
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capital Strategic Investment Limited, you should at once hand this Prospectus and the accompanying PAL and EAF (together "Prospectus Documents") to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix IV to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has also been delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda, the Securities and Futures Commission and the Bermuda Monetary Authority take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



資本策略

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

RIGHTS ISSUE OF 2,223,253,574 RIGHTS SHARES OF HK\$0.008 EACH AT HK\$0.078 PER RIGHTS SHARE ON THE BASIS OF 9 RIGHTS SHARES FOR EVERY 20 SHARES HELD ON THE RECORD DATE

Underwriter



結好證券有限公司
GET NICE SECURITIES LIMITED

It should be noted that the Shares have been dealt in on an ex-rights basis as from Thursday, 11 June 2009 and the Rights Shares will be dealt in their nil-paid form from Monday, 22 June 2009 to Monday, 29 June 2009 (both days inclusive). Such dealings will take place during a period when the Conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all the Conditions are fulfilled and any person dealing in the nil-paid Rights Shares during the period from Monday, 22 June 2009 to Monday, 29 June 2009 will accordingly bear the risk that the Rights Issue may not proceed. If in any doubt, you are recommended to consult your professional advisers.

In particular, you should note that the Underwriting Agreement contains provisions whereby the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for Rights Shares, being Tuesday, 7 July 2009, if there occurs:—

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on Tuesday, 7 July 2009:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed. Full details of the terms of the termination of the Underwriting Agreement provisions are set out on page 23 of this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 3 July 2009. The procedure for acceptance and/or transfer of the Rights Shares is set out on pages 18 to 19 of this Prospectus.

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EXPECTED TIMETABLE

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE:

2009

First day of dealings in nil-paid Rights Shares	Monday, 22 June
Latest time for splitting nil-paid Rights Shares	4:00 p.m. Wednesday, 24 June
Last day of dealings in nil-paid Rights Shares	Monday, 29 June
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. Friday, 3 July
Underwriting Agreement becomes unconditional	4:00 p.m. Tuesday, 7 July
Announcement of the results of the Rights Issue published	Friday, 10 July
Refund cheques for wholly or partially unsuccessful applications for excess Rights Shares posted.....	Monday, 13 July
Share certificates for Rights Shares posted	Monday, 13 July
Dealings in fully-paid Rights Shares commence	Wednesday, 15 July

EXPECTED TIMETABLE

Notes:

- (I) All times in this Prospectus refer to Hong Kong time.
- (II) Effect of bad weather on the latest time for acceptance of and payment for Rights Shares.

The latest time for acceptance of and payment for Rights Shares will be changed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date of Friday 3 July 2009. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the last acceptance date of Friday 3 July 2009. Instead the Interest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 am and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares is changed, the dates above may be affected, and an announcement will be made by the Company as soon as possible.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Amount to be raised in the Rights Issue	approximately HK\$173.4 million before expenses, and approximately HK\$170.9 million, after expenses
Number of Rights Shares	2,223,253,574 Rights Shares
Basis of the Rights Issue	9 Rights Shares for every 20 Shares held on the Record Date
Record Date	Wednesday 17 June 2009
Subscription Price and latest time for acceptance	HK\$0.078 per Rights Share, payable in full on acceptance by 4:00 p.m. Friday, 3 July 2009
Right of application for excess Rights Shares	Qualifying Shareholders have the right to apply for Rights Shares in excess of their provisional allotment

RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions whereby the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for Rights Shares, being Tuesday 7 July 2009, if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on Tuesday 7 July 2009:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

(iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

DEFINITIONS

In this Prospectus, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement by the Company dated 26 May 2009 in relation to, inter alia, the Rights Issue;
“Acceptance Date”	4:00 p.m. on Friday 3 July 2009 (or such other time or date as the Underwriter may agree in writing with the Company or may apply as contemplated in Note (II) to the section headed “Expected Timetable for the Rights Issue”) the latest date for acceptance of, and payment for, the Rights Shares;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Company”	Capital Strategic Investment Limited, a company incorporated in Bermuda with limited liability on 17 December 1991 and the Shares of which are listed on the Stock Exchange;
“Companies Act”	the Companies Act 1981 of Bermuda;
“Companies Ordinance”	the Companies Ordinance (Cap. 32 of the Laws of Hong Kong);
“Connected Person(s)”	the meaning ascribed to it in the Listing Rules;
“Convertible Notes 2011”	1.5% convertible notes in the aggregate principal amount of HK\$133,000,000 convertible into Shares at HK\$0.372 per Share, subject to adjustments, due in 2011;
“Convertible Notes 2012”	2% convertible notes in the aggregate principal amount of HK\$390,000,000 convertible into Shares at HK\$0.51 per Share, subject to adjustments, due in 2012;
“Convertible Notes”	Convertible Notes 2011 and Convertible Notes 2012;

DEFINITIONS

“Directors”	the director(s) of the Company;
“EAF(s)”	application form(s) for excess Rights Shares;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	a person who, to the best of the directors’ knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and Connected Persons of the Company;
“Last Trading Day”	Friday, 22 May 2009, being the last trading day before the trading in the Shares on the Stock Exchange was suspended, pending the release of the Announcement;
“Latest Practicable Date”	12 June 2009, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	the required standard of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules;

DEFINITIONS

“Non-Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(ed) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date were outside Hong Kong where the Directors, based on the advice provided by legal advisers, consider it necessary or expedient to exclude any such Shareholder on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Options”	share options granted or to be granted by the Directors under the Share Option Schemes;
“Option Holders”	certain existing holders of Options under the Share Option Schemes;
“Overseas Shareholder(s)”	Shareholder(s) with registered addresses (as shown on the register of members of the Company on the Record Date) which are outside Hong Kong;
“PAL”	provisional allotment letter(s);
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus only, exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Prospectus Documents”	this Prospectus, the PAL and the EAF;
“Qualifying Shareholders”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date;
“Record Date”	Wednesday, 17 June 2009, the record date for ascertaining entitlements to the Rights Issue;
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited;

DEFINITIONS

“Rights Issue”	the proposed issue of 2,223,253,574 Rights Shares on the basis of 9 Rights Shares for every 20 Shares held on the Record Date to the Qualifying Shareholders at a subscription price of HK\$0.078 per Rights Share;
“Rights Issue Undertakings”	the conditional undertakings given by the Substantial Shareholders in favour of the Company and the Underwriter as described in the section headed “Rights Issue Undertakings” in this Prospectus;
“Rights Share(s)”	the new Shares proposed to be allotted and issued under the Rights Issue, being 2,223,253,574 Shares;
“Settlement Date”	the second Business Day after the Acceptance Date or such other date as the Underwriter may agree in writing with the Company;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.008 each in the capital of the Company;
“Shareholder(s)”	holders of existing Shares;
“Share Option Schemes”	the share option schemes of the Company adopted on 13 June 2001 and 26 August 2002;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	HK\$0.078 per Rights Share;
“Substantial Shareholders”	Mr. Chung Cho Yee, Mico and Earnest Equity Limited (a company controlled by Mr. Chung Cho Yee, Mico) holding in aggregate 1,640,946,250 Shares, Third Avenue Real Estate Opportunities Fund LP holding 399,330,000 Shares, certain investment funds managed by Stark Investments (Hong Kong) Limited holding in aggregate 493,260,000 Shares, and certain collective investment funds or managed accounts managed or sub managed by Value Partners Limited and/or Value Partners Hong Kong Limited holding in aggregate 322,120,000 Shares;

DEFINITIONS

“Underwriter”	Get Nice Securities Limited, a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities, which is not a Connected Person;
“Underwriting Agreement”	the underwriting agreement dated 25 May 2009 and entered into between the Company and the Underwriter in relation to the Rights Issue;
“Underwritten Shares”	all the Rights Shares other than the Rights Shares subject to the Rights Issue Undertakings, and other undertakings given in connection with the Options and Convertible Notes, being 938,208,262 Rights Shares;
“%”	per cent.

LETTER FROM THE BOARD



資本策略

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

Non-executive Director

Mr. Chung Cho Yee, Mico (*non-executive chairman*)

Executive Directors

Mr. Hubert Chak

Mr. Kan Sze Man

Mr. Chow Hou Man

Independent Non-executive Directors

Dato' Wong Sin Just

Dr. Lam Lee G.

Mr. Cheng Yuk Wo

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head Office and Principal Place of
Business in Hong Kong*

3203, Bank of America Tower

12 Harcourt Road

Central, Hong Kong

18 June 2009

To the Shareholders and holders of

Convertible Notes, for information only

Dear Sir or Madam,

**RIGHTS ISSUE OF 2,223,253,574 RIGHTS SHARES OF HK\$0.008 EACH
AT HK\$0.078 PER RIGHTS SHARE
ON THE BASIS OF 9 RIGHTS SHARES
FOR EVERY 20 SHARES HELD
ON THE RECORD DATE**

INTRODUCTION

On 26 May 2009, the Company announced that it proposed to raise not less than approximately HK\$173.4 million before expenses by way of the Rights Issue of 2,223,253,574 Rights Shares to the Qualifying Shareholders, at a subscription price of HK\$0.078 per Rights Share and on the basis of 9 Rights Shares for every 20 existing Shares held on the Record Date.

LETTER FROM THE BOARD

The purpose of this Prospectus is to give you further details of the Rights Issue, including information on dealings in and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares. This Prospectus also contains certain financial and other information relating to the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of Rights Issue : 9 Rights Shares for every 20 Shares held on the Record Date

Number of Shares in issue : 4,940,563,500 Shares
as at the Record Date

Number of Rights Shares : 2,223,253,574 Rights Shares, representing approximately 45% of the existing issued share capital of the Company and 31.03% of the enlarged issued share capital of the Company upon the completion of the Rights Issue

Subscription price per : HK\$0.078 per Rights Share
Rights Share

Price per Rights Share : HK\$0.0769 per Rights Share
received by the
Company net of
expenses

Shares in issue upon : 7,163,817,074 Shares
completion of
the Rights Issue

As at the Latest Practicable Date, there were Options to subscribe up to an aggregate of 288,468,750 Shares outstanding under the Share Option Schemes.

LETTER FROM THE BOARD

The Company made an offer to holders of the Convertible Notes 2011, who are Independent Third Parties, to redeem an aggregate principal amount of HK\$78 million of the Convertible Notes 2011 at 30% discount to the outstanding principal amount (inclusive of interest) of the Convertible Notes 2011. The Company received acceptances from such holders to redeem, and has completed the redemption of, an aggregate of HK\$62.5 million of the Convertible Notes 2011. As at the Latest Practicable Date, the outstanding aggregate principal amount under the Convertible Notes 2011 was HK\$70.5 million, which is convertible into 189,516,129 new Shares at the conversion price of HK\$0.372, subject to adjustments, upon the exercise of conversion rights thereunder; and

The Company made an offer to holders of the Convertible Notes 2012, who are Independent Third Parties, to redeem an aggregate principal amount of HK\$382 million of the Convertible Notes 2012 at approximately 33% discount to the outstanding principal amount (inclusive of interest) of the Convertible Notes 2012. The Company received acceptances from such holders to redeem, and has completed the redemption of, an aggregate of HK\$331.3 million of the Convertible Notes 2012. As at the Latest Practicable Date, the outstanding aggregate principal amount under the Convertible Notes 2012 was HK\$58.7 million, which is convertible into 115,098,039 new Shares at a conversion price of HK\$0.51, subject to adjustments, upon the exercise of conversion rights thereunder.

At the annual general meeting of the Company held on 27 August 2008, the Directors were granted a general mandate to issue up to 988,112,700 new Shares, representing 20% of the then issued share capital of Company.

Pursuant to the Underwriting Agreement, the Company has given an undertaking to the Underwriter that, save for the issue of Shares on the exercise of conversion rights under the Convertible Notes and the issue of Shares on the exercise of subscription rights under the Options, it will not, from the date of the Underwriting Agreement until the date of completion of the Rights Issue, issue any Shares or grant any share options or other securities convertible or exchangeable for or carry rights to acquire Shares.

Save as mentioned above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this Prospectus.

LETTER FROM THE BOARD

Subscription price

The Subscription Price for the Rights Shares is HK\$0.078 per Rights Share and is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares takes up the relevant Rights Shares. The Subscription Price of HK\$0.078 per Rights Share represents:

- (i) a discount of approximately 54.65% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on 22 May 2009, being the Last Trading Day;
- (ii) a discount of approximately 45.45% to the theoretical ex-rights price of HK\$0.143 per Share based on the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 53.57% to the average closing price of HK\$0.168 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 50.94% to the average closing price of HK\$0.159 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 84.65% to net asset value of HK\$0.508 per Share based on the unaudited consolidated net tangible asset value of the Group as at 30 September 2008 as set out in Appendix II to this Prospectus and 4,940,563,500 Shares in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 55.93% to the closing price of HK\$0.177 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to recent closing prices of the Shares on the Stock Exchange.

Basis of provisional allotments

9 Rights Shares for every 20 existing Shares held on the Record Date.

LETTER FROM THE BOARD

Status of the Rights Shares

When fully paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the then existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

The board lot of nil-paid rights is the same as the board lot of Rights Shares, i.e. 10,000 Shares.

Qualifying Shareholders

The Company is sending the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must have on the Record Date:

- (i) been registered as a member of the Company; and
- (ii) not been a Non-Qualifying Shareholder.

The latest time for lodging transfers of Shares with the Registrar to be entitled for the Rights Issue was 4:30 p.m. on Friday, 12 June 2009.

Rights of Non-Qualifying Shareholders

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda. No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory outside Hong Kong.

LETTER FROM THE BOARD

No person receiving this Prospectus or the PAL or the EAF in any territory outside Hong Kong may treat it as an offer or invitation to take up Rights Shares or apply for excess Rights Shares, except in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of persons outside Hong Kong wishing to take up or make an application for Rights Shares to satisfy themselves, before accepting any provisional allotment of Rights Shares or applying for excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith without prejudice to the foregoing. The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that doing so would or may violate applicable securities legislations or other laws or regulations of any jurisdiction.

Based on the register of members of the Company as at the Latest Practicable Date, there were a total of two Overseas Shareholders with registered addresses outside of Hong Kong, one in Spain and one in Canada.

