higher/lower, profit for the year ended 31 March 2012 would increase/decrease by HK$6,558,000 (2011: increase/decrease by HK$6,177,000) as a result of the changes in fair value of equity securities and unlisted mutual funds held by the Group.

If the prices of the respective debt securities had been 5% (2011: 5%) higher/lower, profit for the year ended 31 March 2012 would increase/decrease by HK$16,463,000 (2011: increase/decrease by HK$11,055,000) 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.

41. Financial instruments (Continued)

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

Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial 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 34.

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 good reputations.

The credit risk on investments in listed debt securities is limited because majority of the counterparties are corporations with good reputations.

41. Financial instruments (Continued)

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

Credit risk (Continued)

The credit quality of the listed debt securities as set out in note 24, 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:

	2012	2011
	%	%
Aa2 to A3	**–**	10.8
Baa1	**–**	19.9
Baa2	**–**	1.2
Ba2	**8.8**	–
Ba3	**44.4**	12.1
B1 to B2	**35.3**	–
Unrated	**11.5**	56.0
	100.0	100.0

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 Group has concentration of credit risk on its investment in convertible notes (included in available-for-sale investments and conversion options embedded in convertible notes) as the entire amount of the convertible notes are issued by four (2011: three) independent third parties. The management of the Group considers that the credit risk on investments in these convertible notes is limited as they were issued by reputable companies whose shares are listed on the Stock Exchange.

41. Financial instruments (Continued)

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

Credit risk (Continued)

Significant concentration of credit risk (Continued)

The Group also has concentration of credit risk as 100% (2011: 100%) of the amounts due from jointly controlled entities are due from three (2011: two) jointly controlled entities. The jointly controlled entities are private companies and mainly located in the PRC. In order to minimize the credit risk, the management of the Group has monitored the repayment ability of the jointly controlled entities continuously. The counterparties of the entire amounts due from jointly controlled entities that are repayable on demand had no default record based on historical information.

The Group's geographical concentration of credit risk is mainly in Hong Kong, which accounted for approximately 90% of the Group's total recognised financial assets as at 31 March 2012 and 2011.

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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise the rights.

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.

41. 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 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$'000	Total carrying amount at 31 March 2012 HK$'000
31 March 2012									
Other payables	–	45,864	–	–	–	–	–	45,864	45,864
Amounts due to jointly controlled entities	–	457	–	–	–	–	–	457	457
Amounts due to associates	–	68,399	–	–	–	–	–	68,399	68,399
Amounts due to non-controlling shareholders of subsidiaries	–	28,658	–	–	–	–	–	28,658	28,658
Convertible notes – liability component (Note i)	2.0	–	–	9,630	–	–	–	9,630	9,398
Bank borrowings	2.4	367,325	–	385,982	161,218	800,160	1,166,804	2,881,489	2,654,472
		510,703	–	395,612	161,218	800,160	1,166,804	3,034,497	2,807,248
Financial guarantee contracts (Note ii)	–	–	–	164,300	32,000	581,088	–	777,388	1,620
Interest rate collar contract – net settled	–	–	–	–	7,312	–	–	7,312	7,312

41. 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$'000	Total carrying amount at 31 March 2011 HK$'000
31 March 2011									
Other payables	–	47,622	–	–	–	–	–	47,622	47,622
Amounts due to jointly controlled entities	–	439	–	–	–	–	–	439	439
Amounts due to associates	–	12,201	–	–	–	–	–	12,201	12,201
Amounts due to non-controlling shareholders of subsidiaries	–	11,203	–	–	–	–	–	11,203	11,203
Convertible notes – liability component (Note i)	1.5/2.0/4.0	–	80,163	1,724	108,794	–	–	190,681	165,845
Bank borrowings	1.77	394,033	–	634,281	131,375	697,518	909,749	2,766,956	2,621,965
		465,498	80,163	636,005	240,169	697,518	909,749	3,029,102	2,859,275
Financial guarantee contracts (Note ii)	–	–	–	145,900	48,000	304,000	–	497,900	1,712
Interest rate collar contract – net settled	–	–	–	–	–	10,415	–	10,415	10,415

Notes:

(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 of the relevant underlying financial guarantee contracts guaranteed by the Group.

41. Financial instruments (Continued)

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2012 and 31 March 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HK$367,325,000 and HK$394,033,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repayable in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	1 – 3 months	**3 months to 1 year**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**	**Total undiscounted cash flows**	**Total carrying amounts**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2012	**6,100**	**21,390**	**31,268**	**243,776**	**103,010**	**405,544**	**367,325**
31 March 2011	3,603	72,919	90,780	71,828	180,648	419,778	394,033

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.

41. Financial instruments (Continued)

(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 30) 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 values 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.

(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 3 measurements").

41. Financial instruments (Continued)

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

	2012			
	Level 1 measurements HK$'000	Level 2 measurements HK$'000	Level 3 measurements HK$'000	Total HK$'000
Financial assets				
Investments held for trading				
– Listed equity securities	**60,274**	**–**	**–**	**60,274**
– Unlisted mutual funds	**–**	**–**	**96,795**	**96,795**
– Listed debt securities	**394,323**	**–**	**–**	**394,323**
	454,597	**–**	**96,795**	**551,392**
Available-for-sale investments/ conversion options in convertible notes				
– Unlisted debt securities	**–**	**62,425**	**–**	**62,425**
– Conversion options embedded in convertible notes	**–**	**–**	**20,180**	**20,180**
	–	**62,425**	**20,180**	**82,605**
	454,597	**62,425**	**116,975**	**633,997**
Financial liabilities				
Derivative financial instruments	**–**	**7,312**	**–**	**7,312**

41. Financial instruments (Continued)

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

	2011			
	Level 1 measurements HK$'000	Level 2 measurements HK$'000	Level 3 measurements HK$'000	Total HK$'000
Financial assets				
Investments held for trading				
– Listed equity securities	19,102	–	–	19,102
– Unlisted mutual funds	–	–	128,862	128,862
– Listed debt securities	264,784	–	–	264,784
	283,886	–	128,862	412,748
Available-for-sale investments/ conversion options in convertible notes				
– Unlisted debt securities	–	21,504	–	21,504
– Conversion options embedded in convertible notes	–	–	20	20
	–	21,504	20	21,524
	283,886	21,504	128,882	434,272
Financial liabilities				
Derivative financial instruments	–	10,415	–	10,415

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

41. Financial instruments (Continued)

(e) Reconciliation of Level 3 measurements of financial assets

	Unlisted mutual funds (included in investments held for trading)	Conversion options embedded in convertible notes	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2010	161,220	3,750	164,970
Disposal	(62,864)	–	(62,864)
Addition	7,917	–	7,917
Net increase (decrease) in fair value recognised in profit or loss (included in income and gains from investments)	22,589	(3,730)	18,859
At 31 March 2011	128,862	20	128,882
Disposal	(46,691)	–	(46,691)
Addition	–	20,044	20,044
Net increase in fair value recognised in profit or loss (included in income and gains from investments)	14,624	116	14,740
At 31 March 2012	96,795	20,180	116,975
Net increase (decrease) in fair values recognised in profit or loss (included in income and gains from investments) attributable to respective financial assets held at the end of the reporting period are:			
At 31 March 2011	20,553	(3,730)	16,823
At 31 March 2012	16,300	116	16,416

42. Information of the statement of financial position of the company

Information of the statement of financial position of the Company as at 31 March 2012 and 2011:

	2012	2011
	HK$'000	HK$'000
Investments in subsidiaries	**267,960**	17,139
Amounts due from subsidiaries	**3,312,526**	3,482,782
Other assets	**221,572**	181,944
Liabilities	**(26,584)**	(180,700)
	3,775,474	3,501,165
Share capital	**65,865**	65,311
Reserves (Note)	**3,709,609**	3,435,854
	3,775,474	3,501,165

42. Information of the statement of financial position of the company (Continued)

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 2010	1,221,459	371	19,413	338,410	6,521	1,501,185	3,087,359
Profit and other comprehensive income for the year	–	–	–	–	–	388,699	388,699
Transfer on partial redemption of convertible notes	–	–	(1,625)	–	–	1,625	–
Recognition of equity-settled share based payment	–	–	–	–	615	–	615
Dividend recognised as distribution	–	–	–	–	–	(40,819)	(40,819)
At 31 March 2011	1,221,459	371	17,788	338,410	7,136	1,850,690	3,435,854
Profit and other comprehensive income for the year	–	–	–	–	–	349,102	349,102
Issue of shares upon exercise of share options	6,797	–	–	–	–	–	6,797
Transfer on redemption of convertible notes upon maturity	–	–	(8,046)	–	–	8,046	–
Transfer on early redemption of convertible notes	–	–	(8,908)	–	–	8,908	–
Recognition of equity-settled share based payment	–	–	–	–	187	–	187
Dividend recognised as distribution	–	–	–	–	–	(82,331)	(82,331)
At 31 March 2012	1,228,256	371	834	338,410	7,323	2,134,415	3,709,609