The Company has obtained advice from legal advisers on the laws of Spain, that there are no restrictions under Spanish laws on extending the Rights Issue to the Overseas Shareholder in Spain. Accordingly, the Rights Issue will be extended to the Overseas Shareholder in Spain.

The Company has been advised by its legal advisers on the laws of Canada that either (as the case may be) (i) this Prospectus must be registered or filed with the relevant authorities in the relevant jurisdictions; or (ii) the Company would need to take other steps to comply with the regulatory requirements. Having considered the circumstances, the Directors are of the view that it is inexpedient for the Rights Issue to be offered to such Overseas Shareholder whose address is located in Canada, taking into consideration that the time and costs involved in complying with the legal requirements will outweigh the possible benefits to such Overseas Shareholder and the Company. The Directors have decided not to extend the Rights Issue to the Overseas Shareholder with a registered address in Canada and such Overseas Shareholder is a Non-Qualifying Shareholder. The Company is sending this Prospectus (but not the PAL and the EAF), for information only, to such Non-Qualifying Shareholder.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of more than HK\$100 will be paid to the Non-Qualifying Shareholder in Hong Kong dollars as soon as possible. The Company will retain individual amounts HK\$100 or less for its own benefit. Any unsold entitlement of the Non-Qualifying Shareholder will be made available for excess application by Qualifying Shareholders.

LETTER FROM THE BOARD

Fractional entitlements to the Rights Shares

The Company has not provisionally allotted fractions of Rights Shares. Fractional entitlements to the Rights Shares will be aggregated and the resulting Rights Shares will be sold by the Company in the market, and, if a net premium can be obtained, the proceeds will be retained by the Company for its own benefit. Any unsold Rights Shares will be made available for excess application by the Qualifying Shareholders.

PROCEDURE FOR ACCEPTANCE AND TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in their PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance in Hong Kong dollars for the full amount payable (rounded to the nearest HK\$0.01) on acceptance, with the Registrar, so as to be received by no later than 4:00 p.m. on Friday, 3 July 2009. All remittances must be in the form of either cheques drawn on an account a bank account with, or a cashier's order issued by, a licensed bank in Hong Kong. All such cheques and cashier's orders must be made payable to "Capital Strategic Investment Limited — Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the PAL duly completed, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Friday, 3 July 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL.

The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that in doing so would or may violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or wish to transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or wish to transfer their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Wednesday, 24 June 2009 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required, and which will be available for collection from the Registrar on the second Business Day after the surrender of the original PAL.

LETTER FROM THE BOARD

All cheques or cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights entitlements given thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate the Underwriting Agreement at any time before 4:00 p.m. on the Settlement Date and/or if the conditions of the Rights Issue (summarised in the section headed "Conditions of the Rights Issue" below) are not fulfilled or waived by the respective dates set out in the Underwriting Agreement, the monies received in respect of application for the Rights Shares and/or excess Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint application, to the first-named person, without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses on or before Monday, 13 July 2009.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted or any unsold Rights Shares arising from the aggregation of fractional entitlements.

Application may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and reasonable basis on the following principles:

- (1) preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares on a basis approximately pro rata to the excess Rights Shares applied for by them so far as practicable in whole board lots.

Investors with their Shares held by a nominee company should note that the nominee will for these purposes be a single Shareholder and the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually.

LETTER FROM THE BOARD

Qualifying Shareholders who wish to apply for Rights Shares in addition to their provisional allotment under the Rights Issue must complete and sign the enclosed EAF and lodge the EAF together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00p.m. on Friday, 3 July 2009. All remittances must be in Hong Kong dollars and in the form of cheques drawn on an account with, or cashier's orders issued by a licensed bank in Hong Kong and made payable to "Capital Strategic Investment Limited — Excess Application Account" and crossed "Account Payee Only".

If no excess Rights Shares are allotted to an applicant for excess Rights Shares, it is expected that the amount tendered on application will be refunded in full without interest by means of a cheque despatched by ordinary mail to the applicant's registered address and at their own risk on or before Monday, 13 July 2009. If the number of excess Rights Shares allotted is less than that applied for, it is expected that the surplus application monies will be refunded in full without interest by means of a cheque despatched by ordinary mail to the applicant's registered address and at their own risk on or before Monday, 13 July 2009. Any such cheques will be drawn in favour of the person(s) named on the EAF.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

ADJUSTMENTS OF SUBSCRIPTION PRICES OF THE OPTIONS AND CONVERSION PRICE OF THE CONVERTIBLE NOTES

As at the Latest Practicable Date, there were Options to subscribe up to an aggregate of 288,468,750 Shares outstanding under the Share Option Schemes.

The issuance of the Rights Shares will cause an adjustment to the exercise prices and number of Shares issuable upon exercise of the subscription rights under the Options. The Company will publish an announcement of such adjustment.

As at the Latest Practicable Date, the Company had issued and outstanding Convertible Notes. The outstanding aggregate principal amount of the Convertible Notes 2011 was HK\$70.5 million, which is convertible into 189,516,129 new Shares at the conversion price of HK\$0.372, subject to adjustments, upon the exercise of conversion rights thereunder. The outstanding aggregate principal amount of the Convertible Notes 2012 was HK\$58.7 million, which is convertible into 115,098,039 new Shares at a conversion price of HK\$0.51, subject to adjustments, upon the exercise of conversion rights thereunder.

The conversion price of the Convertible Notes and number of Shares to be issued upon exercise of conversion rights will also subject to adjustments as a result of the issuance of the Rights Shares. The Company will publish an announcement of such adjustments.

LETTER FROM THE BOARD

SHARE CERTIFICATES AND REFUND CHEQUES

Subject to the fulfillment of the conditions of the Rights Issue, it is expected that certificates for all fully-paid Rights Shares and refund cheques in respect of wholly and partially unsuccessful applications for excess Rights Shares are expected to be posted to those entitled thereto by ordinary mail at their own risk on or before Monday, 13 July 2009.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the following conditions being fulfilled:

1. the delivery to the Stock Exchange and registration by the Registrar of companies in Hong Kong on or prior to the date of posting of the Prospectus Documents and the filing with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after the posting date of the Prospectus Documents and all other documents required by law to be filed or delivered for registration;
2. the posting on the posting date of copies of the Prospectus Documents to the Qualifying Shareholders;
3. compliance by the Company with certain obligations under the Underwriting Agreement;
4. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the date of posting of the Prospectus Documents and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;
5. the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
6. the Underwriting Agreement not being terminated in accordance with its terms; and
7. delivery to the Company and the Underwriter of the Rights Issue Undertakings, and the undertakings given by certain holders of Options and Convertible Notes duly executed in favour of the Company and the Underwriter.

LETTER FROM THE BOARD

In the event that the conditions of the Rights Issue are not fulfilled (or waived, where applicable, in whole or in part) on or before the respective dates determined in the Underwriting Agreement (or such later dates as the Company and the Underwriter may agree), all liabilities of the parties hereto shall cease and determine and none of the Underwriter or the Company shall have any claim against the other arising from the Underwriting Agreement (save for certain fees and expenses referred therein) but excluding the underwriting commission, any sub-underwriting fees and related expenses. In such circumstances, the Rights Issue will not proceed.

As at the Latest Practicable Date, the conditions referred to in paragraphs 1., 2., 3. and 7. had been fulfilled.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	25 May 2009
Parties:	the Company and the Underwriter
Number of Rights Shares underwritten:	938,208,262 Rights Shares, being all the Rights Shares less the shares subject to the Rights Issue Undertaking and other undertakings given in connection with the Options and Convertible Notes
Commission:	2% of the Subscription Price for the Underwritten Shares. The Directors consider that such rate is fair and reasonable and it was determined after arm's length negotiations between the Company and the Underwriter

Rights Issue Undertakings

The Substantial Shareholders are interested in an aggregate of 2,855,656,250 Shares, representing approximately 57.8% of the total issued share capital of the Company. The Substantial Shareholders have signed the Rights Issue Undertakings in favour of the Company and the Underwriter pursuant to which each of them has conditionally undertaken, inter alia, that the Rights Shares to be provisionally allotted to it in respect of those Shares (representing 1,285,045,312 Rights Shares in aggregate) will be taken up and paid for in full by them.

LETTER FROM THE BOARD

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

LETTER FROM THE BOARD

(iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter before 4:00 p.m. on the Settlement Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other (provided that the Company shall remain liable to pay to the Underwriter certain fees and expenses (other than the underwriting commission) and if the Underwriter exercises such rights, the Rights Issue will not proceed.

EFFECT ON SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company as at the Latest Practicable Date and after completion of the Rights Issue.

	As at		Immediately after completion of the Rights Issue assuming all Rights Shares are taken up by the		Immediately after completion of the Rights Issue assuming only the Substantial Shareholders who have given the Rights Issue Undertakings take up their Rights Shares	
	the Latest Practicable Date		Qualifying Shareholders (Note 2)			
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Chung Cho Yee, Mico	1,640,946,250	33.21	2,379,372,062	33.21	2,379,372,062	33.21
Underwriter (Note 1)	0	0	0	0	938,208,262	13.10
Public shareholders	3,299,617,250	66.79	4,784,445,012	66.79	3,846,236,750	53.69
	<u>4,940,563,500</u>	<u>100</u>	<u>7,163,817,074</u>	<u>100</u>	<u>7,163,817,074</u>	<u>100</u>

LETTER FROM THE BOARD

Notes:

1. The Underwriter has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters. The Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) are third parties independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial Shareholders of the Company or their respective Associates.
2. This is calculated based on the assumption that all Shareholders are Qualifying Shareholders.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis from Thursday, 11 June 2009.

Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 22 June 2009 to Monday, 29 June 2009 (both days inclusive). If the Underwriting Agreement is terminated (see the section headed “Termination of the Underwriting Agreement” above), or if the conditions of the Rights Issue (see the section headed “Conditions of the Rights Issue” above) are not fulfilled or waived, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, are at investors’ own risk.

If in any doubt, investors should consider obtaining professional advice.

REASONS FOR THE RIGHTS ISSUE AND USE OF THE PROCEEDS

The Directors consider that it is prudent to finance the Group’s long-term growth by long term funding, preferably in the form of equity which will not increase the Group’s finance costs. Furthermore, the Directors consider that it is in the interest of the Company to raise funds by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

The net proceeds of the Rights Issue are expected to be approximately HK\$170.9 million. The net proceeds will be used by the Company mainly for the repayment of debt and/or as general working capital of the Company.

LETTER FROM THE BOARD

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

There has not been any fund raising exercise conducted by the Company in the last 12 months preceding the Latest Practicable Date.

APPLICATION FOR LISTING

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil-paid form will commence at 9:30 am on Monday, 22 June 2009 and will end at the close of business of the Stock Exchange on Monday, 29 June 2009 (both days inclusive). The latest time for splitting of nil-paid Rights Shares is 4:00 pm on Wednesday, 24 June 2009. Dealings in the Rights Shares in their fully-paid form are expected to commence on Wednesday, 15 July 2009.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms (as the case may be) on the Stock Exchange or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS.

No part of the share capital of the Company is listed or dealt in or of which listing or permission to deal is being or is proposed to be sought on any other stock exchange other than the Stock Exchange. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong. Dealings in the nil-paid Rights Shares will be in the board lots of 10,000.

LETTER FROM THE BOARD

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Pursuant to a public notice issued on 1 June 2005, general permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been granted by the Bermuda Monetary Authority in respect of the issue and subsequent transfer of Shares (including the Rights Shares) to persons regarded as non-resident of Bermuda for exchange control purposes subject to the requirement that the Shares remain listed on the Stock Exchange. In granting such permission and in accepting this Prospectus, the PAL and the EAF for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this Prospectus, the PAL or the EAF.

Acquisition of Loan

The Company also set out in the Announcement information in connection with the acquisition of a revolving term loan facility of up to HK\$430 million granted by Lehman Brothers Commercial Corporation Asia Limited (in Liquidation) to Lanrich International Limited, an indirect non-wholly owned subsidiary of the Company. The outstanding amount of HK\$433,681,518.02 under the loan was acquired for the consideration of HK\$236,500,000.

Details of the acquisition were set out in a circular despatched by the Company, dated 16 June 2009.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

On behalf of the Board
Capital Strategic Investment Limited
Kan Sze Man
Director and Company Secretary

1. FINANCIAL INFORMATION

The following is a summary of the consolidated income statements for each of the three years ended 31 March 2008 and six months ended 30 September 2008 as extracted from the respective annual reports and interim report of the Group.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 March			For the six months ended
	2008	2007	2006	30 September 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Revenue	402,534	101,558	196,741	596,056
Cost of sales	(194,885)	(30,160)	(162,253)	(424,761)
Gross profit	207,649	71,398	34,488	171,295
Other income	48,818	36,410	12,600	11,982
Administrative expenses	(68,822)	(51,327)	(28,723)	(31,242)
Finance costs	(120,842)	(42,110)	(18,010)	(57,081)
Impairment loss on deposit paid for acquisition of properties held for sale	—	—	—	(52,948)
Change in fair value of investment properties	63,637	142,919	100,000	—
Investment income and net (loss) gain from financial instruments	(28,312)	64,500	17,724	(17,364)
Share of results of jointly-controlled entities	151,624	(369)	291	130,223
Share of results of associates	3,280	492	362	(25,795)
Gain/(Loss) on disposal of interests in subsidiaries	(16,174)	—	35,990	—
Gain on disposal of partial interests in subsidiaries	1,715	—	—	—
Gain on disposal of interests in investment properties	—	9,060	—	—
Gain on disposal of prepaid lease payments	—	90,320	—	—
Gain on disposal of interest in associates	—	—	4,763	—
Profit before taxation	242,573	321,293	159,485	129,070
Taxation				
— Current and deferred tax	(27,316)	(42,681)	(18,146)	(15,562)
— Release of deferred taxation upon disposal of subsidiaries	98,529	—	—	—
Profit for the year	313,786	278,612	141,339	113,508

CONSOLIDATED INCOME STATEMENT *(Continued)*

	For the year ended 31 March			For the six months ended
	2008 <i>HK\$'000</i> (Audited)	2007 <i>HK\$'000</i> (Audited)	2006 <i>HK\$'000</i> (Audited)	30 September 2008 <i>HK\$'000</i> (Unaudited)
Attributable to:				
Equity holders of the Company	325,369	276,644	140,283	102,986
Minority interests	(11,583)	1,968	1,056	10,522
	<u>313,786</u>	<u>278,612</u>	<u>141,339</u>	<u>113,508</u>
Dividends paid	39,734	15,290	16,959	39,525
Dividends proposed	<u>39,525</u>	<u>39,734</u>	<u>15,290</u>	<u>—</u>
Earnings per share				
Basic	<u>HK6.57 cents</u>	<u>HK6.69 cents</u>	<u>HK6.44 cents</u>	<u>HK2.1 cents</u>
Diluted	<u>HK5.89 cents</u>	<u>HK6.18 cents</u>	<u>HK6.03 cents</u>	<u>HK2.0 cents</u>

The following is a summary of the consolidated balance sheets as at 31 March 2006, 2007 and 2008 and as at 30 September 2008 as extracted from the respective annual reports and interim report of the Group.

CONSOLIDATED BALANCE SHEET

	At 31 March		At 30 September	
	2008	2007	2006	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Non-Current Assets				
Investment properties	36,500	736,000	658,555	—
Property, plant and equipment	10,951	10,131	15,059	12,919
Prepaid lease payments	105,137	14,857	254,690	103,754
Available-for-sale investments	7,941	7,786	—	7,941
Club memberships	6,860	6,860	6,860	6,860
Interests in jointly-controlled entities	106,396	13,268	291	24,992
Interests in associates	39,378	7,868	96	26,611
Amount due from an associate	33,586	34,120	—	64,506
Amount due from a jointly-controlled entity	—	—	—	12,222
Deferred tax asset	2,675	1,467	1,470	2,521
	<u>349,424</u>	<u>832,357</u>	<u>937,021</u>	<u>262,326</u>
Current Assets				
Trade and other receivables	8,620	15,198	4,881	17,732
Prepaid lease payments	2,767	381	655	2,767
Deposit paid for acquisition of properties held for sales	176,201	185,256	27,730	—
Available-for-sale investments	—	—	8,815	—
Investments held for trading	86,242	118,797	104,155	137,528
Properties held for sale	3,190,668	1,789,030	104,928	4,166,659
Account due from an investee	—	—	11,069	—
Amounts due from jointly-controlled entities	274,646	44,917	31,836	9,116
Derivative financial instruments	—	—	—	3,180
Amounts due from associates	8,254	5,023	8,102	456
Amounts due from minority shareholders	—	—	—	7,870
Taxation recoverable	1,231	1,376	1,250	3,494
Pledged bank deposit	136,701	272,396	165,366	91,465
Bank balances and cash	929,650	336,093	215,218	1,413,090
	<u>4,814,980</u>	<u>2,768,467</u>	<u>684,005</u>	<u>5,853,357</u>

CONSOLIDATED BALANCE SHEET (Continued)

	2008 HK\$'000 (Audited)	At 31 March 2007 HK\$'000 (Audited)	2006 HK\$'000 (Audited)	At 30 September 2008 HK\$'000 (Unaudited)
Current Liabilities				
Trade and other payables	119,660	39,566	15,231	100,708
Derivative financial instruments	18,666	—	—	3,498
Convertible notes				
— due within one year	3,310	1,596	—	2,313
Taxation payable	33,456	22,286	4,222	51,047
Amounts due to				
minority shareholders	10,376	7,604	3,875	—
Amount due to an associate	4,000	—	—	2,000
Bank borrowings				
— due within one year	121,818	290,280	158,805	313,923
	<u>311,286</u>	<u>361,332</u>	<u>182,133</u>	<u>473,489</u>
Net Current Assets	<u>4,503,694</u>	<u>2,407,135</u>	<u>501,872</u>	<u>5,379,868</u>
	<u>4,853,118</u>	<u>3,239,492</u>	<u>1,438,893</u>	<u>5,642,194</u>
Capital and Reserves				
Share capital	39,555	39,413	23,391	39,525
Reserves	2,438,240	2,062,609	1,187,697	2,471,977
Equity attributable to				
equity holders of the Company	2,477,795	2,102,022	1,211,088	2,511,502
Minority interests	43,160	—	1,056	57,229
Total Equity	<u>2,520,955</u>	<u>2,102,022</u>	<u>1,212,144</u>	<u>2,568,731</u>
Non-Current Liabilities				
Bank borrowings				
— due after one year	1,846,880	928,118	155,243	2,576,136
Convertible notes				
— due after one year	472,224	119,606	—	486,986
Deferred tax liabilities	13,059	89,746	71,506	10,341
	<u>2,332,163</u>	<u>1,137,470</u>	<u>226,749</u>	<u>3,073,463</u>
	<u>4,853,118</u>	<u>3,239,492</u>	<u>1,438,893</u>	<u>5,642,194</u>

- A. Set out below is the audited consolidated financial statements of the Group for the year ended 31 March 2008 as extracted from the annual report of the Group for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Revenue	7	402,534	101,558
Cost of sales		<u>(194,885)</u>	<u>(30,160)</u>
Gross profit		207,649	71,398
Other income	9	48,818	36,410
Administrative expenses		(68,822)	(51,327)
Finance costs	10	(120,842)	(42,110)
Change in fair value of investment properties		63,637	142,919
Investment income and net (loss) gain from financial instruments	11	(28,312)	64,500
Share of results of jointly-controlled entities		151,624	(369)
Share of results of associates		3,280	492
Loss on disposal of interests in subsidiaries	36	(16,174)	—
Gain on disposal of partial interests in subsidiaries	36	1,715	—
Gain on disposal of interests in investment properties	36	—	9,060
Gain on disposal of prepaid lease payments		<u>—</u>	<u>90,320</u>
Profit before taxation		242,573	321,293
Taxation			
— Current and deferred tax	12	(27,316)	(42,681)
— Release of deferred taxation upon disposal of subsidiaries	12	98,529	—
Profit for the year	13	<u>313,786</u>	<u>278,612</u>
Attributable to:			
Equity holders of the Company		325,369	276,644
Minority interests		<u>(11,583)</u>	<u>1,968</u>
		<u>313,786</u>	<u>278,612</u>
Dividends paid	15	39,734	15,290
Dividends proposed	15	<u>39,525</u>	<u>39,734</u>
Earnings per share			
Basic	16	<u>HK6.57 cents</u>	<u>HK6.69 cents</u>
Diluted	16	<u>HK5.89 cents</u>	<u>HK6.18 cents</u>

CONSOLIDATED BALANCE SHEET*At 31 March 2008*

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

CONSOLIDATED BALANCE SHEET *(Continued)**At 31 March 2008*

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

For the year ended 31 March 2008

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

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

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

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2008*

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

CONSOLIDATED CASH FLOW STATEMENT *(Continued)**For the year ended 31 March 2008*

	<i>NOTES</i>	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of interests in subsidiaries (net of cash and cash equivalents disposed of)	36	785,635	—
Increase/(decrease) in pledged bank deposits		135,695	(107,030)
Proceeds from disposal of partial interests in subsidiaries	36	67,038	—
Dividend received from a jointly-controlled entity		88,250	—
Interest received		29,756	27,461
Dividend received from an associate		7,816	890
Increase in amounts due from jointly-controlled entities		(253,864)	(3)
Additions of prepaid lease payments		(95,433)	—
Acquisition of assets/additional interest in subsidiaries (net of cash and cash equivalents acquired)	37	(92,532)	(851,386)
Increase in amounts due from associates		(5,499)	(33,142)
Investments in associates		(33,456)	—
Purchase of investment properties		(26,863)	(1,526)
Purchase of property, plant and equipment		(5,586)	(672)
Proceeds from disposal of interests in investment properties (net of cash and cash equivalents disposed of)	36	—	33,312
Proceeds from disposal of investment properties		—	42,000
Proceeds from disposal of prepaid lease payments		—	330,000
Proceeds from disposal of available-for-sale investments		—	3,810
Purchase of available-for-sale investments		—	(2,781)
Decrease in amount due from an investee		—	11,069
NET CASH FROM (USED IN) INVESTING ACTIVITIES		600,957	(547,998)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)**For the year ended 31 March 2008*

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
FINANCING ACTIVITIES			
New bank borrowings raised		553,800	1,127,720
Proceeds from issue of convertible notes		390,000	133,000
Proceeds from exercise of share options		5,376	—
Advance from an associate		4,000	—
Advance from a jointly-controlled entity		3,968	—
Advance from minority shareholders		2,772	3,729
Repayment of bank borrowings		(233,500)	(180,150)
Dividends paid		(39,734)	(15,290)
Expenses on the issue of convertible notes		(9,360)	—
Shares repurchased and cancelled		(8,606)	(5,176)
Dividends paid to a minority shareholder of a subsidiary		—	(3,024)
Proceeds from issue of shares, net of issue expenses		—	614,448
NET CASH FROM FINANCING ACTIVITIES		668,716	1,675,257
NET INCREASE IN CASH AND CASH EQUIVALENTS		593,557	120,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		336,093	215,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		929,650	336,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2008***1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with the HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investments in associates** *(Continued)*

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

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

Joint ventures***Jointly-controlled entities***

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

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

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

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

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Revenue recognition** *(Continued)*

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

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

Investment properties

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

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

Property, plant and equipment

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

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

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

Leasehold land held for undetermined future use

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Properties held for sale**

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Foreign currencies** *(Continued)*

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

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

Retirement benefit scheme

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Financial assets** *(Continued)**Financial assets at fair value through profit or loss*

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from jointly-controlled entities, amounts due from associates, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)****Impairment of financial assets***

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

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

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible notes

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Financial liabilities and equity** *(Continued)***Other financial liabilities**

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

Equity instruments

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

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

Derivative financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Derecognition** *(Continued)*

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

Club memberships

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

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

Share-based payment transactions**Equity-settled share-based payment transactions***Share options granted to employees of the Group which vest prior to 1 April 2005*

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

Share options granted to employees of the Group which vested on or after 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 recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment loss**

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

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Fair value of derivative financial instruments

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

6. FINANCIAL INSTRUMENTS *(Continued)***(b) Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, available-for-sale investments, investments held for trading, amounts due from jointly-controlled entities, amounts due from associates, pledged bank deposits, bank balances and cash, trade and other payables, derivative financial instruments, amounts due to minority shareholders, amount due to an associate, convertible notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall policies remain unchanged from prior year.

(i) Market risks**(i) Interest rate risk**

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

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

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

(i) Market risks (Continued)

(ii) Currency risk

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

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

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

Sensitivity analysis

The Group is mainly exposed to the Singapore dollars.

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

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

6. FINANCIAL INSTRUMENTS *(Continued)***(b) Financial risk management objectives and policies** *(Continued)***(i) Market risks** *(Continued)***(iii) Other price risk**

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

Sensitivity analysis

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

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

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

6. FINANCIAL INSTRUMENTS *(Continued)***(b) Financial risk management objectives and policies** *(Continued)***(ii) Credit risk**

As at 31 March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arising from:

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

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

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

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity risk management

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

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

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
2008									
Trade and other payables	—	22,903	—	—	—	—	—	22,903	22,903
Derivative financial instruments — gross settle	—	—	18,666	—	—	—	—	18,666	18,666
Amounts due to minority shareholders	—	10,376	—	—	—	—	—	10,376	10,376
Amount due to an associate	—	4,000	—	—	—	—	—	4,000	4,000
Convertible notes payable — liability component (Note)	1.5/2.0	—	1,995	7,800	9,795	635,372	—	654,962	475,534
Bank borrowings	5.74	72,120	6,345	44,480	80,422	1,044,697	919,695	2,167,759	1,968,698
		<u>109,399</u>	<u>27,006</u>	<u>52,280</u>	<u>90,217</u>	<u>1,680,069</u>	<u>919,695</u>	<u>2,878,666</u>	<u>2,500,177</u>

6. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
2007									
Trade and other payables	—	24,562	—	—	—	—	—	24,562	24,562
Amounts due to minority shareholders	—	7,604	—	—	—	—	—	7,604	7,604
Convertible notes payable — liability component (Note)	1.5	—	1,995	—	1,995	152,285	—	156,275	121,202
Bank borrowings	4.67	1,232	38,991	256,123	81,534	368,911	520,969	1,267,760	1,218,398
		<u>33,398</u>	<u>40,986</u>	<u>256,123</u>	<u>83,529</u>	<u>521,196</u>	<u>520,969</u>	<u>1,456,201</u>	<u>1,371,766</u>

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

(c) Fair value

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

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

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

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

7. REVENUE

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

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

8. SEGMENTAL INFORMATION

Business segments

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

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

Principal activities are as follows:

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

8. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

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

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

8. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

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

8. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000	
<i>Assets and liabilities as at</i>					
<i>31 March 2008</i>					
ASSETS					
Segment assets	3,470,643	36,500	102,033	3,609,176	
Interests in					
jointly-controlled entities	474	105,922	—	106,396	
Interests in associates	39,378	—	—	39,378	
Amounts due from					
jointly-controlled entities	—	274,646	—	274,646	
Amounts due from associates	41,840	—	—	41,840	
Unallocated total assets				1,092,968	
Consolidated total assets				<u>5,164,404</u>	
LIABILITIES					
Segment liabilities	107,886	411	31,368	139,665	
Amount due to an associate	4,000	—	—	4,000	
Unallocated corporate liabilities				2,499,784	
Consolidated total liabilities				<u>2,643,449</u>	
	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>Other information for the year ended</i>					
<i>31 March 2008</i>					
Capital expenditure					
— Investment properties	—	26,863	—	—	26,863
— Property, plant and equipment	—	—	—	5,595	5,595
— Prepaid lease payments	—	—	—	95,432	95,432
Depreciation	1,134	248	—	2,796	4,178
Release of prepaid lease payments	—	—	—	2,767	2,767
Increase in fair value of investment properties	—	(63,637)	—	—	(63,637)
Decrease in fair value of investments held for trading and derivative financial instruments	—	—	63,252	—	<u>63,252</u>

8. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

	Property trading <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	
<i>Assets and liabilities as at</i>					
<i>31 March 2007</i>					
ASSETS					
Segment assets	2,058,093	677,622	136,318	2,872,033	
Interests in					
jointly-controlled entities	—	13,268	—	13,268	
Interests in associates	7,868	—	—	7,868	
Amounts due from					
jointly-controlled entities	—	44,917	—	44,917	
Amounts due from associates	39,143	—	—	39,143	
Unallocated total assets				623,595	
Consolidated total assets				<u>3,600,824</u>	
LIABILITIES					
Segment liabilities	13,939	9,625	2,893	26,457	
Unallocated corporate liabilities				1,472,345	
Consolidated total liabilities				<u>1,498,802</u>	
	Property trading <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Other information for the year ended</i>					
<i>31 March 2007</i>					
Capital expenditure					
— Investment properties	163,000	1,526	—	—	164,526
— Property, plant and equipment	246	426	—	—	672
Depreciation	43	998	—	2,799	3,840
Release of prepaid lease payments	—	—	—	427	427
Increase in fair value of investment properties	—	(142,919)	—	—	(142,919)
Increase in fair value of investments held for trading	—	—	(11,141)	—	<u>(11,141)</u>

8. SEGMENTAL INFORMATION (Continued)

Geographical segments

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

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

	Carrying amount of segment assets	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
People's Republic of China ("PRC")	536,883	—
Hong Kong	3,072,293	2,872,033
	<u>3,609,176</u>	<u>2,872,033</u>
	Additions to investment properties, prepaid lease payment and property, plant and equipment	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
PRC	148	—
Hong Kong	127,742	165,198
	<u>127,890</u>	<u>165,198</u>

9. OTHER INCOME

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

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

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

10. FINANCE COSTS

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

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

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

12. TAXATION

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

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

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

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

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

13. PROFIT FOR THE YEAR

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

14. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

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

14. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(a) Directors' remuneration (Continued)

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

No directors have waived any emoluments during both years.