43. Particulars of principal subsidiaries of the company

Particulars of the principal subsidiaries at 31 March 2012 and 2011 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 Directly 2012 %	Directly 2011 %	Indirectly 2012 %	Indirectly 2011 %	Principal activities
Able Market Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Absolute Keen Limited	Hong Kong	HK$1	–	–	100	100	Property holding
Capital Delight Limited (Note i)	Hong Kong	HK$1	–	–	100	–	Property holding and leasing of property
Capital Strategic Property (Shanghai) Limited (Note ii)	PRC	Registered and paid-up capital RMB300,000,000	–	–	100	100	Property holding and leasing of property
Clear Luck Group Limited	BVI	US$1	–	–	100	–	Property holding
Couture Homes Limited	BVI	US$1	–	–	100	–	Investment holding
CSI Financial Holdings Limited	Hong Kong	HK$100	100	100	–	–	Sales of securities and investment holding
CSI Property Services Ltd.	Hong Kong	HK$2	100	100	–	–	Provision of property management service
Digital Option Limited	BVI	US$1	–	–	100	–	Property holding and leasing of property
Earn Centre Limited	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Ever Corporate Limited	Hong Kong	HK$1	–	–	100	–	Property holding
Far Beyond Limited	Hong Kong	HK$10,000	–	–	90	90	Property holding
Fortress Jet Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Golden United Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Great Level Investments Limited	Hong Kong	HK$1	–	–	100	100	Property holding

43. 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		
			2012 %	2011 %	**2012** %	2011 %	
High Supreme Limited (Note i)	BVI	US$1	**–**	–	**100**	–	Property holding and leasing of property
Mark Well Investment Limited	Hong Kong	HK$100	**100**	100	**–**	–	Sale of securities and investment holding
Modern Value Limited (Note i)	BVI	US$1	**–**	–	**100**	–	Property holding and leasing of property
Sky Dragon Limited	Hong Kong	HK$2	**–**	–	**100**	100	Property holding and leasing of property
Smart Charm Holdings Limited (Note i)	Hong Kong	HK$1	**–**	–	**100**	–	Hotel operation
Smart Kept Limited	BVI	US$1	**–**	–	**100**	–	Property holding and leasing of property
The Hampton Management Limited	Hong Kong	HK$1	**–**	–	**100**	100	Management services
True Advance Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding
Well Clever International Limited	BVI	US$1	**–**	–	**100**	100	Sale of securities and investment holding

Notes:

(i) These companies were incorporated during the year ended 31 March 2012.

(ii) Capital Strategic Property (Shanghai) Limited is a wholly foreign owned enterprise established in the PRC.

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.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CSI PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 109, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 2011 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
23 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5	**2,745,292**	1,447,907
Cost of sales		**(1,773,100)**	(1,178,959)
Gross profit		**972,192**	268,948
Income and gains/losses from investments	7	**17,311**	64,728
Other income	8	**5,609**	48,443
Other gains and losses	9	**41,691**	331,396
Administrative expenses		**(98,625)**	(81,106)
Finance costs	10	**(79,953)**	(54,951)
Share of results of jointly controlled entities		**55,766**	(6,509)
Share of results of associates		**26,426**	(4,199)
Profit before taxation		**940,417**	566,750
Taxation	11	**(84,106)**	(21,765)
Profit for the year	12	**856,311**	544,985
Attributable to:			
Owners of the Company		**857,732**	546,271
Non-controlling interests		**(1,421)**	(1,286)
		856,311	544,985
Earnings per share (HK cents)	16		
Basic		**10.51**	7.32
Diluted		**9.85**	5.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**856,311**	544,985
Other comprehensive income (expense)		
Exchange differences arising on translation	**44,788**	(372)
Reclassification of translation reserve upon disposal of subsidiaries	**(39,156)**	—
Share of exchange difference of associates	**(1,704)**	(2,586)
Change in fair value of available-for-sale investments	**3,170**	—
	7,098	(2,958)
Total comprehensive income for the year	**863,409**	542,027
Total comprehensive income (expense) attributable to:		
Owners of the Company	**864,304**	543,313
Non-controlling interests	**(895)**	(1,286)
	863,409	542,027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
Non-Current Assets				
Property, plant and equipment	17	**126,522**	135,872	116,176
Deposit paid for acquisition of property, plant and equipment	18	**—**	—	5,742
Available-for-sale investments	19	**5,005**	29,142	24,669
Conversion options embedded in convertible notes	19	**—**	3,750	3,041
Club memberships	20	**6,860**	6,860	6,860
Interests in jointly controlled entities	21	**182,671**	5,508	31,204
Amounts due from jointly controlled entities	21	**401,396**	5,818	12,222
Interests in associates	22	**11,294**	8,151	7,937
Amounts due from associates	22	**89,360**	99,873	63,738
Deferred tax assets	23	**—**	—	2,698
		823,108	294,974	274,287
Current Assets				
Trade and other receivables	25	**164,511**	20,511	13,967
Deposit paid for acquisition of properties held for sale		**245,430**	48,000	—
Other deposit	26	**—**	1,820,495	—
Available-for-sale investments	19	**21,504**	—	—
Conversion options embedded in convertible notes	19	**20**	—	—
Investments held for trading	27	**412,748**	258,102	212,441
Properties held for sale	28	**4,150,512**	4,724,281	4,329,832
Taxation recoverable		**7,093**	6,542	4,750
Amounts due from jointly controlled entities	21	**—**	—	14,489
Amount due from a non-controlling shareholder of a subsidiary	24	**25**	25	3,440
Cash held by securities brokers	29	**137,568**	35,183	8,375
Bank balances and cash	29	**1,721,786**	581,745	1,197,978
		6,861,197	7,494,884	5,785,272
Current Liabilities				
Other payables and accruals	30	**511,394**	107,025	122,456
Taxation payable		**104,696**	25,050	24,903
Amounts due to jointly controlled entities	21	**439**	5,078	4,759
Amounts due to associates	22	**12,201**	2,000	2,000
Amounts due to non-controlling shareholders of subsidiaries	24	**11,203**	299,128	9,641
Convertible notes — due within one year	31	**78,709**	1,975	3,293
Bank and other borrowings — due within one year	32	**1,007,958**	1,056,582	1,318,995
		1,726,600	1,496,838	1,486,047
Net Current Assets		**5,134,597**	5,998,046	4,299,225
		5,957,705	6,293,020	4,573,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

		31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
Capital and Reserves				
Share capital	*33*	**65,311**	65,311	39,525
Reserves		**4,172,224**	3,348,124	2,430,246
Equity attributable to owners of the Company		**4,237,535**	3,413,435	2,469,771
Non-controlling interests		**(721)**	174	38,763
Total Equity		**4,236,814**	3,413,609	2,508,534
Non-Current Liabilities				
Convertible notes — due after one year	*31*	**87,136**	166,964	502,258
Bank and other borrowings — due after one year	*32*	**1,614,007**	2,682,546	1,545,100
Derivative financial instruments	*34*	**10,415**	9,194	6,657
Deferred tax liabilities	*23*	**9,333**	20,707	10,963
		1,720,891	2,879,411	2,064,978
		5,957,705	6,293,020	4,573,512

The consolidated financial statements on pages 27 to 109 were approved and authorised for issue by the Board of Directors on 23 June 2011 and are signed on its behalf by:

Chung Cho Yee, Mico	**Chow Hou Man**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	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)*	Contributed surplus HK$'000 *(Note b)*	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009	39,525	841,269	371	1,698	276,058	21,030	–	5,294	55,811	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 redemption 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	276,058	18,072	–	6,521	19,413	1,804,532	3,413,435	174	3,413,609
Profit for the year	–	–	–	–	–	–	–	–	–	857,732	857,732	(1,421)	856,311
Exchange difference arising on translation	–	–	–	–	–	44,117	–	–	–	–	44,117	671	44,788
Reclassified to profit or loss on disposal of subsidiaries *(note 39)*	–	–	–	–	–	(39,011)	–	–	–	–	(39,011)	(145)	(39,156)
Share of other comprehensive expense of associates	–	–	–	–	–	(1,704)	–	–	–	–	(1,704)	–	(1,704)
Increase in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	3,170	–	–	–	3,170	–	3,170
Total comprehensive income and expense for the year	–	–	–	–	–	3,402	3,170	–	–	857,732	864,304	(895)	863,409
Realised on partial redemption of convertible notes (net of tax)	–	–	–	–	–	–	–	–	(1,625)	1,625	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–		–	–	615	–	–	615	–	615
Dividend recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	–	(40,819)	(40,819)	–	(40,819)
At 31 March 2011	**65,311**	**1,221,459**	**371**	**1,698**	**276,058**	**21,474**	**3,170**	**7,136**	**17,788**	**2,623,070**	**4,237,535**	**(721)**	**4,236,814**