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

(b) Employees' remuneration

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

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	1,622	2,637
Retirement benefit scheme contributions	81	132
Share-based payments	1,582	—
	<u>3,285</u>	<u>2,769</u>
	2008 <i>Number of employees</i>	2007 <i>Number of employees</i>
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1

15. DIVIDENDS

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

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

16. EARNINGS PER SHARE

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

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

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

17. INVESTMENT PROPERTIES

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

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

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

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

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

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

18. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

19. PREPAID LEASE PAYMENTS

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

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

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

Available-for-sale investments comprises:

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

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

Investments held for trading comprise:

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

Available-for-sales investments

The carrying value of unlisted equity securities in Hong Kong at 31 March 2008 represents a 5% (2007: 5%) interest in MC Founder Limited ("MC Founder"). MC Founder is incorporated in Hong Kong and engaged in the trading of mobile phones. The Group's interest in MC Founder is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Investments held for trading

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

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

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

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

	US Dollar HK\$'000
At 31 March 2008	<u>49,143</u>
At 31 March 2007	<u>49,797</u>

21. CLUB MEMBERSHIPS

	2008 HK\$'000	2007 HK\$'000
Club memberships, at cost	<u>6,860</u>	<u>6,860</u>

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

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

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

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

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

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

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

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

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

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

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

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

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

23. INTERESTS IN ASSOCIATES

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

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

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

23. INTERESTS IN ASSOCIATES (Continued)

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

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

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

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

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

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

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

Notes:

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

25. DEFERRED TAXATION

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

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

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

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

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

26. TRADE AND OTHER RECEIVABLES

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

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

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

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

27. PROPERTIES HELD FOR SALE

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Properties held for sales in Hong Kong under:		
Long term lease	2,387,757	1,492,954
Medium term lease	107,824	—
Short term lease	158,934	296,076
	<u>2,654,515</u>	<u>1,789,030</u>
Properties held for sales outside Hong Kong under medium term lease	536,153	—
	<u>3,190,668</u>	<u>1,789,030</u>
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At cost	2,554,668	1,789,030
At net realisable value	636,000	—
	<u>3,190,668</u>	<u>1,789,030</u>

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

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

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

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

	US Dollar HK\$'000
At 31 March 2008	<u><u>289,111</u></u>
At 31 March 2007	<u><u>217,447</u></u>

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

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

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

29. TRADE AND OTHER PAYABLES

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

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

31. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

32. BANK BORROWINGS

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

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

32. BANK BORROWINGS (Continued)

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

33. SHARE CAPITAL

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

Notes:

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

33. SHARE CAPITAL (Continued)

Notes: (Continued)

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

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

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

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

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

The above shares were cancelled upon repurchase.

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

34. 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, whereby Earnest Equity and the independent third parties agreed to subscribe for HK\$133,000,000 unsecured 1.5% convertible notes due 2011 (“2011 Convertible Notes”) issued by the Company with principal amount of HK\$15,000,000 and HK\$118,000,000, respectively.

The 2011 Convertible Notes bear interest at 1.5% per annum and will mature on 13 June 2011. The holders of the 2011 Convertible Notes have the right to convert their 2011 Convertible Notes into ordinary shares of HK0.8 cents each of the Company at any time during the period from the 7 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.

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

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

2% convertible notes due 2012 (2012 Convertible Notes)

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

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

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

34. CONVERTIBLE NOTES (Continued)

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

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

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

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

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

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

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

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

34. CONVERTIBLE NOTES *(Continued)*

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

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

35. SHARE OPTION SCHEMES**2001 Scheme**

On 13 June 2001, the Company adopted a share option scheme (“2001 Scheme”), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 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 or any other limit as may be permitted under the Listing Rules.

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

The 2001 Scheme was terminated on 26 August 2002.

35. SHARE OPTION SCHEMES *(Continued)***2002 Scheme**

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

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

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

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

35. SHARE OPTION SCHEMES (Continued)

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

	Option scheme type	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1.4.2007	Granted during the year	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2008
Directors									
Kan Sze Man (Note 3)	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	19,375,000	—	—	—	19,375,000
	(Note 2)	2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Chow Hou Man	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	4,187,500	—	—	—	4,187,500
	(Note 2)	2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	—	15,625,000
Hubert Chak (Note 2)	2002	3.10.2007	0.405	3.10.2007 — 25.8.2012	—	35,000,000	—	—	35,000,000
Total for directors					<u>54,812,500</u>	<u>35,000,000</u>	<u>—</u>	<u>—</u>	<u>89,812,500</u>
Employees and consultants									
	2001	30.8.2001	0.134	30.8.2001 — 12.6.2011	71,156,250	—	(40,000,000)	—	31,156,250
	(Note 2)	2002	0.112	23.9.2002 — 25.8.2012	71,250,000	—	—	—	71,250,000
	(Note 2)	2002	0.112	8.1.2004 — 25.8.2012	37,500,000	—	—	—	37,500,000
	(Note 2)	2002	0.12	9.1.2004 — 25.8.2012	18,750,000	—	—	—	18,750,000
	(Note 2)	2002	0.405	3.10.2007 — 25.8.2012	—	40,000,000	—	—	40,000,000
Total for employees and consultants					<u>198,656,250</u>	<u>40,000,000</u>	<u>(40,000,000)</u>	<u>—</u>	<u>198,656,250</u>
Grand total					<u>253,468,750</u>	<u>75,000,000</u>	<u>(40,000,000)</u>	<u>—</u>	<u>288,468,750</u>
Exercisable at the end of the year									<u>288,468,750</u>

35. SHARE OPTION SCHEMES (Continued)

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

	Option scheme type	Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1.4.2006	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2007
Directors								
Ma Wai Man, Catherine (Note 4)	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	35,375,000	—	—	35,375,000
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	15,625,000
Chow Hou Man	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	4,187,500	—	—	4,187,500
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	15,625,000	—	—	15,625,000
Total for directors					<u>70,812,500</u>	<u>—</u>	<u>—</u>	<u>70,812,500</u>
Employees and consultants								
	2001 (Note 1)	30.8.2001	0.134	30.8.2001 — 12.6.2011	55,812,500	(656,250)	—	55,156,250
	2002 (Note 2)	23.9.2002	0.112	23.9.2002 — 25.8.2012	76,250,000	(5,000,000)	—	71,250,000
	2002 (Note 2)	8.1.2004	0.112	8.1.2004 — 25.8.2012	37,500,000	—	—	37,500,000
	2002 (Note 2)	9.1.2004	0.12	9.1.2004 — 25.8.2012	18,750,000	—	—	18,750,000
Total for employees and consultants					<u>188,312,500</u>	<u>(5,656,250)</u>	<u>—</u>	<u>182,656,250</u>
Grand total					<u>259,125,000</u>	<u>(5,656,250)</u>	<u>—</u>	<u>253,468,750</u>
Exercisable at the end of the year								<u>253,468,750</u>

35. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

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

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

Notes:

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

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

For the year ended 31 March 2008

Disposal of interests in subsidiaries

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

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

For the year ended 31 March 2008 (Continued)

Disposal of interests in subsidiaries (Continued)

(c) (Continued)

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

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

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

For the year ended 31 March 2008 *(Continued)*

Disposal of interests in subsidiaries *(Continued)*

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

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

Disposal of Partial interest in subsidiaries

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

For the year ended 31 March 2007

Disposal of interests in investment properties

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

37. ACQUISITION OF ASSETS/ADDITIONAL INTEREST IN SUBSIDIARIES

For the year ended 31 March 2008

Acquisition of assets

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

The net assets acquired in the transaction are as follows:

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

Acquisition of additional interest in subsidiaries

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

37. ACQUISITION OF ASSETS/ADDITIONAL INTEREST IN SUBSIDIARIES (Continued)

For the year ended 31 March 2007

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

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

38. OPERATING LEASE COMMITMENTS

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

The Group as lessee

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	<u>412</u>	<u>745</u>

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

The Group as lessor

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

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

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

39. CONTINGENT LIABILITIES

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

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

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

40. PLEDGE OF ASSETS

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

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

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

41. CAPITAL COMMITMENT

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

42. RETIREMENT BENEFIT SCHEME

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

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

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

43. RELATED PARTY TRANSACTIONS

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

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

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

Notes:

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

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

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

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

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

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

43. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

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

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

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

44. BALANCE SHEET OF THE COMPANY

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

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

44. BALANCE SHEET OF THE COMPANY (Continued)

Note:

Reserves

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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

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

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

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- B.** Set out below is the an unaudited consolidated financial statements of the Group for the six months ended 30 September 2008 as extracted from the interim report of the Group for the six months ended 30 September 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
	NOTES	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Sales of properties and rental income		596,056	57,493
Cost of sales		<u>(424,761)</u>	<u>(10,379)</u>
Gross profit		171,295	47,114
Investment income and net (loss) gain from financial instruments	4	(17,364)	9,210
Other income		11,982	37,691
Administrative expenses		(31,242)	(41,405)
Finance costs	5	(57,081)	(67,167)
Impairment loss on deposit paid for acquisition of properties held for sale	6	(52,948)	—
Share of results of jointly-controlled entities		130,223	87,993
Share of results of associates		(25,795)	7,009
Increase in fair value of investment properties		—	63,137
Loss on disposal/partial disposal of interest in subsidiaries	24	<u>—</u>	<u>(17,052)</u>
Profit before taxation		129,070	126,530
— Current and deferred tax	7	(15,562)	(16,095)
— Release of deferred taxation upon disposal of subsidiaries	7	<u>—</u>	<u>98,529</u>
Profit for the period	8	<u>113,508</u>	<u>208,964</u>
Attributable to:			
Equity holders of the Company		102,986	217,438
Minority interests		<u>10,522</u>	<u>(8,474)</u>
		<u>113,508</u>	<u>208,964</u>
Dividends paid	9	<u>39,525</u>	<u>39,734</u>
Earnings per share	10		
— Basic		<u>HK2.1 cents</u>	<u>HK4.4 cents</u>
— Diluted		<u>HK2.0 cents</u>	<u>HK3.9 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

		30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Non-Current Assets			
Investment properties	11	—	36,500
Property, plant and equipment	12	12,919	10,951
Prepaid lease payments	13	103,754	105,137
Available-for-sale investments		7,941	7,941
Club memberships		6,860	6,860
Interests in jointly-controlled entities		24,992	106,396
Interests in associates		26,611	39,378
Amounts due from associates	14	64,506	33,586
Amount due from a jointly-controlled entity	15	12,222	—
Deferred tax asset	16	2,521	2,675
		<u>262,326</u>	<u>349,424</u>
Current Assets			
Trade and other receivables	17	17,732	8,620
Prepaid lease payments	13	2,767	2,767
Deposit paid for acquisition of properties held for sales		—	176,201
Investments held for trading		137,528	86,242
Properties held for sale	18	4,166,659	3,190,668
Derivative financial instruments	19	3,180	—
Amounts due from associates	14	456	8,254
Amounts due from jointly-controlled entities	15	9,116	274,646
Amounts due from minority shareholders	20	7,870	—
Taxation recoverable		3,494	1,231
Pledged bank deposits		91,465	136,701
Bank balances and cash		1,413,090	929,650
		<u>5,853,357</u>	<u>4,814,980</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30 September 2008

		30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
	NOTES		
Current Liabilities			
Accruals and other payables		100,708	119,660
Derivative financial instruments	19	3,498	18,666
Convertible notes-due within one year	21	2,313	3,310
Taxation payable		51,047	33,456
Amount due to an associate	14	2,000	4,000
Amounts due to minority shareholders	20	—	10,376
Bank and other borrowings			
— due within one year	22	313,923	121,818
		<u>473,489</u>	<u>311,286</u>
Net Current Assets		<u>5,379,868</u>	<u>4,503,694</u>
		<u>5,642,194</u>	<u>4,853,118</u>
Capital and Reserves			
Share capital	23	39,525	39,555
Reserves		2,471,977	2,438,240
Equity attributable to equity holders of the Company		2,511,502	2,477,795
Minority interests		57,229	43,160
Total Equity		<u>2,568,731</u>	<u>2,520,955</u>
Non-Current Liabilities			
Bank and other borrowings			
— due after one year	22	2,576,136	1,846,880
Convertible notes — due after one year	21	486,986	472,224
Deferred tax liabilities	16	10,341	13,059
		<u>3,073,463</u>	<u>2,332,163</u>
		<u>5,642,194</u>	<u>4,853,118</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Convertible note equity reserve	Contributed surplus	Translation reserve	Share option reserve	Accumulated profits	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	39,555	841,269	341	1,698	55,811	276,058	53,200	2,967	1,206,896	2,477,795	43,160	2,520,955
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	5,501	—	—	5,501	3,547	9,048
Share of change in reserve of a jointly-controlled entity	—	—	—	—	—	—	(35,750)	—	—	(35,750)	—	(35,750)
Net income and expenses for the period recognised directly in equity	—	—	—	—	—	—	(30,249)	—	—	(30,249)	3,547	(26,702)
Profit for the period	—	—	—	—	—	—	—	—	102,986	102,986	10,522	113,508
Total recognised income and expenses for the period	—	—	—	—	—	—	(30,249)	—	102,986	72,737	14,069	86,806
Recognition of equity-settled share based payment	—	—	—	—	—	—	—	1,524	—	1,524	—	1,524
Shares repurchased and cancelled	(30)	—	30	—	—	—	—	—	(1,026)	(1,026)	—	(1,026)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	—	—	—	(3)	(3)	—	(3)
Dividends paid	—	—	—	—	—	—	—	—	(39,525)	(39,525)	—	(39,525)
At 30 September 2008	39,525	841,269	371	1,698	55,811	276,058	22,951	4,491	1,269,328	2,511,502	57,229	2,568,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*Continued*)
For the six months ended 30 September 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital	Convertible			Share			Minority interest	Total equity	
			redemption reserve	Capital reserve	note equity reserve	Contributed surplus	Translation reserve	option reserve	Accumulated profits			Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2007	39,413	836,213	163	1,910	18,398	276,058	—	—	929,867	2,102,022	—	2,102,022
Exchange differences arising on translation of foreign operations recognised in directly in equity	—	—	—	—	—	—	3,776	—	—	3,776	2,517	6,293
Profit for the period	—	—	—	—	—	—	—	—	217,438	217,438	(8,474)	208,964
Total recognised income and expenses for the period	—	—	—	—	—	—	3,776	—	217,438	221,214	(5,957)	215,257
Share of changes in reserve of an associate	—	—	—	(356)	—	—	—	—	—	(356)	—	(356)
Recognition of equity components of convertible notes	—	—	—	—	49,252	—	—	—	—	49,252	—	49,252
Exercise of share options	320	5,056	—	—	—	—	—	—	—	5,376	—	5,376
Shares repurchased and cancelled	(141)	—	141	—	—	—	—	—	(6,762)	(6,762)	—	(6,762)
Expenses related to shares repurchased and cancelled	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	43,551	43,551
Dividends paid	—	—	—	—	—	—	—	—	(39,734)	(39,734)	—	(39,734)
At 30 September 2007	<u>39,592</u>	<u>841,269</u>	<u>304</u>	<u>1,554</u>	<u>67,650</u>	<u>276,058</u>	<u>3,776</u>	<u>—</u>	<u>1,100,785</u>	<u>2,330,988</u>	<u>37,594</u>	<u>2,368,582</u>

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

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	NOTES	Six months ended 30 September	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash used in operating activities:			
Increase in properties held for sales		(825,693)	(720,502)
Cash (outflows) inflows from other operating activities		(15,970)	122,340
		<u>(841,663)</u>	<u>(598,162)</u>
Net cash from investing activities:			
Repayment from jointly-controlled entities		241,308	—
Dividend received from a jointly-controlled entity		186,377	88,250
Decrease (increase) in pledged bank deposits		45,236	(295,060)
Proceeds from disposal of investment properties		37,069	—
Advances to associates		(36,150)	(1,080)
Advances to minority shareholders		(18,246)	—
Purchase of properties, plant and equipment		(4,393)	(56,314)
Deposit paid for acquisition of a jointly-controlled entity		—	(40,997)
Expenditure incurred for investment properties		—	(26,863)
Proceeds from disposal/partial disposal of subsidiaries	24	—	822,139
Acquisition of subsidiaries	25	—	23,516
Proceeds from disposal of property, plant and equipment		—	844
Cash inflows from other investing activities		8,949	21,686
		<u>460,150</u>	<u>536,121</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
For the six months ended 30 September 2008

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from financing activities:		
New borrowings raised	1,107,662	386,887
Repayments of borrowings	(186,301)	(320,353)
Dividends paid	(39,525)	(39,734)
Premium paid for		
derivative financial instruments	(7,959)	—
Repayment to an associate	(2,000)	—
Repurchase of shares	(1,029)	(6,786)
Proceeds from issue of shares		
and exercise of share options,		
net of issue costs	—	5,376
Proceeds from issue of convertible		
notes, net of issue costs	—	380,640
Cash (outflows) inflows from other		
financing activities	(5,895)	7,189
	864,953	413,219
Net increase in cash and cash		
equivalents	483,440	351,178
Cash and cash equivalents at		
beginning of the period	929,650	336,093
Cash and cash equivalents at end		
of the period	1,413,090	687,271
Analysis of the balances of cash		
and cash equivalents		
Bank balances and cash	1,413,090	687,271

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2008***1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance 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”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial years beginning on 1 April 2008:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners ³

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

- ¹ Effective for annual periods commencing on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2008
- ⁵ Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION**Business segments**

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

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

Principal activities are as follows:

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

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

	Property trading <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended				
30 September 2008				
(unaudited)				
Gross proceeds	<u>595,508</u>	<u>548</u>	<u>37,120</u>	<u>633,176</u>
Revenue				
Rental income	69,331	548	—	69,879
Income from sales of properties	<u>526,177</u>	<u>—</u>	<u>—</u>	<u>526,177</u>
	595,508	548	—	596,056
Interest income and dividend income	<u>—</u>	<u>—</u>	<u>5,689</u>	<u>5,689</u>
Segment revenue	<u>595,508</u>	<u>548</u>	<u>5,689</u>	<u>601,745</u>
RESULT				
Segment results	<u>99,602</u>	<u>534</u>	<u>(18,641)</u>	81,495
Unallocated expenses				(11,754)
Other income				11,982
Finance costs				(57,081)
Share of results of jointly-controlled entities	—	130,223	—	130,223
Share of results of associates	(3,295)	(22,500)	—	<u>(25,795)</u>
Profit before taxation				129,070
Taxation				<u>(15,562)</u>
Profit for the period				<u>113,508</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Property trading HK\$'000	Property rental HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2007 (unaudited)				
Gross proceeds	<u>41,291</u>	<u>16,202</u>	<u>160,982</u>	<u>218,475</u>
Revenue				
Rental income	23,711	16,202	—	39,913
Income from sales of properties	<u>17,580</u>	<u>—</u>	<u>—</u>	<u>17,580</u>
	41,291	16,202	—	57,493
Interest income and dividend income	<u>—</u>	<u>—</u>	<u>2,659</u>	<u>2,659</u>
Segment revenue	<u>41,291</u>	<u>16,202</u>	<u>2,659</u>	<u>60,152</u>
RESULT				
Segment results	<u>30,788</u>	<u>68,202</u>	<u>3,198</u>	102,188
Unallocated expenses				(24,132)
Other income				37,691
Finance costs				(67,167)
Share of results of jointly-controlled entities	—	87,993	—	87,993
Share of results of associates	8,556	(1,547)	—	7,009
Loss on disposal/partial disposal of interests in subsidiaries	—	(17,052)	—	<u>(17,052)</u>
Profit before taxation				126,530
Taxation				
— Current and deferred tax				(16,095)
— Release of deferred taxation upon disposal of subsidiaries				<u>98,529</u>
Profit for the period				<u>208,964</u>

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

	Six months ended 30 September	
	2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Interest income from:		
— investments held for trading	4,770	2,212
— available-for-sale investments	74	74
Gain on disposal of investments held for trading	440	4,251
(Decrease) increase in fair values of:		
— investments held for trading	(19,007)	2,300
— derivative financial instruments	(4,486)	—
Dividend income on available-for-sale investments	351	207
Dividend income on listed investments held for trading	494	166
	<u>(17,364)</u>	<u>9,210</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	12,009	6,293
Bank and other borrowings not wholly repayable within five years	25,412	51,383
Convertible notes wholly repayable within five years	19,660	9,491
	<u>57,081</u>	<u>67,167</u>

6. IMPAIRMENT LOSS ON DEPOSIT PAID FOR ACQUISITION OF PROPERTIES HELD FOR SALE

During the period ended 30 September 2008, an impairment loss of HK\$52,948,000 was made on deposits paid for acquisition of properties held for sales ("Properties"). The directors of the Company considered the decrease in estimated fair value of the Properties is greater than the deposits paid for the Properties, therefore, full provision was made.

7. TAXATION

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	18,126	5,046
Deferred tax (<i>Note 16</i>)	(2,564)	11,049
	15,562	16,095
Release of deferred tax upon disposal of subsidiaries (<i>Note 24(a)</i>)	—	(98,529)
	15,562	(82,434)

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. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Share-based payments		
— directors	474	—
— staffs	1,050	—
Depreciation of property, plant and equipment	2,419	1,803
Release of prepaid lease payments	1,383	190
Gain of disposal of investment properties	(569)	—
Impairment loss on properties held for sale	26,211	—
Share of taxation of associates	42	2,420
Bank interest income	(8,949)	(13,870)

9. DIVIDENDS

	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend of HK\$0.008 (2007: HK\$0.008) per share recognised as distribution and paid during the respective periods	39,525	39,734

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to equity holders of the Company)	102,986	217,438
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	<u>19,660</u>	<u>9,491</u>
Earnings for the purpose of calculating diluted earnings per share	<u>122,646</u>	<u>226,929</u>
	Number of shares (<i>'000</i>)	Number of shares (<i>'000</i>)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,940,584	4,956,246
Effect of dilutive potential ordinary shares:		
Share options	108,170	153,020
Convertible notes	<u>1,122,233</u>	<u>696,003</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>6,170,987</u>	<u>5,805,269</u>

The weighted average number of shares for the period ended 30 September 2007 for the purpose of calculating the basic and diluted earnings per share were adjusted to reflect the effect of the share sub-division, which was approved with effect from 23 May 2007, of each of the then issued and unissued shares of HK\$0.04 each in the share capital of the Company into five shares of HK\$0.008 each.

11. MOVEMENTS IN INVESTMENT PROPERTIES

During the period ended 30 September 2008, the Group disposed of investment properties with a carrying amount of approximately HK\$36,500,000 and resulted a gain on disposal of HK\$569,000.

During the period ended 30 September 2007, the Group disposed of investment properties with a carrying amount of approximately HK\$790,000,000 through disposal of subsidiaries as set out in note 24(a) for a consideration of HK\$755,044,000.

As at 30 September 2007, the Group's investment properties were fair valued by the directors. The increase in fair value of the investment properties has been recognised directly in the condensed consolidated income statement of HK\$63,137,000.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$4,393,000.

13. PREPAID LEASE PAYMENTS

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	<u>106,521</u>	<u>107,904</u>
Analysed for reporting purposes as:		
Current asset	<u>2,767</u>	2,767
Non-current asset	<u>103,754</u>	<u>105,137</u>
	<u>106,521</u>	<u>107,904</u>

14. AMOUNTS DUE FROM (TO) ASSOCIATE(S)

The amounts due from (to) associates were unsecured, non-interest bearing and repayable on demand.

In the opinion of the directors, the amounts due from associates of HK\$64,506,000 (31 March 2008: HK\$33,586,000) will not be repaid within twelve months from the balance sheet date, therefore, the amounts were classified as non-current. In addition, the amounts included a loss of HK\$17,927,000 (31 March 2008: HK\$4,901,000) allocated in excess of cost of investment.

15. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

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

In the opinion of the directors, the amount due from a jointly-controlled entity of HK\$12,222,000 will not be repaid within twelve months from the balance sheet date, accordingly, the amount was classified as non-current. The amount included a loss of HK\$12,000,000 allocated in excess of cost of investment.

16. DEFERRED TAXATION

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

	Revauation of investment properties <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Convertible bonds <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2008 (audited)	87	7,831	6,669	(4,203)	10,384
(Credit) charge to income for the year	(87)	87	(2,271)	295	(1,976)
Effect of Change in tax rate	—	(447)	(381)	240	(588)
At 30 September 2008 (unaudited)	<u>—</u>	<u>7,471</u>	<u>4,017</u>	<u>(3,668)</u>	<u>7,820</u>

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

	30 September 2008 <i>HK\$'000</i> (unaudited)	31 March 2008 <i>HK\$'000</i> (audited)
Deferred tax asset	2,521	2,675
Deferred tax liabilities	(10,341)	(13,059)
	<u>(7,820)</u>	<u>(10,384)</u>

17. TRADE AND OTHER RECEIVABLES

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

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Trade receivables:		
0-30 days	489	1,483
31-60 days	232	—
	<u>721</u>	<u>1,483</u>
Other receivables	4,594	1,969
Prepayments and deposits	12,417	5,168
	<u>17,011</u>	<u>7,137</u>
	<u>17,732</u>	<u>8,620</u>

18. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group acquired properties held for sale with a carrying value of HK\$1,188,034,000 (six months ended 30 September 2007: HK\$1,179,535,000). During the six months ended 30 September 2007, HK\$452,740,000 was acquired through the acquisition of subsidiaries as set out in note 25.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2008		31 March 2008	
	Assets HK\$'000 (unaudited)	Liabilities HK\$'000 (unaudited)	Assets HK\$'000 (audited)	Liabilities HK\$'000 (audited)
Interest rate collar contracts (Note a)	3,180	—	—	—
Equity accumulators contracts (Note b)	—	3,498	—	18,666
	<u>3,180</u>	<u>3,498</u>	<u>—</u>	<u>18,666</u>

19. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

- (a) Major terms of interest rate collar as at 30 September 2008 are as follows:

Notional amount	Maturity	Contracted fixed interest
HK\$400,000,000	Ranging from 30 June 2009 to 31 May 2013	2.0% to 4.5% per annum

The fair value was arrived at on the basis of using valuations provided by the counterparty financial institution as at balance sheet date with reference to market data such as volatility of the derivatives, settlement date, settlement price and interest rates.

- (b) At 30 September 2008, the Group had outstanding equity accumulators contracts with maturity dates ranging from 13 October 2008 to 29 October 2008. As at the date of report, all the equity accumulator contracts were matured.

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

20. AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS

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

21. CONVERTIBLE NOTES

Each of the convertible notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of “convertible note equity reserve”.

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

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Carrying amount at the beginning of the period/year	475,534	121,202
Issue of convertible notes	—	331,388
Interest charge	19,660	28,839
Interest paid	(5,895)	(5,895)
Carrying amount at the end of the period/year	<u>489,299</u>	<u>475,534</u>

Analysed for reporting purposes as:

Current liability	2,313	3,310
Non-current liability	<u>486,986</u>	<u>472,224</u>
	<u>489,299</u>	<u>475,534</u>

Included in the liability component of the convertible notes at 30 September 2008 is a debt component of the convertible notes of HK\$211,770,574 which were held by a holder who is undergoing provisional winding up proceeding in Hong Kong during the period ended 30 September 2008. As of the date of approval of this interim financial information, the proceeding has not yet been completed.