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 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**940,417**	566,750
Adjustments for:			
Finance costs		**79,953**	54,951
Interest income		**(3,548)**	(2,250)
Income from amortisation of financial guarantee contracts		**(379)**	(421)
Depreciation of property, plant and equipment		**10,684**	9,970
Gain on disposal of subsidiaries	*39*	**(624,066)**	—
Increase in fair value of financial instruments		**(5,685)**	(54,509)
Loss (gain) on partial redemption of convertible notes		**1,112**	(124,192)
Gain on redemption of other borrowing		**—**	(197,182)
Reversal of impairment loss on properties held for sale		**—**	(45,678)
Share-based payment expenses		**615**	1,227
Share of results of jointly controlled entities		**(55,766)**	6,509
Share of results of associates		**(26,426)**	4,199
Gain on disposal of property, plant and equipment		**—**	(7,628)
Operating cash flow before movements in working capital		**316,911**	211,746
Increase in trade and other receivables		**(143,172)**	(6,544)
Increase in deposit paid for acquisition of properties held for sale		**(197,430)**	(48,000)
Increase in other deposit		**—**	(1,820,495)
(Increase) decrease in investments held for trading		**(137,538)**	26,490
Increase in properties held for sale		**(776,799)**	(127,575)
Increase in other payables and accruals		**427,747**	64,137
Decrease in derivative financial instruments		**(6,669)**	(5,287)
Net cash used in operations		**(516,950)**	(1,705,528)
Hong Kong Profits Tax paid		**(12,665)**	(12,728)
Interest paid		**(66,187)**	(38,659)
NET CASH USED IN OPERATING ACTIVITIES		**(595,802)**	(1,756,915)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Net cash inflow on disposals of subsidiaries (net of cash and cash equivalents disposed of)	39	**1,474,699**	—
Net cash inflow (outflow) on acquisition of subsidiaries	38	**138,395**	(37,680)
Repayments from associates		**40,692**	—
Repayments from jointly controlled entities		**19,580**	—
Dividend received from a jointly controlled entity		**6,202**	—
Proceeds from disposal of available-for-sale investments		**6,000**	—
Interest received		**3,548**	2,250
Dividend received from an associate		**1,600**	—
Purchases of property, plant and equipment		**(1,609)**	(25,096)
Advances to associates		**(10,200)**	(43,134)
Advances to jointly controlled entities		**(39,455)**	(16,461)
Increase in cash held by securities brokers		**(102,385)**	(26,808)
Proceeds on disposal of property, plant and equipment		**—**	8,800
Decrease in amount due from a non-controlling shareholder of a subsidiary		**—**	3,415
Increase in conversion options embedded in convertible notes		**—**	(3,750)
Purchases of available-for-sale investments		**—**	(11,250)
Acquisition of additional interest in a subsidiary	38	**—**	(13,950)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**1,537,067**	(163,664)
FINANCING ACTIVITIES			
New bank borrowings raised		**917,488**	1,529,228
Advance from associates		**10,201**	—
Advance from non-controlling shareholders of subsidiaries		**4,465**	289,487
(Repayments to) advance from jointly controlled entities		**(4,639)**	319
Partial redemption of convertible notes		**(17,972)**	(294,386)
Dividends paid		**(40,819)**	(15,760)
Repayments of bank borrowings		**(669,948)**	(448,418)
Proceeds on issue of shares and exercise of rights issue		**—**	418,414
Proceeds on issue of convertible notes		**—**	78,000
Dividends paid to a non-controlling shareholder of a subsidiary		**—**	(3,600)
Transactions costs paid for issue of shares		**—**	(12,438)
Redemption of other borrowings		**—**	(236,500)
NET CASH FROM FINANCING ACTIVITIES		**198,776**	1,304,346
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,140,041**	(616,233)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**581,745**	1,197,978
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,721,786**	581,745

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 also 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.

HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendment to HKAS 17 "Leases"

As part of Improvements to HKFRSs issue in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendment to HKAS 17 "Leases" (Continued)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1 April 2010 based on information that existed at the inception of leases. Leasehold land that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with carrying amount of HK$105,137,000 and HK$102,370,000 as at 1 April 2009 and 31 March 2010 respectively to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment was increased from HK$11,039,000 and HK$33,502,000 as at 1 April 2009 and 31 March 2010 to HK$116,176,000 and HK$135,872,000 respectively.

As at 31 March 2011, leasehold land that qualifies for finance lease classification with carrying amount of HK$99,603,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" and HKFRS 3 (Revised 2008) "Business Combinations"

The requirements in HKAS 27 (Revised 2008) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are applied prospectively by the Group on or after 1 April 2010.

During the year, the Group disposed of 20% interest in Get Wisdom Limited ("Get Wisdom"), a subsidiary owned by the Group as to 70% immediately before the transaction. Get Wisdom became a jointly controlled entity following the disposal. In accordance with HKAS 27 (Revised 2008), when control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, the resulting difference is recognised as a gain or loss in profit or loss. The fair value of the investment retained in Get Wisdom, which approximated to 50% of the previous carrying amounts of assets and liabilities of Get Wisdom amounting to HK$241,000, became the cost on initial recognition of an investment in a jointly controlled entity. There has been no material effect on the financial position and reported result of the Group for the year.

In addition, the impact of the adoption of HKAS 27 (Revised 2008) has been to allow allocation of total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. This change in accounting policy has resulted in an increase in profit attributable to owners of the Company by HK$754,000 and an increase in loss for the year attributable to non-controlling interests by the same amount.

The Group also applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. As there was no transaction during the year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5")

HK Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$159,893,000 and HK$428,022,000 as at 31 March 2010 and 1 April 2009 respectively have been reclassified from non-current liabilities to current liabilities. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$321,846,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 37 for details).

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are summarised as follows:

	As at 1 April 2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1 April 2009 (restated) HK$'000	**As at 31 March 2010 (originally stated) HK$'000**	**Adjustments HK$'000**	**As at 31 March 2010 (restated) HK$'000**
Property, plant and equipment	11,039	105,137	116,176	**33,502**	**102,370**	**135,872**
Prepaid lease payment	105,137	(105,137)	—	**102,370**	**(102,370)**	**—**
Borrowings — current	(890,973)	(428,022)	(1,318,995)	**(896,689)**	**(159,893)**	**(1,056,582)**
Borrowings — non-current	(1,973,122)	428,022	(1,545,100)	**(2,842,439)**	**159,893**	**(2,682,546)**
Other assets and liabilities	5,256,453	—	5,256,453	**7,016,865**	**—**	**7,016,865**
Net assets	2,508,534	—	2,508,534	**3,413,609**	**—**	**3,413,609**
Total equity	2,508,534	—	2,508,534	**3,413,609**	**—**	**3,413,609**

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised Standards and Interpretations issued but not yet effective

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

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 24 (Revised 2009)	Related Party Disclosures[2]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised 2008), HKFRS 7, HKAS 1 and HKAS 28[3]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[6]
HKFRS 9 (Revised 2010)	Financial Instruments[6]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 January 2012
2 Effective for annual periods beginning on or after 1 January 2011
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 July 2010
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised 2010) adds the requirements for the financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

3. Significant accounting policies

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.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. Significant accounting policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits, as appropriate). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional shares are only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

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

3. Significant accounting policies (Continued)

Jointly controlled entities (Continued)

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

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 initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

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

3. Significant accounting policies (Continued)

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. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included as deposits received on sales of properties under current liabilities in the consolidated statement of financial position.

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.

Management service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3. Significant accounting policies (Continued)

Properties held for sale

Properties held for sale are stated in the consolidated statement of financial position at the lower of cost and net realisable value on an individual property basis. Cost includes the cost of the properties and other direct attributable expenses. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Properties under development under current assets

Properties under development under current assets are properties held for future sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost includes the cost of property interests, development expenditure and other direct attributable expenses.

Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into accounts the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated cost to completion.

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 lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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

Lease payments is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Club memberships

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

3. Significant accounting policies (Continued)

Club memberships (Continued)

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 profit or loss when the asset is derecognised.

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 or 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.

Interest 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; or

* it is a derivative that is not designated and effective as a hedging instrument.

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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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, cash held by securities brokers and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

* significant financial difficulty of the issuer or counterparty; or

* breach of contract, such as default or delinquency in interest and principal payments; or

* it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

* the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. 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.

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. The Group's financial liabilities are generally classified into convertible notes and other financial 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.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

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 redeemed, 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 redemption. The difference between the consideration paid for the redemption 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 redemption is recognised in profit or loss while the difference between the consideration paid for the redemption 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 associates and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Redemption 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.

Embedded derivatives

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

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 and accumulated in equity 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.

3. Significant accounting policies (Continued)

Borrowing costs

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

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

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.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, 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.

3. Significant accounting policies (Continued)

Taxation (Continued)

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.

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 profit or loss 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.

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.

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).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

4. Key sources of estimation uncertainty

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the 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$4,395,942,000 (31 March 2010: HK$6,592,776,000, 1 April 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.

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 booming 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 for the year ended 31 March 2010. No impairments nor reversals of impairments were recognised during the year ended 31 March 2011.

Fair value of derivative financial instruments

Derivative financial instruments of approximately HK$10,415,000 (31 March 2010: HK$9,194,000, 1 April 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:

	2011	2010
	HK$'000	HK$'000
Rental income	**277,558**	189,602
Sales of properties held for sale	**2,467,734**	1,258,305
	2,745,292	1,447,907

6. Segmental information

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess performance, are summarised as follows:

(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.

6. Segmental information (Continued)

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 2011				
Gross proceeds	**2,745,292**	**—**	**147,311**	**2,892,603**
External Revenue				
Rental income	**277,558**	**—**	**—**	**277,558**
Sales of properties held for sale	**2,467,734**	**—**	**—**	**2,467,734**
Revenue of the Group	**2,745,292**	**—**	**—**	**2,745,292**
Interest income and dividend income	**—**	**—**	**11,626**	**11,626**
Share of results of jointly controlled entities	**—**	**61,130**	**—**	**61,130**
Share of results of associates	**—**	**26,426**	**—**	**26,426**
Segment revenue	**2,745,292**	**87,556**	**11,626**	**2,844,474**
Result				
Segment profit	**981,242**	**87,935**	**13,482**	**1,082,659**
Unallocated other income				**5,230**
Other gains and losses				**2,776**
Central administration costs				**(64,931)**
Finance costs				**(79,953)**
Share of results of a jointly controlled entity				**(5,364)**
Profit before taxation				**940,417**

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

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 2010				
Gross proceeds	1,447,907	—	355,107	1,803,014
External Revenue				
Rental income	189,602	—	—	189,602
Sales of properties held for sale	1,258,305	—	—	1,258,305
Revenue of the Group	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.