22. BANK AND OTHER BORROWINGS

The bank and other borrowings bear interest ranging from 1.85% to 9.5% (six month ended 30 September 2007: 4.2% to 10.8%) per annum and are repayable ranging from 2008 to 2033.

The bank and other borrowings were secured by Group’s property, plant and equipment, prepaid lease payment, bank deposit and properties held for sale. The carrying amount of the asset pledged are disclosed in note 26.

Included in the bank and other borrowings at 30 September 2008 is a secured borrowings of HK\$352,876,853 (the “Loan”) which was advanced from a lender who is undergoing provisional winding up proceeding in Hong Kong during the period ended 30 September 2008. The Loan is repayable in April 2010. One of the Lender’s related companies is a party to the Loan arrangement, and in the event of the commencement of winding up of such related company the terms of the Loan and its repayment will be affected. As of the date of approval of this interim financial information, the relevant related company of the Lender is not, as far as the Group is aware, under any winding up procedure. Thus, the Loan is still classified as non-current.

23. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Shares of HK\$0.008 each at 31 March 2008 and at 30 September 2008	<u>22,500,000,000</u>	<u>180,000</u>
Issued and fully paid:		
Shares of HK\$0.008 each at 1 April 2008	4,944,363,500	39,555
Shares repurchased and cancelled	<u>(3,800,000)</u>	<u>(30)</u>
Shares of HK\$0.008 each at 30 September 2008	<u>4,940,563,500</u>	<u>39,525</u>

During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares HK\$0.008 each	Price per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$'000</i>
April 2008	3,800,000	0.27	1,026

The above shares were cancelled upon repurchase.

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

24. DISPOSAL OF SUBSIDIARIES

- (a) On 5 September 2007, the Group disposed of its subsidiaries, Global Equity Assets Limited and CSI Investment Limited, respectively, both of which were engaged in the sale and leasing of properties.

The net assets of disposed subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Investment properties	790,000
Other receivables, deposits and prepayments	12,585
Bank balances and cash	22
Bank overdrafts	(79)
Other payables	(28,430)
Taxation payable	(286)
Deferred tax liabilities	(98,529)
	<u>675,283</u>
Loss on disposal of subsidiaries	(18,768)
Release of deferred taxation upon disposal of subsidiaries	98,529
	<u>755,044</u>
Satisfied by:	
Cash	<u>755,044</u>
Net cash inflow arising on disposal:	
Cash consideration received	755,044
Bank balances and cash and bank overdrafts disposed of	57
	<u>755,101</u>

The subsidiaries disposed of during the period ended 30 September 2007, contributed approximately HK\$15,414,000 to the Group's turnover and contributed approximately HK\$64,906,000 to the Group's profit before taxation for the period from 1 April 2007 to the date of disposal.

The subsidiaries disposed of during the period ended 30 September 2007, generated approximately HK\$29,643,000 in the Group's net operating cash flows, utilised approximately HK\$26,903,000 and HK\$4,900,000 in respect of investing activities and financing activities, respectively.

24. DISPOSAL OF SUBSIDIARIES *(Continued)*

- (b) On 10 July 2007, the Group disposed of a 49% interest in its subsidiary, Joyful Sonic Limited and its subsidiaries, which are engaged in leasing of properties and a loan due to the Company of HK\$65,322,000, at a consideration of HK\$67,038,000. The gain on the partial disposal of the subsidiary of HK\$1,716,000 was recognised in the condensed consolidated income statement.

25. ACQUISITION OF SUBSIDIARIES

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

The net assets acquired in the above transaction are as follows:

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

26. PLEDGE OF ASSETS

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

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Property, plant and equipment	2,084	2,128
Prepaid lease payment	91,854	93,047
Properties held for sale	4,128,620	3,028,300
Bank deposits	91,465	136,701
	<u>4,314,023</u>	<u>3,260,176</u>

The Group also executed the assignment of rental income over the properties held for sale to banks and other lender to secure banking and other facilities granted to the Group.

27. CAPITAL COMMITMENTS

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	1,095
— the establishment of a subsidiary in the People's Republic of China	—	9,797
	<u>—</u>	<u>10,892</u>

28. CONTINGENT LIABILITIES

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Corporate guarantee given by the Group for banking facilities granted to:		
— associates	84,800	107,976
— jointly-controlled entities	105,000	244,133
	<u>189,800</u>	<u>352,109</u>

At 30 September 2008, amounts of HK\$48,200,000 (31 March 2008: HK\$71,800,000) had been utilised by the associates and HK\$105,000,000 (31 March 2008: HK\$204,633,000) had been utilised by the jointly-controlled entities.

At 31 March 2008 and 30 September 2008, amounts of HK\$92,000 and HK\$3,495,000, included in accruals and other payables respectively, represented deferred income in respect of the financial guarantee contracts given to jointly-controlled entities and associates.

29. RELATED PARTY TRANSACTIONS

During the periods, the Group entered into the following transactions with related parties:

(a)	Name of Company	Nature of transactions	Notes	Six months ended	
				30 September 2008 HK\$'000	2007 HK\$'000
	Vast Faith Limited	Arrangement fee received by the Group	(i)	3,000	—
	Gain Resources Limited	Arrangement fee received by the Group	(ii)	<u>—</u>	<u>15,870</u>

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

Notes:

- (i) Vast Faith Limited is a jointly-controlled entity of the Group.
- (ii) Gain Resources Limited is an associate of a jointly-controlled entity of the Group.

29. RELATED PARTY TRANSACTIONS (Continued)

(b) The connected transactions undertaken by the Company during the period ended 30 September 2007 are set out below:

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

(ii) Pursuant to the announcement dated 21 August 2007, Mark Well Investments Limited, a wholly-owned subsidiary of the Company, subscribed equity linked structured notes (the “Notes”) issued by Lehman Brothers Treasury Co BV, a subsidiary of Lehman Brothers Holdings Inc., for an aggregate amount of US\$1,500,000 (approximately HK\$11,700,000). The Notes were 2 years equity link notes quoted in US dollars with interest bearing and redeemable on the second anniversary from the date of issue. The Notes were linked to three blue-chips Hong Kong listed companies. The Notes were redeemed on 14 November 2007.

At the time of transaction, an associate of Lehman was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries.

(c) The remuneration of directors and other members of key management during the periods was as follows:

	Six months ended	
	30 September	
	2008	2007
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Short-term benefits	5,787	5,058
Share based payment	474	—
Post-employment benefits	289	222
	<u>6,550</u>	<u>5,280</u>

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

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The local financial and property markets have recently stabilized and started to recover from its troughs. Whilst we still remain cautious on the market in the near term, we are confident on the long-term economic prospects of Hong Kong and the PRC and, in particular, the dynamic regional economy of the PRC's first-tier cities such as Beijing and Shanghai, which have established a solid foundation for substantial growth in their emerging investment property sector.

With the recent redemption of a substantial amount of the outstanding issued Convertible Notes of the Company at a discount and upon completion of the purchase of the loan as stated in the Announcement, the gearing of the Group would be significantly reduced. The proceeds of the Rights Issue would further strengthen the financial position of the Group and could facilitate the implementation the PRC's strategy of identifying and repositioning prime properties for value enhancement and creation of long term value for the Shareholders.

The Group is principally engaged in securities and properties investments with an emphasis on premium properties both in Hong Kong and Shanghai.

The turmoil of the international financial markets and slackening global economic growth last year resulted in significant corrections to the local stock and property markets. The deteriorating market environment, in particular in the last quarter of 2008, has created an adverse impact on the Group's business and operations resulting in a significant decline in the financial results of the Group in the second half of the financial year.

During this period of market volatility, the Group has swiftly taken measures to preserve cash and reduce capital expenditure including the disposal of certain non-income generating assets such as House B at Nos. 12-16 Tai Tam Road for HK\$110 million which was completed in early May 2009 and a development site at Nos. 77-85 Jervois Street, and Nos. 16-22 Burd Street, Sheung Wan for HK\$350 million which is expected to complete in July 2009.

The existing Hong Kong rental properties in prime areas of Central, Wan Chai and Tsimshatsui continued to contribute stable operational cash flows and have a relatively low overall vacancy rate. HAN RESIDENCE, the Group's serviced apartments at the heart of Tsimshatsui which commenced operations in February 2009 was well received by the market due to its excellent location, and customer feedback has been extremely positive.

In Shanghai, renovation work of the Group's 57,000 square metre commercial and retail complex, the International Capital Plaza in Hongkou District of Shanghai, is entering its final stage with target completion in the last quarter of 2009 and pre-leasing activities have commenced.

3. INDEBTEDNESS**Borrowings**

As at the close of business on 31 May 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had outstanding borrowings of approximately HK\$3,087.0 million. The total borrowings consisted of (i) unsecured borrowings of approximately HK\$59.6 million which included borrowing from an associate of approximately HK\$2.0 million, borrowings from jointly controlled entities of approximately HK\$47.6 million and borrowings from the minority shareholders of certain subsidiaries of approximately HK\$10.0 million, (ii) secured borrowings of HK\$3,027.4 million which included bank loans of approximately HK\$2,590.1 million and other borrowings from Lehman Brothers Commercial Corporation Asia Limited (in liquidation) of approximately HK\$437.3 million.

The secured bank borrowings which were secured by certain of the Group's assets, including property, plant and equipment, prepaid lease payment, properties held for sale and short term bank deposits with an aggregate carrying amount of approximately HK\$4,298.5 million at 31 May 2009.

All borrowings are unguaranteed on Group basis.

Debt Securities

As at the close of business on 31 May 2009, the Group had a carrying amount of debt component of convertible notes of approximately HK\$128.1 million with an aggregate outstanding principal amount of approximately HK\$129.2 million.

Contingent liabilities

As at the close of business on 31 May 2009, the Group had contingent liabilities in respect of guarantees given to banks for banking facilities granted to an associate and a jointly controlled entity of approximately HK\$189.8 million.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 May 2009, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 May 2009.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing available banking facilities and the estimated net proceeds from Rights Issue, the Group has sufficient working capital for its present requirements and for at least the twelve months from the date of this Prospectus in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

As set out in the interim report of the Group for the six months ended 30 September 2008, the Group recorded a net profit attributable to the Shareholders of approximately HK\$103 million for the six months ended 30 September 2008, representing a decrease of 52.7% when compared to that for the six months ended 30 September 2007.

Save as disclosed in the interim report abovementioned and referred to in the profit warning of the Company's announcement dated 9 February 2009, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

(A) STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS STATEMENT OF THE GROUP

The statement of unaudited pro forma consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to the equity holders of the Company has been prepared by the Directors in accordance with Paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue at the Subscription Price of HK\$0.078 per Rights Share payable in full upon acceptance on the basis of 9 Rights Shares for every 20 Shares held on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2008.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at 30 September 2008 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited pro forma statement of assets and liabilities of the Group after the completion of the proposed transaction involving the acquisition of loan from Lehman Brothers Commercial Corporation Asia Limited (in liquidation) (the “Proposed Transaction”), extracted from Appendix III to the circular of the Company dated 16 June 2009, with pro forma adjustment described below:

	Unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company after taking into account of the Proposed Transaction HK\$'000 Note 1	Estimated net proceeds from the Rights Issue HK\$'000 Note 2	Unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company after the completion of Rights Issue HK\$'000 Note 1
Based on 2,223,253,574 Rights Shares to be issued	<u>2,687,446</u>	<u>170,900</u>	<u>2,858,346</u>
			<i>HK\$</i>
Unaudited pro forma consolidated net tangible assets per Share attributable to the equity holders of the Company after taking into account of the Proposed Transaction (Note 3)			<u>0.544</u>
Unaudited pro forma consolidated net tangible assets per Share attributable to the equity holders of the Company as adjusted for the Rights Issue with 2,223,253,574 Rights Shares issued (Note 4)			<u>0.399</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes

1. The unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company after the completion of the Proposed Transaction is prepared based on the unaudited pro forma statement of assets and liabilities of the Group after completion of the Proposed Transaction which is set out in the Appendix III to the published circular of the Company dated 16 June 2009 adjusted for the balance of minority interest of approximately HK\$57,229,000 as at 30 September 2008.

The unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company after the completion of Rights Issue has not taken into account the effects of the redemption of the convertible notes issued by the Company on 26 May 2009.

2. The estimated net proceeds from the Rights Issue of approximately HK\$170,900,000 are based on the number of 2,223,253,574 Rights Shares to be issued at the subscription price of HK\$0.078 per Rights Share and after deduction of estimated related expenses, including among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,500,000.
3. The number of Shares used for calculation of unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company after taking into account of the Proposed Transaction and prior to completion of the Rights Issue is based on 4,940,563,500 Shares in issue at the Latest Practicable Date.
4. The number of Shares used for calculation of unaudited pro forma consolidated net tangible assets per Share attributable to the equity holders of the Company immediately after completion of the Rights Issue is calculated based on 7,163,817,074 Shares in issue comprising 2,223,253,574 Rights Shares and 4,940,563,500 Shares in issue at the Latest Practicable Date.

**(B) REPORT ON UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS
STATEMENT OF THE GROUP**

The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus:

Deloitte.
德勤

TO THE DIRECTORS OF CAPITAL STRATEGIC INVESTMENT LIMITED

We report on the unaudited pro forma financial information of Capital Strategic Investment Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of 2,223,253,574 rights shares to the qualifying shareholders, at a subscription price of HK\$0.078 per rights share and on the basis of 9 rights shares for every 20 existing shares held by the qualifying shareholders on the record date (as defined in the Prospectus) might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 18 June 2009 (the “Prospectus”). The basis of preparation of the unaudited pro forma financial information is set out on pages 136 and 137 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group so far as such policies relate to net tangible assets; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 June 2009

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of shareholders of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are, among other things, to act and perform all the functions of a holding company in all its branches and that the Company has the capacity, rights, powers and privileges set out in the First Schedule to the Companies Act (other than paragraphs 1 and 8). As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act and with the sanction of a Special Resolution, any preference shares may be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the

Memorandum of Association, at the option of the holder. The board may issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

All unissued shares in the Company shall be at the disposal of the board, which may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount. The directors shall, as regards any offer or allotment of shares, comply with the provisions of the Companies Act, if and so far as such provisions may be applicable thereto.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Shareholders affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of shareholders for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-law. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the shareholders for any remuneration, profits or other benefits received by him as a director or officer of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services as Directors such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that in such event any Director holding office for less than the whole of the period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expense of travelling to and from board meetings, committee meetings or general meetings otherwise incurred whilst engaged in the business of the Company of in the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. The remuneration of a managing director, joint managing director, deputy managing director or other executive officer or a director appointed to any other office in the management of the Company may from time to time be fixed by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

The board may establish and maintain or procure the establishment and maintenance of any contributory or non contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who were or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company or who are or were at any time directors or officers of the Company or of any such company as aforesaid and who hold or have held any salaried employment or office in the Company or such other company and the spouses, widows, widowers, families and dependents of any such persons. The board may do any of the aforesaid either alone or in conjunction with any such other company as aforesaid.

(viii) Retirement, appointment and removal

Notwithstanding any other provisions in the Bye-laws and subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that each Director (including those appointed for a specific term) shall subject to retirement by rotation at least once every three years at the annual general meeting.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

The Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the maximum number of Directors so appointed shall not exceed the number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

The Company may by Special resolution at a special general meeting called for the purpose remove any Director (including a Managing Director or other Executive Director) before the expiration of his period of office notwithstanding anything in the Bye-laws or any contract between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that notice of such meeting shall contain a statement of the intention so to do and be served on the Director concerned not less than 14 days before the meeting and such Director shall be entitled to be heard at such meeting.

Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three.

The board may from time to time appoint any one or more of its body to the office of managing director, joint managing director, deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it may think fit. The board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or to borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking property and uncalled capital or any part thereof.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws state that a special resolution shall be required to alter the objects and powers contained in the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (ii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (iv) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled;

- (v) make provision for the issue and allotment of shares which do not carry any voting rights;
- (vi) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe; and
- (vii) change the currency denomination of its share capital.

The Company may by special resolution reduce its authorised or issued share capital, any capital redemption reserve fund or save for the use of share premium as expressly permitted by the Companies Act any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

(d) Variation of rights of existing shares or classes of shares

For the purposes of Section 47 of the Companies Act, if at any time the capital is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum shall be not less than two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such shareholders as, being entitled so to do, vote in person or, in the case of such shareholders as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which of not less than twenty-one (21) days notice specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if it is so agreed by a majority in number of the shareholders having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right a resolution may be proposed and passed as a special resolution at a meeting of which not less than twenty-one (21) days notice has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote and on a poll every member who is present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder which is fully paid up or credited as fully paid up.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

If a clearing house is a member of the Company or its nominee(s) and, in each case, being a corporation, it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of shareholders of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, and not more than 15 months shall elapse between the date of one annual general meeting and the next unless a longer period would not infringe the Listing Rules.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to show and explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting in each year, the shareholders shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the shareholders appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the shareholders may determine.

The auditor shall make a written report on the financial statements of the Company and the report of the auditor shall be submitted to the shareholders in general meeting.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one days and any special general meeting at which it is proposed to pass a special resolution shall be called by notice of at least twenty-one days. All other special general meetings shall be called by notice of at least fourteen days. The notice must specify the place, day and hour of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange in Hong Kong or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of shareholders in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the stock exchange in Hong Kong may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), the shares concerned are free of any lien in favour of the Company and the permission of the Bermuda Monetary Authority with respect thereof has been obtained (if applicable)

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Stock Exchange in Hong Kong, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of shareholders shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its shareholders out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid otherwise than out of profits available for distribution (such profits being ascertained in accordance with the Companies Act).

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (As regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

The board may from time to time make such calls as it may think fit upon the shareholders in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board shall fix from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding twenty per cent. (20%) per annum as the board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the board may serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not less than 14 days from the date of the notice) on or before which the payment required by the notice is to be made and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two shareholders present in person or (in the case of a member being a corporation by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(q) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(r) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of

property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(s) Untraceable shareholders

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(t) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such shareholders of the Company as, being entitled to do so, vote in person or, in the case of such shareholders as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) days' notice may be waived by a majority in number of the shareholders having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to shareholders of the company as fully paid bonus shares;

- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to shareholders on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the shareholders but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any shareholders of the company by other shareholders of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the shareholders of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the shareholders. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the shareholders. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All shareholders of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its shareholders summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's shareholders must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the shareholders of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the shareholders not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company 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 companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or shareholders holding in aggregate not less than nine-tenths of the total voting rights of all shareholders having the right to vote at any meeting of the shareholders of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Shareholders of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The shareholders of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of shareholders of a company is open for inspection by shareholders of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of shareholders established by the company is subject to the same rights of inspection as the principal register of shareholders of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of shareholders or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by shareholders of the public without charge. If summarized financial statements are sent by a company to its shareholders pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the shareholders so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a shareholders' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a shareholders' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the shareholders at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to shareholders. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the shareholders at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

1. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT**Chairman and Non-Executive Director**

Mr. Chung Cho Yee, Mico, aged 48, Chairman and Non-Executive Director of the Company, joined the Group in 2004, and graduated from University College, University of London in the United Kingdom, with a law degree in 1983. He qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently holding directorships in PCCW Limited and HKC (Holdings) Limited, both being companies listed on the Stock Exchange. He was an independent non-executive director of CIAM Group Limited (formerly known as E2-Capital (Holdings) Limited). The business address of Mr. Chung is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Executive Directors

Mr. Hubert Chak, aged 48, joined the Company as Group Chief Operating Officer in 2007. He was an executive director of Pacific Century Premium Developments Limited and was also the company secretary and director of mergers and acquisitions of PCCW Limited until February, 2007. He is an independent non-executive director of Tradelink Electronic Commerce Limited. Prior to joining the Pacific Century group in 1999, he worked for a number of international investment banks in Hong Kong and has more than 10 years' experience in corporate finance transactions in the region. He is a graduate of Cardiff University in the United Kingdom and holds a Master of Business Administration degree and a Bachelor of Science degree in Mechanical Engineering. The business address of Mr. Chak is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Mr. Kan Sze Man, aged 37, joined the Company as Group General Counsel in 2001. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as solicitor in Hong Kong in 1997. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan was also an executive director of

that company from 2001 to 2003. Mr. Kan is the brother-in-law of Mr. Chung Cho Yee, Mico, the non-executive Chairman of the Company and the controlling Shareholder of the Company. The business address of Mr. Kan is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Mr. Chow Hou Man, aged 38, joined the Company as Group Chief Financial Officer in 2001. Mr. Chow graduated from the Baptist University in Hong Kong and holds a Master of Business Administration degree from the Hong Kong Polytechnic University. He has over 10 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. The business address of Mr. Chow is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Independent Non-Executive Directors

Dr. Lam Lee G., aged 49, joined the Group in 2001. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Laws (Hons) from Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 26 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

Dr. Lam is an independent non-executive director of Hutchison Harbour Ring Limited, Mingyuan Medicare Development Company Limited, Far East Holdings International Limited, Vongroup Limited and Mei Ah Entertainment Group Limited (all of which are listed on the Main Board of the Stock Exchange), China.com Inc. and Finet Group Limited (both are listed on the

Growth Enterprise Market of the Stock Exchange), and a non-executive director of Glorious Sun Enterprises Limited and SW Kingsway Capital Holdings Limited (both are listed on the Main Board of the Stock Exchange). He was an independent non-executive director of Hutchison Global Communications Holdings Limited (whose shares were formerly listed on the Main Board of the Stock Exchange), Pearl Oriental Innovation Limited (whose shares are listed on the Main Board of the Stock Exchange), China Cyber Port (International) Company Limited and Timeless Software Limited (both are listed on the Growth Enterprise Market of the Stock Exchange). He was also an executive director, vice chairman and chief executive officer of Chia Tai Enterprises International Limited (whose shares are listed on the Main Board of the Stock Exchange). The business address of Dr. Lam is Suites 1801-1803, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

Dato' Wong Sin Just, aged 43, joined the Group in 2001. Dato' Wong possesses over 20 years of accounting, investment banking and venture capital experience. He held senior positions with a number of international investment banks prior to joining the Company. Dato' Wong is currently the executive chairman of SBI E2-Capital Asia Securities Pte Ltd and the Non-executive chairman of Suncorp Technologies Limited (whose shares are listed on the Stock Exchange) as well as an independent non-executive director of China.com Inc. and China Zenith Chemical Group Limited (whose shares are listed on the Stock Exchange) and a non-independent non-executive director of Intelligent Edge Technologies Berhad (whose shares are listed on the Malaysia MESDAQ). He is also a non-executive director of China Renji Medical Group Limited (whose shares are listed on the Stock Exchange). He was the executive co-chairman of CIAM Group Limited (formerly E2-Capital (Holdings) Limited, (whose shares are listed on the Stock Exchange) up to May 2008. He is involved in various social and charitable organizations in Hong Kong and China and is the chairman of the General Donations and Special Events Committee of The Community Chest of Hong Kong. He holds a Bachelor Degree in Engineering from the University of London, England. The business address of Dato' Wong is Unit A2, 32/F., United Centre, 95 Queensway, Hong Kong.

Mr. Cheng Yuk Wo, aged 48, joined the Group in 2002. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng worked at Coopers and Lybrand in London and with Swiss Bank Corporation in Toronto. He is an independent non-executive director of Chia Tai Enterprises International Limited, Chong Hing Bank Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited, South China Land Limited and 21 Holdings Limited. He is the proprietor of a certified public accountant practice in Hong Kong. He was a non-executive director of Henry Group Holdings Limited and an independent non-executive director of Jessica Publications Limited (now known as Honbridge Holdings Limited). Mr. Cheng holds an M.Sc. (Econ) degree and a B.A. (Hon) degree. The business address of Mr. Cheng is 22/F., China Hong Kong Tower, 8-12 Hennessy Road, Wanchai, Hong Kong.

Senior Management

Mr. Lee Kwan Yee, aged 42, joined the Group in 2007 and is responsible for the property related investments of the Group. Mr. Lee has almost 20 years of experience in real estate investments having advised local and international investors on various types of projects. Mr. Lee was a director of Colliers International in Hong Kong and worked for a number of international surveying firms before joining the Group. Mr Lee is a member of the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors. The business address of Mr. Lee is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Mr. Wong Chung Kwong, aged 58, joined the Group in 2004 and is responsible for the property related investments of the Group. Mr. Wong has been working in the local and mainland real estate markets for 30 years and has solid experience in properties related projects such as leasing, sales and marketing, tenders and property management. Before joining the Group, Mr. Wong had worked in property development and management companies in Mainland China and Hong Kong. The business address of Mr. Wong is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Mr. Ho Lok Fai, aged 48, joined the Group in 2005 and is responsible for the sales and leasing of properties of the Group. Mr. Ho possesses more than 15 years' experience in the office and commercial property market in Hong Kong and is specialized in analyzing market data and trends. Mr. Ho had worked in several property agency companies before joining the Group. The business address of Mr. Ho is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Mr. Fok Paul Anthony, aged 30, joined the Company in 2008 and is responsible for the design and project management of the Group's property projects. Prior to joining the Group, Mr Fok worked for almost 5 years at Aedas, an international architecture firm and has participated in various projects involving with design, tendering, foundation and superstructure. Mr Fok is a graduate of Hong Kong University and holds a Master of Architecture degree. He is a member of the Hong Kong Institute of Architects. The business address of Mr. Fok is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Shanghai

Ms. Dong Yan, aged 42, General Manager of the Group's PRC Property Division, joined the Group in 2006. Ms. Dong was the deputy general manager of the Shanghai Real Estate Co. Ltd. Group, a large real estate developer in Shanghai for over 10 years and sat on the board of several of its real estate development and project companies. In this capacity, Ms. Dong oversaw development phase master planning and design work, as well as market positioning and sales activities. Before she joined the Group, she was a vice president of H&Q Asia Pacific. Ms. Dong received a post-graduate diploma on urban planning and inner city renewal course from Institute of Housing and Urban Development Studies, Rotterdam, Netherlands in 1993 and a management master degree from Norwegian School of Management (BI), and an EMBA from Antai School of Management, Jiao Tong University. The business address of Ms. Dong is 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

2. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business in Hong Kong	3203 Bank of America Tower 12 Harcourt Road Central Hong Kong
Authorised Representatives	Mr. Kan Sze Man Mr. Chow Hou Man
Company Secretary	Mr. Kan Sze Man (Solicitor of Hong Kong)
Audit Committee	Dr. Lam Lee G. Dato' Wong Sin Just Mr. Cheng Yuk Wo
Remuneration Committee	Mr. Chung Cho Yee, Mico Dr. Lam Lee G. Mr. Cheng Yuk Wo

Auditors	Deloitte Touche Tohmatsu (Certified Public Accountants) 35/F., One Pacific Place 88 Queensway Hong Kong
Underwriter	Get Nice Securities Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Central, Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 34/F., ICBC Tower 3 Garden Road, Central Hong Kong The Bank of East Asia Limited 18/F., 10 Des Voeux Road Central Hong Kong

DBS Bank (Hong Kong) Limited
Units 1208-18, Miramar Tower
132-134 Nathan Road
Tsimshatsui, Kowloon

Hang Seng Bank Limited
11/F., 83 Des Voeux Road Central
Hong Kong

Legal advisors (as to Hong Kong law) Richards Butler in association with
Reed Smith LLP
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

Legal Advisors (as to Bermuda Law) Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES OF THE COMPANY

(a) Share Capital

As at the Latest Practicable Date and immediately following the Rights Issue, the authorised and issued Share capital of the Company was and will be as follows:

	Number of Shares	Nominal Value of Share (HK\$)	Total Nominal Value (HK\$)
<i>Authorised:</i>			
Shares	22,500,000,000	0.008	180,000,000.00
<i>Issued and fully paid:</i>			
Shares in issue as at the Latest Practicable Date	4,940,563,500	0.008	39,524,508.00
Rights Shares to be issued under the Rights Issue	2,223,253,574	0.008	17,786,028.60
Shares in issue upon completion of the Rights Issue	7,163,817,074	0.008	57,310,536.60

(b) Share Options

As at the Latest Practicable Date, the Company had the following outstanding Options, held by Directors, employees and consultants of the Company:

<i>Directors</i>	Option Scheme	Date of Grant	Exercise Price	Exerciseable period	Number of Options outstanding as at the Latest Practicable Date
Kan Sze Man	2001	30.8.2001	0.134	30.8.2001 to 12.6.2011	19,375,000
	2002	23.9.2002	0.112	23.9.2002 to 25.8.2012	15,625,000
Chow Hou Man	2001	30.8.2001	0.134	30.8.2001 to 12.6.2011	4,187,500
	2002	23.9.2002	0.112	23.9.2002 to 25.8.2012	15,625,000
Hubert Chak	2002 <i>(Note 1)</i>	3.10.2007	0.405	3.10.2007 to 25.8.2012	35,000,000
Total for directors					89,812,500
Employees and consultants					
	2001	30.8.2001	0.134	30.8.2001 to 12.6.2011	31,156,250
	2002	23.9.2002	0.112	23.9.2002 to 25.8.2012	71,250,000
	2002	8.1.2004	0.112	8.1.2004 to 25.8.2012	37,500,000
	2002	9.1.2004	0.120	9.1.2004 to 25.8.2012	18,750,000
	2002 <i>(Note 1)</i>	3.10.2007	0.405	3.10.2007 to 25.8.2012	40,000,000
Total for employees and consultants					198,656,250
GRAND TOTAL					288,468,750

Note 1

There is a limit on the number of share options under the 2002 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.