The accounting policies of the reportable 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 and share of results of jointly-controlled entities and associates, without allocation of other income (primarily bank interest income), other gains and losses, 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:

	31 March 2011 HK$'000	31 March 2010 HK$'000
Segment assets		
Property trading	**4,543,502**	6,609,924
Strategic investment	**681,297**	109,545
Securities investment	**450,690**	297,189
Total segment assets	**5,675,489**	7,016,658
Property, plant and equipment	**126,522**	135,872
Cash held by securities brokers	**137,568**	35,183
Bank balances and cash	**1,721,786**	581,745
Other unallocated assets	**22,940**	20,400
Consolidated assets	**7,684,305**	7,789,858
Segment liabilities		
Property trading	**547,719**	401,074
Strategic investment	**11,791**	—
Securities investment	**1,057**	9,194
Total segment liabilities	**560,567**	410,268
Convertible notes	**165,845**	168,939
Bank and other borrowings	**2,621,965**	3,739,128
Other unallocated liabilities	**99,114**	57,914
Consolidated liabilities	**3,447,491**	4,376,249

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, deferred tax assets, taxation recoverable, certain other receivables, cash held by securities brokers 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.

6. Segmental information (Continued)

Other segment information

For the year ended 31 March 2011

	Property trading HK$'000	Strategic investment HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss) or segment assets and liabilities:						
Interests in associates	**—**	**11,294**	**—**	**11,294**	**—**	**11,294**
Interests in jointly controlled entities	**—**	**182,671**	**—**	**182,671**	**—**	**182,671**
Fair value increase of investment held for trading	**—**	**—**	**17,108**	**17,108**	**—**	**17,108**

For the year ended 31 March 2010

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

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.

6. Segmental information (Continued)

Geographical information (Continued)

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

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

	Revenue from external customers		**Non-current assets (Note)**	
	Year ended 31 March		31 March	31 March
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,297,060**	1,415,831	**185,172**	145,495
PRC	**1,448,232**	32,076	**291**	350
Singapore	**—**	—	**6,828**	3,686
	2,745,292	1,447,907	**192,291**	149,531

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

Information about major tenants and buyers of properties

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

	2011	2010
	HK$'000	HK$'000
Buyer A	**1,324,231**	N/A[1]
Buyer B	**413,742**	N/A[1]
Buyer C	**N/A[1]**	350,000
Buyer D	**N/A[1]**	277,000
Buyer E	**N/A[1]**	149,000
	1,737,973	776,000

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

	2011 **HK$'000**	2010 HK$'000
Interest income from:		
— investments held for trading	**9,358**	8,268
— available-for-sale investments	**314**	395
Dividend income from:		
— investments held for trading	**713**	727
— available-for-sale investments	**1,241**	829
Increase (decrease) in fair values of:		
— investments held for trading	**17,108**	62,151
— conversion options embedded in convertible notes	**(3,730)**	—
— derivative financial instruments	**(7,890)**	(7,824)
— others	**197**	182
	17,311	64,728

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

	2011 **HK$'000**	2010 HK$'000
— investments held for trading	**27,179**	71,146
— available-for-sale investments and others	**1,752**	1,406
— conversion options embedded in convertible notes	**(3,730)**	—
— derivative financial instruments	**(7,890)**	(7,824)
	17,311	64,728

8. Other income

	2011 **HK$'000**	2010 HK$'000
Bank interest income	**3,548**	2,250
Amortisation of financial guarantee contracts	**379**	421
Reversal of impairment loss on properties held for sale	**—**	45,678
Others	**1,682**	94
	5,609	48,443

9. Other gains and losses

Other gains (losses) comprise:

	2011 HK$'000	2010 HK$'000
Exchange gain	**3,888**	2,394
(Loss) gain on partial redemption of convertible notes *(Note i)*	**(1,112)**	124,192
Net gain on disposal of subsidiaries *(note 39)*	**38,915**	—
Gain on redemption of other borrowings *(Note ii)*	**—**	197,182
Gain on disposal of property, plant and equipment	**—**	7,628
	41,691	331,396

Notes:

(i) During the year, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company redeemed certain of the convertible notes with an aggregate principal amount of HK$15,600,000 (2010: HK$428,900,000) and with an aggregate carrying amount of the liability component of HK$16,860,000 (2010: HK$418,578,000) for an aggregate consideration of HK$17,972,000 (2010: HK$294,386,000), resulting in a loss of HK$1,112,000 (2010: 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 for an aggregate consideration of HK$236,500,000, resulting in a gain of HK$197,182,000 during the year ended 31 March 2010. The details are set out in note 32.

10. Finance costs

	2011 HK$'000	2010 HK$'000
Interests on:		
Bank and other borrowings wholly repayable within five years	**42,210**	14,930
Bank and other borrowings not repayable within five years but contain a repayment on demand clause in the loan agreement	**2,965**	2,456
Bank and other borrowings not wholly repayable within five years	**16,518**	20,987
Convertible notes wholly repayable within five years	**18,260**	16,578
	79,953	54,951

11. Taxation

	2011 HK$'000	2010 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— Current year	**44,529**	8,127
— Underprovision in prior years	**3,540**	2,956
	48,069	11,083
PRC Enterprise Income Tax ("EIT") — current year	**47,411**	—
	95,480	11,083
Deferred taxation *(note 23)*	**(11,374)**	10,682
	84,106	21,765

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 for the year ended 31 March 2010 has been made in the consolidated financial statements as all of the PRC subsidiaries had no assessable profits for the year then ended.

According to the Circular on the State Administration of Taxation on Strengthening the Management of EIT Collection of Proceeds from Equity Transfers by Non-Resident Enterprises (Guoshuihan [2009] No. 698) ("Circular No. 698"), a non-PRC Tax Resident Enterprise is subject to the PRC EIT on the gain arising from a sale or transfer of any intermediate offshore company directly or indirectly holds an interest, including any assets, subsidiaries, or other forms of business operations, in the PRC at a rate of 10%, or otherwise stipulated in an applicable tax treaty or arrangement. Circular No. 698 applies to all such transactions conducted on or after 1 January 2008.

Included in the PRC EIT for the year ended 31 March 2011 is an amount of HK$41,800,000 for the gain on disposal of certain property interests in the PRC through disposal of an intermediate offshore company. As set out in note 39, the subsidiaries disposed of were principally engaged in the business of property trading and the consideration allocated to the properties is included in revenue of the Group.

11. Taxation (Continued)

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**940,417**	566,750
Taxation at Hong Kong Profits Tax rate of 16.5%	**155,169**	93,514
Tax effect of expenses not deductible for tax purpose	**16,485**	14,273
Tax effect of income not taxable for tax purpose	**(41,928)**	(89,916)
Tax effect of share of results of jointly controlled entities	**(9,201)**	1,074
Tax effect of share of results of associates	**(4,360)**	693
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(26,833)**	(1,896)
Tax effect of tax losses not recognised	**241**	4,130
Utilisation of tax loss previously not recognised	**(9,007)**	(3,063)
Underprovision in prior years	**3,540**	2,956
Tax charge for the year	**84,106**	21,765

12. Profit for the year

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration *(note 13)*:		
Fees	**300**	300
Salaries and other benefits	**12,332**	10,316
Bonus	**22,403**	9,657
Contributions to retirement benefits schemes	**453**	371
Share-based payments	**451**	573
	35,939	21,217
Other staff costs:		
Salaries and other benefits	**13,091**	11,298
Bonus	**4,400**	2,879
Contributions to retirement benefits schemes	**821**	633
Share-based payments	**164**	654
	18,476	15,464
Total staff costs	**54,415**	36,681
Auditor's remuneration	**930**	870
Depreciation of property, plant and equipment	**10,684**	9,970
Cost of properties held for sale recognised as an expense	**1,697,466**	1,136,400

13. Directors' remuneration

The emoluments paid or payable to each of eight (2010: seven) directors were as follows:

For the year ended 31 March 2011

	Mr. Chung Cho Yee, Mico HK$'000 (Note i)	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000 (Note ii)	Mr. Hubert Chak HK$'000 (Note iii)	Dr. Lam Lee G. HK$'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	6,810	2,205	1,680	1,144	493	—	—	—	12,332
Bonus *(Note iv)*	18,000	1,835	1,650	918	—	—	—	—	22,403
Contributions to retirement benefits schemes	—	158	167	103	25	—	—	—	453
Share-based payments	—	—	—	164	287	—	—	—	451
	24,810	4,198	3,497	2,329	805	100	100	100	35,939

For the year ended 31 March 2010

	Mr. Chung Cho Yee, Mico HK$'000 (Note i)	Mr. Hubert Chak HK$'000 (Note iii)	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 iv)*	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

Notes:

(i) Mr. Chung Cho Yee, Mico has been re-designated from a non-executive director to an executive director on 6 July 2010.

(ii) Mr. Wong Chung Kwong has been appointed as executive director on 1 April 2010.

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

(iv) 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.

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 (2010: four) directors of the Company whose emoluments are set out in note 13. The emoluments of the remaining one (2010: one) individual were as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries and other benefits	**955**	1,300
Bonus *(Note)*	**420**	408
Contribution to retirement benefits schemes	**69**	70
	1,444	1,778

Their emoluments were within the following bands:

	2011 **Number of employees**	2010 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1
	1	1

Note: 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.

15. Dividends

	2011 **HK$'000**	2010 HK$'000
Dividend recognised as distribution during the year		
— Final dividend of HK0.5 cent per share in respect of financial year ended 31 March 2010 (2010: Final dividend of HK0.22 cent per share in respect of financial year ended 31 March 2009)	**40,819**	15,760

A final dividend of HK1 cent per share amounting to approximately HK$82,331,000 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:

	2011 **HK$'000**	2010 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share:		
(profit for the year attributable to owners of the Company)	**857,732**	546,271
Effects of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**17,148**	15,900
Loss (gain) on partial redemption of convertible notes (net of tax)	**1,112**	(123,947)
Earnings for the purpose of diluted earnings per share	**875,992**	438,224
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**8,163,817**	7,463,869
Effects of dilutive potential ordinary shares (in thousands):		
Share options	**142,409**	139,162
Convertible notes	**582,986**	571,398
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**8,889,212**	8,174,429

For both years ended 31 March 2011 and 2010, 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.

17. Property, plant and equipment

	Land and buildings HK$'000 (restated)	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST						
At 1 April 2009	116,295	3,459	1,013	4,007	13,997	138,771
Additions	—	—	124	570	30,144	30,838
Disposals	—	—	—	(79)	(13,797)	(13,876)
At 31 March 2010	116,295	3,459	1,137	4,498	30,344	155,733
Additions	970	—	284	355	—	1,609
Disposal of subsidiaries	—	—	(352)	—	—	(352)
At 31 March 2011	117,265	3,459	1,069	4,853	30,344	156,990
DEPRECIATION						
At 1 April 2009	6,579	1,329	489	2,500	11,698	22,595
Provided for the year	2,961	692	37	1,111	5,169	9,970
Eliminated on disposals	—	—	—	(57)	(12,647)	(12,704)
At 31 March 2010	9,540	2,021	526	3,554	4,220	19,861
Provided for the year	3,001	692	74	888	6,029	10,684
Eliminated on disposals of subsidiaries	—	—	(77)	—	—	(77)
At 31 March 2011	12,541	2,713	523	4,442	10,249	30,468
CARRYING VALUES						
At 31 March 2011	104,724	746	546	411	20,095	126,522
At 31 March 2010 (restated)	106,755	1,438	611	944	26,124	135,872
At 1 April 2009 (restated)	109,716	2,130	524	1,507	2,299	116,176

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

Land and 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%

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. Deposit paid for acquisition of property, plant and equipment

The relevant property, plant and equipment has been received by the Group during the year ended 31 March 2010.

19. Available-for-sale investments/conversion options embedded in convertible notes

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Available-for-sale investments comprises:			
Unlisted equity securities, at cost *(Note i)*	**5,005**	5,005	5,005
Unlisted debt securities, at fair value *(Note ii)*	**21,504**	24,137	19,664
	26,509	29,142	24,669
Analysed for reporting purposes as:			
Non-current asset	**5,005**	29,142	24,669
Current asset	**21,504**	—	—
	26,509	29,142	24,669
Convertible options embedded in convertible notes, at fair value and analysed for reporting purpose as *(Note ii)*:			
Non-current asset	**—**	3,750	3,041
Current asset	**20**	—	—
	20	3,750	3,041

Notes:

(i) Unlisted equity securities

The carrying value of unlisted equity securities represents a 8.27% (2010: 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.

19. Available-for-sale investments/conversion options embedded in convertible notes (Continued)

Notes: (Continued)

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

The unlisted debt securities as at 31 March 2011 represent the fair value of debt elements of the convertible notes issued by following companies that are independent third parties of the Group, whose shares are listed on the Stock Exchange:

— ITC Properties Group Limited ("ITCP") 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.

During the year ended 31 March 2011, the board of directors of ITCP proposed to extend the maturity of the convertible notes by a period of 30 months upon acceptance by the noteholders for the proposal. The proposed offer is conditional upon, among other conditions, the passing of the relevant ordinary resolutions at a special general meeting of ITCP. The Company resolved to accept the offer during the year. The fair value of the convertible notes as at 31 March 2011 is determined taking into account the effects of the revised maturity date. All condition precedents on the part of ITCP have been satisfied subsequent to 31 March 2011. The new notes carry interest at 3.25% per annum during the extension period and will be redeemable at the redemption amount of 105% of the principal amount on the revised maturity date.

— ITC Corporation Limited with a principal amount of HK$9,000,000 carried interest at 5% per annum with maturity on 2 November 2011 at redemption amount of 100% of the principal amount.

— 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.

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

At the end of the reporting period, 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. No fair value gain or loss has been recognised in profit or loss during the year.

Conversion options embedded in convertible notes at the end of the reporting period was measured at fair value using the binomial option pricing model.

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 were 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.

20. Club memberships

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Club memberships, at cost	**6,860**	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/Amounts due from (to) jointly controlled entities

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Cost of unlisted investments in jointly controlled entities	**241**	—	11,226
Share of post-acquisition profits, net of dividend received	**41,285**	5,508	19,886
Exchange difference arising on translation	**10,901**	—	—
Deemed capital contribution — interest-free loans *(Note i)*	**128,196**	—	—
Deemed capital contribution — financial guarantee contracts	**2,048**	—	92
	182,671	5,508	31,204
Amounts due from jointly controlled entities included in			
— non-current assets *(Note i)*	**401,396**	5,818	12,222
— current assets *(Note ii)*	**—**	—	14,489
	401,396	5,818	26,711
Amounts due to jointly controlled entities included in current liabilities *(Note iii)*	**439**	5,078	4,759

Notes:

(i) The amounts with principal amount of HK$529,592,000 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. The carrying amounts as at 31 March 2011 is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7%. The corresponding adjustment is recognised against the interest in the jointly controlled entities. In addition, included in the amounts is share of loss of a jointly controlled entity of HK$4,744,000 (31 March 2010: HK$18,531,000; 1 April 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.

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

21. Interests in jointly controlled entities/Amounts due from (to) jointly controlled entities (Continued)

As at 31 March 2010 and 2011, 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)*		Principal activity
					2011	2010	
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50%**	50%	Inactive
Get Wisdom Limited ("Get Wisdom")	Incorporated	British Virgin Islands	PRC	Ordinary	**50%** *(Note ii)*	—	Property investment
GI Plus Space Limited ("GI Plus")	Incorporated	Hong Kong	Hong Kong	Ordinary	**50%** *(Note iii)*	—	Marketing and management
Singon Holdings Limited	Incorporated	Hong Kong	Macau	Ordinary	**50%**	50%	Property investment
Vast Faith Limited ("Vast Faith")	Incorporated	British Virgin Islands	PRC	Ordinary	**—** *(Note iv)*	50%	Property investment

Notes:

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

(ii) During the year, the Group disposed of 20% interest in Get Wisdom and its subsidiaries to the non-controlling shareholder of Get Wisdom while the Group previously had 70% interest immediately before the transaction. Get Wisdom then became a jointly controlled entity of the Company following the transaction. Under the relevant shareholders' agreement, decisions on operating and financing activities of Get Wisdom require unanimous consent from all joint venture partner. Accordingly, neither the Group nor the other venture partner has the ability to control Get Wisdom unilaterally and it is considered as jointly controlled by the Group and the joint venture partner. Therefore, Get Wisdom is classified as a jointly controlled entity of the Group. Details are set out in note 39.

(iii) This company is acquired by the Group during the year.

(iv) This company has been deregistered during the year.

21. Interests in jointly controlled entities/Amounts due from (to) jointly controlled entities (Continued)

The summarised financial information, extracted from relevant management accounts of jointly controlled entities for the year ended 31 March 2011 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2010), in respect of the Group's interests in the jointly controlled entities, is set out below:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Non-current assets	**1,098,818**	—	116,839
Current assets	**114,126**	30,179	54,866
Current liabilities	**(654,159)**	(24,671)	(12,261)
Non-current liabilities	**(506,358)**	—	(128,332)
	52,427	5,508	31,112
Income/gains recognised in profit or loss	**105,686**	22	
Expenses recognised in profit or loss	**49,920**	6,531	

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:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**2**	2	
Accumulated unrecognised share of losses of jointly controlled entities	**582**	580	578

22. Interests in associates/Amounts due from (to) associates

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Costs of unlisted investment in associates	**33,552**	33,552	33,552
Share of post-acquisition losses and other comprehensive income, net of dividend received	**(26,275)**	(29,418)	(29,632)
Deemed capital contribution — Financial guarantee contracts	**4,017**	4,017	4,017
	11,294	8,151	7,937
Amounts due from associates included in:			
— non-current assets *(Note i)*	**89,360**	99,873	63,738
Amounts due to associates included in current liabilities *(Notes ii and iii)*	**12,201**	2,000	2,000

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 considered that the amounts form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. The directors of the Company consider that the carrying amounts of these balances approximates to their fair values. Included in the amounts is share of losses of associates of HK$7,500,000 (31 March 2010: HK$27,479,000; 1 April 2009: HK$20,480,000) recognised in excess of respective cost of investments.

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

(iii) Included in the amounts of HK$411,000 (31 March 2010: HK$2,000,000; 1 April 2009: HK$2,000,000) are denominated in Singapore Dollars ("SGD"), which is different from the functional currency of the relevant group entity.

At 31 March 2010 and 2011, 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 2011**	2010	**Principal activity**
Clemenceau Mauritius Holdings	Mauritius	Singapore	**25%**	25%	Property investment
Expert Vision Limited	British Virgin Islands	Hong Kong	**25%**	25%	Property investment
Femville Pte. Limited	Singapore	Singapore	**20%**	20%	Inactive
Maxland Management Limited	British Virgin Islands	Hong Kong	**40%**	—	Inactive
Trend Rainbow Limited	Hong Kong	Hong Kong	**40%**	40%	Property investment

22. Interests in associates/Amounts due from (to) associates (Continued)

The summarised combined financial information, extracted from relevant management accounts of associates for the year ended 31 March 2011 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2010), in respect of the Group's associates, is set out below:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Total assets	**1,188,718**	759,890	775,948
Total liabilities	**(1,187,141)**	(890,587)	(808,757)
Net assets	**1,577**	(130,697)	(32,809)
Group's share of net assets of associates	**7,277**	4,134	3,920
Revenue	**165,444**	29,393	
Other comprehensive expense	**(18,310)**	(3,289)	
Profit (loss) for the year	**147,134**	(87,903)	
Group's share of profit (loss) and other comprehensive expense of associates for the year	**26,426**	(6,785)	

For the year ended 31 March 2011, 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, are as follows:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Unrecognised share of loss of the associate for the year	**–**	17,759	
Accumulated unrecognised share of loss of the associate	**–**	17,759	–

23. Deferred taxation

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

	Accelerated tax depreciation HK$'000	**Convertible notes** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 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
Credit to consolidated income statement for the year	(10,204)	(1,113)	(57)	(11,374)
At 31 March 2011	8,687	1,059	(413)	9,333

As at 31 March 2011, the Group had unused tax losses of approximately HK$109,960,000 (31 March 2010: HK$162,738,000; 1 April 2009: HK$181,881,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax loss of HK$2,504,000 (31 March 2010: HK$2,158,000; 1 April 2009: HK$27,770,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$107,456,000 (31 March 2010: HK$160,580,000; 1 April 2009: HK$154,110,000) 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:

	31 March 2011 **HK$'000**	31 March 2010 HK$'000	1 April 2009 HK$'000
Deferred tax assets	**—**	—	2,698
Deferred tax liabilities	**(9,333)**	(20,707)	(10,963)
	(9,333)	(20,707)	(8,265)

24. Amount(s) due from (to) non-controlling shareholders of subsidiaries

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Amount due from a non-controlling shareholder of a subsidiary included in current assets *(Note i)*	**25**	25	3,440
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities *(Note ii)*	**11,203**	299,128	9,641

Notes:

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

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

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:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Trade receivables:			
0–30 days	**1,690**	1,583	1,270
31–90 days	**1,734**	1,258	209
	3,424	2,841	1,479
Consideration receivables for sales of properties held for sale *(Note)*	**124,000**	—	—
Prepayments and deposits	**20,027**	10,136	7,919
Other receivables	**17,060**	7,534	4,569
	164,511	20,511	13,967

Note: The amount of consideration receivables for sale of properties held for sales was held under an escrow account, and has been fully settled after the reporting period.

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.

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

26. Other deposit

The entire balance at 31 March 2010, represented a deposit paid by a non-wholly owned subsidiary of the Company for acquisition of the entire interest in an entity established in the PRC that owned properties held for sale situated in Shanghai, the PRC. As at 31 March 2010, the amount represents an initial deposit of HK$326,917,000 paid to the vendor and the remaining balance of HK$1,493,578,000 was stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate.

During the year, the transaction has been completed and accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination. Details are set out in note 38.

27. Investments held for trading

Investments held for trading, at fair values, comprise:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Listed equity securities *(Note i)*	**19,102**	21,676	11,183
Unlisted equity securities *(Note ii)*	**128,862**	161,220	11,794
	147,964	182,896	22,977
Listed debt securities *(Note iii)*	**264,784**	75,206	189,464
	412,748	258,102	212,441
Total and reported as:			
Listed			
Hong Kong	**19,102**	36,214	61,505
Elsewhere	**264,784**	60,668	139,142
Unlisted	**128,862**	161,220	11,794
	412,748	258,102	212,441

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 was determined with reference to the value of the underlying assets of the funds. An increase in fair value of unlisted equity securities of HK$20,553,000 (2010: HK$19,230,000) was recognised in the consolidated income statement for the year ended 31 March 2011.

(iii) The listed debt securities at 31 March 2011 represent non-interest bearing bonds and bonds with fixed interest of 4.9% to 13.00% (2010: 7.30% to 13.00%) per annum. The maturity dates of the listed debt securities range from 9 November 2012 to 31 December 2049 (2010: 26 April 2010 to 31 December 2049). Their fair values are determined based on quoted market bid prices available from the market.

28. Properties held for sale

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

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
The Group's carrying amounts of properties held for sale comprise:			
Completed properties	**3,781,321**	4,169,435	3,988,458
Properties under development	**369,191**	554,846	341,374
	4,150,512	4,724,281	4,329,832
Properties held for sale in Hong Kong under:			
Long term lease	**361,124**	179,253	710,294
Medium term lease	**2,807,968**	2,821,544	2,466,254
Short term lease	**369,191**	302,650	374,494
	3,538,283	3,303,447	3,551,042
Properties held for sale outside Hong Kong under:			
Medium term lease	**612,229**	1,420,834	778,790
	4,150,512	4,724,281	4,329,832
Analysed as:			
At cost	**4,150,512**	4,724,281	3,377,832
At net realisable value	**—**	—	952,000
	4,150,512	4,724,281	4,329,832

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

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

29. Cash held by securities brokers/Bank balances and cash

Cash held by securities brokers are short term deposits which carry variable interest rate ranged from 0.14% to 0.8% per annum (2010: 0.01% to 3.80% per annum).

The amounts of Group's cash held by securities brokers denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	31 March 2011 **HK$'000**	31 March 2010 HK$'000
USD	**35,274**	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 0.001% to 1.25% (2010: 0.01% to 0.80%) 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:

	31 March 2011 **HK$'000**	31 March 2010 HK$'000
RMB	**220,020**	—
USD	**67,407**	120,205
Australian Dollar ("AUD")	**4,345**	3,148
SGD	**2,696**	755
	294,468	124,108

30. Other payables and accruals

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

	31 March 2011 **HK$'000**	31 March 2010 HK$'000	1 April 2009 HK$'000
Receipt in advance for sales of properties held for sale	**437,936**	22,000	—
Rental and related deposits received	**50,367**	62,298	34,767
Other tax payables	**7,993**	2,069	—
Other payables	**1,762**	92	509
Accruals	**13,336**	20,566	87,180
	511,394	107,025	122,456

31. Convertible notes

1.5% convertible notes due 2011 (2011 Convertible Notes)

On 17 May 2008, 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".

During the year ended 31 March 2010, the Company has entered into agreements with certain independent third parties and completed the redemption of 2011 Convertible Notes with an aggregate carrying amount 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 redemption of approximately HK$19,251,000 included in other gains and loses 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 2011, none of the 2011 Convertible Notes were redeemed.

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

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 225,239,614 new ordinary shares, as at 31 March 2011, would be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes.

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.

31. Convertible notes (Continued)

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

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 7 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 7 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".

During the year ended 31 March 2010, the Company has entered into agreements with certain independent third parties and pursuant to which the Company redeemed the 2012 Convertible Notes I with an aggregate carrying amount 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 redemption of approximately HK$104,941,000 included in other gains and losses 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 2011, the Company has entered into another agreement with an independent third party and pursuant to which the Company redeemed the 2012 Convertible Notes I with an aggregate carrying amount of HK$16,860,000 of the 2012 Convertible Notes I at an aggregate consideration of HK$17,972,000, representing a 14% premium to the outstanding principal amount (inclusive of interest) resulting in a loss on redemption of approximately HK$1,112,000 included in other gains and losses for the year. As at 31 March 2011, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes I was HK$8,000,000, which is convertible into 18,648,018 new shares at the adjusted conversion price of HK$0.429.

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

31. Convertible notes (Continued)

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

On 16 November 2010, 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 element 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 2011, 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 nor redeemed from the date of issue to the end of each reporting period.

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

	2011 **HK$'000**	2010 HK$'000
Carrying amount at the beginning of the year	**168,939**	505,551
Redemption of 2011 Convertible Notes and 2012 Convertible Notes I	**(16,860)**	(418,578)
Issue of 2012 Convertible Notes II	**—**	67,332
Interest charge	**18,260**	16,578
Interest paid	**(4,494)**	(1,944)
Carrying amount at the end of the year	**165,845**	168,939
Analysed for reporting purposes as:		
Current liability	**78,709**	1,975
Non-current liability	**87,136**	166,964
	165,845	168,939

32. Bank and other borrowings

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Secured bank borrowings	**2,621,965**	3,739,128	2,511,218
Secured other borrowings	**—**	—	352,877
	2,621,965	3,739,128	2,864,095
The Group's borrowings are repayable based on repayment schedules set out in the loan agreements, as follows:			
within one year	**686,112**	896,689	890,973
More than one year, but not exceeding two years	**102,807**	202,010	94,900
More than two years, but not exceeding three years	**124,527**	271,713	105,575
More than three years, but not exceeding four years	**356,242**	294,008	160,175
More than four years, but not exceeding five years	**136,505**	1,101,391	240,400
More than five years	**893,926**	813,424	944,050
	2,300,119	3,579,235	2,436,073
The Group's borrowings are not repayable within one year from the end of the reporting period but contain a repayment on demand clause in the loan agreements	**321,846**	159,893	428,022
	2,621,965	3,739,128	2,864,095
Less: Amount due within one year shown under current liabilities	**(1,007,958)**	(1,056,582)	(1,318,995)
	1,614,007	2,682,546	1,545,100

32. Bank and other borrowings (Continued)

The secured bank and other borrowings were secured by certain of the Group's property, plant and equipment, 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:

	2011 **HK$'000**	2010 HK$'000
Hong Kong dollars	**–**	117,000

The bank borrowings carried floating rate interest at HIBOR plus 0.5% to 1.4% (2010: HIBOR plus 0.6% to 6.5%) per annum and quoted lending rate of People's Bank of China, as appropriate. At 31 March 2011, the effective interest rates ranged from 0.6% to 5.9% (2010: 0.6% to 5.9%) per annum, which are also equal to contracted interest rates for bank borrowings. Interest is repriced every six months.

As at 1 April 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 Company had bought back the loan with accrued interest from Lehman Brothers at an aggregate consideration of HK$236,500,000 during the year ended 31 March 2010.

33. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2009, 31 March 2010 and 2011	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2009	4,940,563,500	39,525
Issue of shares pursuant to rights issue *(Note i)*	2,223,253,574	17,786
Issue of shares *(Note ii)*	1,000,000,000	8,000
At 31 March 2010 and 2011	8,163,817,074	65,311

Notes:

(i) 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.

(ii) 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 were used for working capital and possible investment opportunities.

34. Derivative financial instruments

	Liabilities		
	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Interest rate collar contract	**10,415**	9,194	6,657

Major terms of the interest rate collar as at 31 March 2011, 31 March 2010 and 1 April 2009 are as follows:

Notional amount	Contract period	Cap rate	Floor rate
HK$400,000,000	From 30 June 2010 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 the 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 expired 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.

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.

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 each of 31 March 2011, 31 March 2010 and 1 April 2009, 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% (31 March 2010: 0.8%, 1 April 2009: 1.1%) and 3.6% (31 March 2010: 3.6%, 1 April 2009: 4.7%) of the issued share capital of the Company at 31 March 2011.

The following tables disclose movements in the Company's share options during the two years ended 31 March 2011 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 1.4.2009 and 31.3.2010	Granted/ exercised lapsed/ reclassified during the year	Number of options outstanding at 31.3.2011
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 (Note)	2002	3.10.2007	0.3198	3.10.2007–25.8.2012	44,320,500	(44,320,500)	—
Wong Chung Kwong (Note)	2002	3.10.2007	0.3198	3.10.2007–25.8.2012	—	25,326,000	25,326,000
Total for directors					113,729,569	(18,994,500)	94,735,069
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	18,994,500	69,646,500
Total for employees and consultants					251,558,409	18,994,500	270,552,909
Grand total					365,287,978	—	365,287,978
Exercisable as at 31 March 2010 and 2011					365,287,978		365,287,978

35. Share option schemes (Continued)

2002 Scheme (Continued)

Note: During the year, re-classification of participants were made according to their latest status with the Group. The total number of options re-classified is 18,994,500.

The Group recognised the total expense of HK$615,000 for the year ended 31 March 2011 (2010: HK$1,227,000) 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.

37. Financial instruments

(a) Categories of financial instruments

	31 March 2011 **HK$'000**	31 March 2010 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Investments held for trading	**412,748**	258,102
Conversion options embedded in convertible notes	**20**	3,750
	412,768	261,852
Loans and receivables		
Trade and other receivables	**144,484**	10,375
Amount due from a non-controlling shareholder of a subsidiary	**25**	25
Amounts due from jointly controlled entities	**401,396**	5,818
Amounts due from associates	**89,360**	99,873
Cash held by securities brokers	**137,568**	35,183
Bank balances and cash	**1,721,786**	581,745
	2,494,619	733,019
Available-for-sale financial assets		
Available-for-sale investments	**26,509**	29,142
Financial liabilities		
At amortised cost		
Other payables	**47,622**	57,296
Amounts due to non-controlling shareholders of subsidiaries	**11,203**	299,128
Amounts due to jointly controlled entities	**439**	5,078
Amounts due to associates	**12,201**	2,000
Convertible notes	**165,845**	168,939
Bank and other borrowings	**2,621,965**	3,739,128
	2,859,275	4,271,569
Derivative financial instruments	**10,415**	9,194

37. Financial instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, conversion options embedded in convertible notes, trade and other receivables, amount due from a non-controlling shareholder of a subsidiary, jointly controlled entities and associates, cash held by securities brokers, bank balances and cash, available-for-sale investments, other payables, amounts due to non-controlling shareholders of subsidiaries, jointly controlled entities and associates, 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 currency risk in relation to RMB, USD, AUD, SGD and Hong Kong dollars arising from foreign currency bank balances and cash, cash held by securities brokers, amount due to an associate and bank and other borrowings as set out in notes 22, 29 and 32.

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

	Assets		**Liabilities**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**220,020**	—	**—**	—
USD	**102,681**	154,846	**—**	—
AUD	**4,345**	3,148	**—**	—
SGD	**2,696**	755	**(411)**	(2,000)
Hong Kong dollars	**—**	—	**—**	(117,000)

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% (2010: 5%) increase and decrease in the functional currency of each group entity against the above foreign currencies. 5% (2010: 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% (2010: 5%) change in foreign currency rate. A positive number below indicates an increase in profit where the above foreign currencies strengthen 5% (2010: 5%) against the functional currency of each group entity. For a 5% (2010: 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.

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**9,463**	(4,805)

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.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, cash held by securities brokers 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.

37. Financial instruments (Continued)

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

Market risks (Continued)

(ii) Interest rate risk (Continued)

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 cash held by securities brokers, 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 (2010: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2010: 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.

For financial assets carried at amortised cost, if interest rates had been 10 (2010: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would increase/decrease by HK$1,553,000 (2010: HK$515,000).

For financial liabilities carried at amortised cost, if interest rates had been 50 (2010: 50) basis points higher/lower and all variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would decrease/increase by HK$10,947,000 (2010: HK$15,611,000).

No sensitivity 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 bank borrowings as at 31 March 2011. 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.

(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 through 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.

37. Financial instruments (Continued)

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

Market risks (Continued)

(iii) Equity and other price risks (Continued)

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% (2010: 5%) higher/lower, profit for the year ended 31 March 2011 would increase/decrease by HK$6,177,000 (2010: increase/decrease by HK$7,636,000) 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% (2010: 5%) higher/lower, profit for the year ended 31 March 2011 would increase/decrease by HK$11,055,000 (2010: increase/decrease by HK$3,140,000) 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.

Credit risk

As at 31 March 2011, 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.

37. Financial instruments (Continued)

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

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputations.

The credit risk on investments in listed debt securities is limited because majority of the counterparties are corporations with good reputations.

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:

	2011	2010
	%	%
Aa2 to A3	**10.8**	9.0
Baa1	**19.9**	11.4
Baa2	**1.2**	3.5
Ba3	**12.1**	44.0
Unrated	**56.0**	32.1
	100.0	100.0

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% (2010: 100%) of the amounts due from jointly controlled entities are due from two (2010: one) jointly controlled entity and 100% (2010: 100%) of the amounts due from associates are due from one (2010: 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 total recognised financial assets as at 31 March 2011 and 2010.

37. Financial instruments (Continued)

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

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.

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 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$'000	Total carrying amount at 31 March 2011 HK$'000
31 March 2011									
Other payables	–	47,622	–	–	–	–	–	47,622	47,622
Amounts due to non-controlling shareholders of subsidiaries	–	11,203	–	–	–	–	–	11,203	11,203
Amounts due to jointly controlled entities	–	439	–	–	–	–	–	439	439
Amounts due to associates	–	12,201	–	–	–	–	–	12,201	12,201
Convertible notes — liability component *(Note i)*	1.5/2.0/4.0	–	80,163	1,724	108,794	–	–	190,681	165,845
Bank borrowings	1.77	321,846	–	706,468	131,375	697,518	909,749	2,766,956	2,621,965
		393,311	80,163	708,192	240,169	697,518	909,749	3,029,102	2,859,275
Financial guarantee contracts *(Note ii)*	–	–	–	145,900	48,000	304,000	–	497,900	1,712
Derivative financial instruments — net settled	–	–	–	–	–	10,415	–	10,415	10,415

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$'000	Total carrying amount at 31 March 2011 HK$'000
31 March 2010									
Other payables	–	57,296	–	–	–	–	–	57,296	57,296
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	159,893	–	901,442	204,150	1,684,783	822,046	3,772,314	3,739,128
		523,395	–	906,092	286,350	1,812,356	822,046	4,350,239	4,271,569
Financial guarantee contracts *(Note ii)*	–	–	–	–	59,050	–	–	59,050	43
Derivative financial instruments — net settled	–	–	–	–	–	9,194	–	9,194	9,194

Notes:

(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.

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.

37. Financial instruments (Continued)

(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 values 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.

(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 3 measurements").

37. Financial instruments (Continued)

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

	31 March 2011			
	Level 1 measurements HK$'000	**Level 2 measurements HK$'000**	**Level 3 measurements HK$'000**	**Total HK$'000**
Financial assets				
Investments held for trading				
— Listed equity securities	**19,102**	**—**	**—**	**19,102**
— Unlisted equity securities	**—**	**—**	**128,862**	**128,862**
— Listed debt securities	**264,784**	**—**	**—**	**264,784**
	283,886	**—**	**128,862**	**412,748**
Available-for-sale investments/conversion options in convertible notes				
— Unlisted debt securities	**—**	**21,504**	**—**	**21,504**
— Conversion options embedded in convertible notes	**—**	**—**	**20**	**20**
	283,886	**21,504**	**128,882**	**434,272**
Financial liabilities				
Derivative financial instruments	**—**	**10,415**	**—**	**10,415**

	31 March 2010			
	Level 1 measurements HK$'000	Level 2 measurements HK$'000	Level 3 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	—	24,137	—	24,137
— Conversion options embedded in convertible notes	—	—	3,750	3,750
	96,882	24,137	164,970	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.

37. Financial instruments (Continued)

(e) Reconciliation of Level 3 measurements of financial assets

	Unlisted equity securities HK$'000	Conversion options embedded in convertible notes HK$'000	Total HK$'000
At 1 April 2009	13,708	3,014	16,722
Disposal	(5,855)	(3,014)	(8,869)
Addition	134,127	3,750	137,877
Increase in fair value recognised in profit or loss	19,240	—	19,240
At 31 March 2010	161,220	3,750	164,970
Disposal	(60,827)	—	(60,827)
Addition	7,917	—	7,917
Increase (decrease) in fair value recognised in profit or loss	20,552	(3,730)	16,822
At 31 March 2011	**128,862**	**20**	**128,882**

38. Acquisition of assets through acquisition of subsidiaries/additional interest in a subsidiary

For the year ended 31 March 2011

On 1 April 2010, the Group completed the acquisition of the entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly owned subsidiary for a consideration of HK$1,820,495,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

38. Acquisition of assets through acquisition of subsidiaries/additional interest in a subsidiary (Continued)

For the year ended 31 March 2011 (Continued)

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Properties held for sale	**2,105,295**
Bank balances and cash	**138,395**
Other receivables	**7,732**
Other payables and accruals	**(60,990)**
Taxation payable	**(5,953)**
Bank borrowings	**(363,984)**
	1,820,495
Total consideration satisfied by:	
Cash paid during the year ended 31 March 2010 (included in other deposit in the consolidated statement of financial position as at 31 March 2010)	**1,820,495**
Net cash inflow arising on acquisition during the year ended 31 March 2011:	
Bank balances and cash acquired	**138,395**

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 Limited 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.

38. Acquisition of assets through acquisition of subsidiaries/additional interest in a subsidiary (Continued)

For the year ended 31 March 2011 (Continued)

(i) Acquisition of assets (Continued)

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.

39. Disposal of subsidiaries

During the year, the Group disposed of its 20% interest in Get Wisdom, a subsidiary owned by the Group as to 70% immediately before the transaction, to the non-controlling shareholder of Get Wisdom. Get Wisdom and its subsidiaries ("Get Wisdom Group") became jointly controlled entities of the Group following the transaction.

39. Disposal of subsidiaries (Continued)

In addition, the Group also disposed of, to independent third parties, the entire interests in (i) Ocean Plaza Investments Limited and its subsidiaries; (ii) Stand Success Limited and its subsidiaries; (iii) Favor Rise Group Limited and its subsidiaries; and (iv) Made Success Limited and its subsidiary (collectively referred to as the "Other Disposals Group") for a cash consideration of HK$1,480,071,000. Since all of the subsidiaries of the Other Disposals Group were principally engaged in the business of property trading and the respective properties held for sale represented the single predominant asset of the relevant subsidiaries, the Group is principally selling, and the buyers are principally acquiring, the respective properties held for sale. Accordingly, the Group has accounted for the disposal of the Other Disposals Group in the consolidated profit or loss account as disposal of the underlying properties held for sale. The revenue recognised by the Group therefore consist of the consideration allocated to the sale of properties.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	Get Wisdom Group	**Other Disposals Group**	**Total**
	HK$'000	HK$'000	HK$'000
Net assets disposed of:			
Property, plant and equipment	—	275	275
Trade and other receivables	5,229	1,675	6,904
Properties held for sale	2,121,633	1,388,953	3,510,586
Bank balances and cash	169,431	31,118	200,549
Other payables and accruals	(53,363)	(32,674)	(86,037)
Taxation payable	(9,673)	—	(9,673)
Amounts due to group entities	(685,289)	(915,996)	(1,601,285)
Amount due to non-controlling shareholder of a subsidiary	(292,390)	—	(292,390)
Bank borrowings	(1,255,096)	(494,427)	(1,749,523)
	482	(21,076)	(20,594)
Non-controlling interests	(145)	—	(145)
Translation reserve reclassified to profit or loss	—	(39,011)	(39,011)
Assignment of shareholders' loans *(Note i)*	195,177	915,996	1,111,173
Interest in a jointly controlled entity *(Note ii)*	(241)	—	(241)
Gain (loss) on disposal of subsidiaries	(96)	624,162	624,066
	195,177	1,480,071	1,675,248
Total consideration satisfied by:			
Cash	195,177	1,480,071	1,675,248
Net cash inflow (outflow) arising on disposal:			
Cash received	195,177	1,480,071	1,675,248
Bank balances and cash disposed of	(169,431)	(31,118)	(200,549)
	25,746	1,448,953	1,474,699

39. Disposal of subsidiaries (Continued)

	Get Wisdom Group HK$'000	Other Disposals Group HK$'000	Total HK$'000
Gain (loss) on disposals of subsidiaries is included in the consolidated income statement as follows:			
Revenue	—	1,974,104	1,974,104
Cost of sales	—	(1,388,953)	(1,388,953)
Other gains and losses	(96)	39,011	38,915
	(96)	624,162	624,066

Notes:

(i) As part of the disposal arrangements, the Group received an aggregate cash amount of HK$1,111,173,000 from the buyers as consideration for the assignment to the purchasers of 20% of the shareholders' loans to Get Wisdom Group and 100% of the shareholders' loans to each of the subsidiaries disposed of within the other Disposals Group.

(ii) The carrying amounts of the assets and liabilities held by Get Wisdom at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom.

Net cash inflow (outflow) contributed by the subsidiaries disposed of during the year up to the respective dates of disposals:

	Get Wisdom Group HK$'000	Other Disposals Group HK$'000	Total HK$'000
Net cash outflows from operating activities	(10,548)	(295,310)	(305,858)
Net cash inflows from financing activities	11,544	272,204	283,748
	996	(23,106)	(22,110)

40. Contingent liabilities

	2011	2010
	HK$'000	HK$'000
Corporate guarantee given by the Group for banking facilities granted to a/an:		
Jointly controlled entity	**447,500**	—
Associate	**84,800**	84,800
	532,300	84,800
and utilised by a/an:		
Jointly controlled entity	**413,100**	—
Associate	**84,800**	59,050
	497,900	59,050

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 less likely that any guaranteed amount will be claimed by the counterparties.

	2011	2010
	HK$'000	HK$'000
Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to a/an:		
Jointly controlled entity	**1,712**	—
Associate	**—**	43
	1,712	43

41. Pledge of assets

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

	2011	2010
	HK$'000	HK$'000
Property, plant and equipment	**87,751**	90,226
Properties held for sale	**3,755,566**	4,622,741
	3,843,317	4,712,967

42. Operating lease commitments

The Group as lessee

During the year, the Group incurred HK$422,000 (2010: nil) minimum lease payments in respect of office premises. Leases are negotiated for a term of three months and rentals are fixed for less than one year.

For the year ended 31 March 2010 and 31 March 2011, the Group had no commitment for future minimum lease payments under non-cancellable operating leases.

The Group as lessor

Property rental income earned during the year was HK$277,558,000 (2010: HK$189,602,000). 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:

	2011 **HK$'000**	2010 HK$'000
Within one year	**127,770**	139,311
In the second to fifth years inclusive	**142,800**	157,933
Over five years	**12,068**	24,536
	282,638	321,780

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.

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.

43. Retirement benefit schemes (Continued)

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$1,274,000 (2010: HK$1,004,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

44. Related party disclosures

(a) The directors are not aware of any significant transactions with related parties during each of the two years ended 31 March 2011.

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

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**38,177**	21,681
Post-employment benefits	**624**	441
Share-based payments	**615**	1,227
	39,416	23,349

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

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 2011 and 2010:

	2011 **HK$'000**	2010 HK$'000
Non-current assets	**3,505,121**	3,249,689
Current assets	**176,744**	96,530
Current liabilities	**(92,920)**	(24,512)
Non-current liabilities	**(87,780)**	(169,037)
	3,501,165	3,152,670
Share capital	**65,311**	65,311
Reserves (Note)	**3,435,854**	3,087,359
	3,501,165	3,152,670

45. Information of the statement of financial position of the company (Continued)

Note:

Reserves

	Share premium	Capital redemption reserve	Convertible notes equity reserve	Contributed surplus	Share option reserve	Accumulated profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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 redemption 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
Profit and other comprehensive income for the year	—	—	—	—	—	388,699	388,699
Realised on partial redemption of convertible notes	—	—	(1,625)	—	—	1,625	—
Recognition of equity-settled share based payment	—	—	—	—	615	—	615
Dividend recognised as distribution	—	—	—	—	—	(40,819)	(40,819)
At 31 March 2011	1,221,459	371	17,788	338,410	7,136	1,850,690	3,435,854

46. Particulars of principal subsidiaries of the company

Particulars of the principal subsidiaries at 31 March 2011 and 2010 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 Directly 2011 %	Directly 2010 %	Indirectly 2011 %	Indirectly 2010 %	Principal activities
Able Market Limited	Hong Kong	HK$1	–	–	**100**	–	Property holding
Absolute Keen Limited	Hong Kong	HK$1	–	–	**100**	–	Property holding
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**	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
Golden United Limited	Hong Kong	HK$1	–	–	**100**	100	Property holding and leasing of property
Great Level Investments Limited	Hong Kong	HK$1	–	–	**100**	–	Property holding
Lei Fu Real Estate (Shanghai) Co. Ltd. *(Notes i and ii)*	PRC	Registered and paid-up capital US$46,138,000	–	–	–	100	Property holding
Mark Well Investment Limited	Hong Kong	HK$100	**100**	100	–	–	Sale of securities and investment holding
Noble Rays Holdings Limited *(Note ii)*	Hong Kong	HK$1	–	–	–	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	Hong Kong	HK$2	–	–	**100**	100	Property holding and leasing of property

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 Directly 2011 %	Directly 2010 %	Indirectly 2011 %	Indirectly 2010 %	Principal activities
The Hampton Management Limited	Hong Kong	HK$1	**–**	–	**100**	–	Management services
True Advance Limited	Hong Kong	HK$1	**–**	–	**100**	–	Property holding
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:

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

(ii) These Companies have been disposed of during the year by 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

Redemption of 2012 Convertible Notes II

Subsequent to the end of the reporting period, the Company entered into an agreement with an independent third party and completed the redemption of all of the then outstanding 2012 Convertible Notes II at a consideration of HK$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on redemption of HK$9,992,000.

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