The consideration paid by the grantee on each grant of the share option was HK\$1.

(c) Convertible Notes

As at the Latest Practicable Date, the Company had the following outstanding Convertible Notes:

Convertible Notes 2011

Names	Outstanding Principal Amount of Convertible Note held	Conversion price	No. of Shares to be issued upon exercise of conversion rights
Earnest Equity Limited	HK\$55,000,000	HK\$0.372	147,849,462
Highbridge International LLC	HK\$7,500,000	HK\$0.372	20,161,290
Highbridge Asia Opportunities Master Fund LLP	HK\$8,000,000	HK\$0.372	21,505,376
<i>TOTAL</i>	HK\$70,500,000		189,516,128

Each of the holders of the Convertible Notes 2011 has the right to convert, on any business day commencing from the 7th day after the date of issue of the Convertible Notes 2011, up to and including the day which is 7 days prior to the maturity date, being the fifth anniversary from the date of issue of the Convertible Notes 2011, the whole or any part (in an amount or integral multiples of HK\$500,000) of the principal amount of the Convertible Notes 2011 into Shares at the then prevailing conversion price.

Convertible Notes 2012

Names	Outstanding Principal Amount of Convertible Note held	Conversion price	No. of Shares to be issued upon exercise of conversion rights
Earnest Equity Limited	HK\$8,000,000	HK\$0.51	15,686,275
Credit Suisse (Hong Kong) Limited	HK\$35,100,000	HK\$0.51	68,823,529
Cheung Shu Wan	HK\$15,600,000	HK\$0.51	30,588,235
<i>TOTAL</i>	HK\$58,700,000		115,098,039

Each of the holders of the Convertible Notes 2012 has the right to convert, on any business day commencing from the 7th day after the date of issue of the Convertible Notes 2012, up to and including the day which is 7 days prior to the maturity date, being the fifth anniversary from the date of issue of the Convertible Notes 2012, the whole or any part (in an amount or integral multiples of HK\$500,000) of the principal amount of the Convertible Notes 2012 into Shares at the then prevailing conversion price.

4. DIRECTORS' INTEREST

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were entered into the register required to be kept under section 352 of the SFO were as follows:—

(i) Long positions in Shares:

Name of Director	Nature of interests	Company/name of associated corporation	Number of Shares held (Note 1)	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	3,045,000 (L)	0.06
	Interest of controlled corporation	The Company	2,376,327,062(L)	48.10

Notes:

- (1) The letter "L" denotes a long position in the relevant securities.
- (2) Mr. Chung is the beneficial owner of 3,045,000 shares in the Company (being the aggregate of 2,100,000 Shares and 945,000 Rights Shares which Mr. Chung has conditionally undertaken to subscribe for under the Rights Issue). Mr. Chung is also interested in the 2,376,327,062 Shares held by Earnest Equity Limited ("Earnest Equity") (being the aggregate of 1,638,846,250 Shares beneficially held by Earnest Equity and 737,480,812 Rights Shares which Earnest Equity has conditionally undertaken to subscribe for under the Rights Issue). Earnest Equity, the entire issued share capital of which is held by Digisino Assets Limited ("Digisino"), as trustee of a discretionary trust founded by Mr. Chung, who together with his spouse, Kan Souk Yin, Nina, and children, Chung Yuen Tung, Jasmine and Chung Man Hei, are the current discretionary beneficiaries. Further, the entire issued share capital of Digisino is held by Mr. Chung and therefore 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.

Mr. Chung, a director and the non-executive chairman of the Company is also a director of Earnest Equity.

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

Name of Director	Type of Equity Derivative	Capacity	Number of Shares held (Note 1)	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico	Convertible Notes	Interest in controlled corporation	163,535,735(L) (Note 2)	3.31
Kan Sze Man	Share Options under the 2001 share option scheme	Beneficial owner	19,375,000 (L)	0.39
	Share Options under the 2002 share option scheme	Beneficial owner	15,625,000 (L)	0.31
Chow Hou Man	Share Options under the 2001 share option scheme	Beneficial owner	4,187,500 (L)	0.08
	Share Options under the 2002 share option scheme	Beneficial owner	15,625,000 (L)	0.32
Hubert Chak	Share Options under the 2002 share option scheme	Beneficial owner	35,000,000 (L)	0.71

Note:

- (1) The letter “L” denotes a person’s long position in such securities.
- (2) The 163,535,735 Shares relate to the derivative interests held by Earnest Equity in the Convertible Notes 2011 and Convertible Notes 2012. The entire issued share capital of Earnest Equity is held by Digisino, as trustee of a discretionary trust founded by Mr. Chung, who together with his spouse, Kan Souk Yin, Nina, and children, Chung Yuen Tung, Jasmine and Chung Man Hei, are the current discretionary beneficiaries. Further, the entire issued share capital of Digisino is held by Mr. Chung and therefore 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 the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(i) The Company:

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Derivative interests	Approximate shareholding percentage (%)
Digisino Assets Limited (Note 2)	Interest of controlled corporation	2,376,327,062 (L)	163,535,735 (L)	48.10 (Note 10) 3.31 (Note 10)
Earnest Equity Limited (Note 2)	Beneficial owner	2,376,327,062 (L)	163,535,735 (L)	48.10 (Note 10) 3.31 (Note 10)
Stark Investments (Hong Kong) Limited	Investment manager (Note 3)	715,227,000 (L)	21,720,000 (L)	14.48 (Note 10) 0.44 (Note 10)
Stark Master Fund, Ltd.	Investment manager (Note 4)	690,113,000 (L)	21,720,000 (L)	13.97 (Note 10) 0.44 (Note 10)
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 5)	450,820,000 (L)	—	9.12 (Note 10)

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Derivative interests	Approximate shareholding percentage (%)
Cheah Capital Management Limited	Interest of controlled corporation (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Cheah Cheng Hye	Person who set up a discretionary trust (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Cheah Company Limited	Interest of controlled corporation (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Hang Seng Bank Trustee International Limited	Trustee (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
To Hau Yin	Interest of child under 18 or spouse (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Value Partners Group Limited	Interest of controlled corporation (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Value Partners Limited	Investment manager (Note 6)	345,430,000 (L)	—	6.99 (Note 10)
Third Avenue Management LLC	Investment manager (Note 7)	579,028,500 (L)	—	8.08 (Note 11)

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Derivative interests	Approximate shareholding percentage (%)
Third Avenue Real Estate Opportunities Management LLC	Interest of controlled corporation (Note 8)	579,028,500 (L)	—	8.08 (Note 11)
Get Nice Holdings Limited	Interest of controlled corporation (Note 9)	1,047,326,366 (L) (Note 9)	—	13.94 (Note 12)
Get Nice Incorporated	Interest of controlled corporation (Note 9)	1,047,326,366 (L) (Note 9)	—	13.94 (Note 12)
Get Nice Securities Limited	Beneficial owner (Note 9)	1,047,326,366 (L) (Note 9)	—	13.94 (Note 12)

Notes:

- (1) The letter “L” denotes a long position in the relevant securities.
- (2) Earnest Equity Limited (“Earnest Equity”) holds 2,376,327,062 (being the aggregate of 1,638,846,250 Shares beneficially held by Earnest Equity and 737,480,812 Rights Shares which Earnest Equity has conditionally undertaken to subscribe for under the Rights Issue). The 163,535,735 Shares relate to the derivative interests held by Earnest Equity in the Convertible Notes 2011 and Convertible Notes 2012. Digisino Assets Limited (“Digisino”) holds the entire issued share capital of Earnest Equity and therefore Digisino is deemed to be interested in the Shares and derivative interests held by Earnest Equity.
- (3) Stark Investments (Hong Kong) Limited, being an investment manager, is deemed to be interested in 715,227,100 Shares in the Company (being the aggregate of 493,260,000 Shares and 221,967,000 Rights Shares for which a conditional undertaking to subscribe for such Rights Shares under the Rights Issue has been given). Stark Investments (Hong Kong) Limited is also interested in 21,720,000 Shares relating to certain derivative interests.
- (4) Stark Master Fund, Ltd., being an investment manager, is deemed to be interested in 690,113,000 Shares in the Company (being the aggregate of 475,940,000 Shares and 214,173,000 Rights Shares for which a conditional undertaking to subscribe for such Rights Shares under the Rights Issue has been given). Stark Master Fund, Ltd is also interested in 21,720,000 Shares relating to certain derivative interests.

- (5) The Company has received confirmation from the liquidator of Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) (“LBCCAL”) that, as at the Latest Practicable Date, LBCCAL held 450,820,000 Shares in the Company. LBCCAL is a company owned as to 50% by LBCCA Holdings I LCC. and owned as to 50% by LBCCA Holdings II LCC., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.
- (6) The 345,430,000 Shares in the Company held by Cheah Capital Management Limited, Cheah Cheng Hye, Cheah Company Limited, Hang Seng Bank Trustee International Limited, To Hau Yin, Value Partners Group Limited and Value Partners Limited are the same parcel of Shares. A conditional undertaking to subscribe for 144,954,000 Rights Shares under the Rights Issue has been given in respect of 322,120,000 of such Shares.
- (7) Third Avenue Management LLC, being an investment manager, is deemed to be interested in 579,028,500 Shares in the Company (being the aggregate of 399,330,000 Shares and 179,698,500 Rights Shares for which a conditional undertaking to subscribe for such Rights Shares under the Rights Issue has been given).
- (8) Third Avenue Real Estate Opportunities Management LLC, is deemed to be interested in 579,028,500 Shares in the Company (being the aggregate of 399,330,000 Shares held by its wholly owned subsidiary, Third Avenue Real Estate Opportunities Fund. LP and 179,698,500 Rights Shares which such subsidiary has conditionally agreed to subscribe for under the Rights Issue).
- (9) These are the maximum number of Rights Shares which the Underwriter has agreed to underwrite in respect of the Rights Issue. The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.
- (10) The percentage of shareholding in the Company is calculated on the basis of 4,940,563,500 Shares in issue as at the Latest Practicable Date.
- (11) The percentage of shareholding in the Company is calculated on the basis of 7,163,817,574 Shares, being the number of issued Shares as at the Latest Practicable Date, as enlarged by the 2,223,254,074 Rights Shares to be issued under the Rights Issue.
- (12) The percentage of shareholding in the Company is calculated on the basis of 7,515,419,858 Shares, being the number of issued Shares as at the Latest Practicable Date, as enlarged by the maximum number of 1,047,326,366 Rights Shares underwritten under the Underwriting Agreement.

(ii) *Other members of the Group:*

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Keen Expert Limited	Duncanson Services Limited	20%
Favor Great Limited	Dragonwing International Limited	40%

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

The Company has received notification of a potential claim or litigation on matters arising out of the shareholders agreement relating to SH Fortress Ltd. (an indirectly non-wholly owned subsidiary of the Company), dated 20 April 2007 and as amended on 5 December 2007 entered into between Capital Strategic Land (Shanghai) Limited (an indirectly wholly owned subsidiary of the Company), SH Fortune Ltd. (an indirectly wholly owned subsidiary of Lehman Brothers Holdings, Inc) and SH Fortress Ltd.. The Company is of the view that the allegations in respect of such potential claim or litigation are unfounded.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

8. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried on or intend to be carried on by the Group) within the two years preceding the Latest Practicable Date and are or may be material:—

- (1) the sale and purchase agreement dated 16 July 2007 entered into between Asset Manage Limited, a wholly owned subsidiary of the Company, Areif Investment Holdings Pte Ltd. and the Company relating to the sale and purchase of the entire issued share capital of and loan to Global Equity Assets Limited, a wholly owned subsidiary of the Company;
- (2) the share purchase agreement dated 11 September 2007 entered into between CPI Asia NP Ltd, Ronald Kee Young Chao, Vast Faith Limited, a jointly-controlled entity, and CPI Captal Partners Asia Pacific LP, relating to the sale and purchase of the entire issued and outstanding shares of Bracewood Developments Limited;
- (3) the loan purchase agreement dated 22 May 2009 entered into by Lehman Brothers Commercial Corporation Asia Limited (in Liquidation), Paul Jeremy Brough, Edward Simon Middleton and Patrick Cowley in their capacity as joint and several liquidators of Lehman Brothers Commercial Corporation Asia Limited (in Liquidation), the Company and CSI (China) Development Limited, an indirectly wholly owned subsidiary of the Company, in relation to the sale and purchase of the total outstanding amount of HK\$433,681,518.02 of a revolving term loan facility granted by Lehman Brothers Commercial Corporation Asia Limited (in Liquidation) to Lanrich International Limited, for the consideration of HK\$236,500,000; and
- (4) the Underwriting Agreement dated 25 May 2009 between the Company and Get Nice Securities Limited in relation to the Rights Issue.

9. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save for Mr. Chung's interest in the Convertible Notes as disclosed above, the Directors confirm that there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given opinions or advice which are contained in this Prospectus.

Name	Qualifications
Deloitte Touche Tohmatsu (“Deloitte”)	Certified Public Accountants
Conyers Dill & Pearman (“Conyers”)	Bermuda attorneys-at-law

As at the Latest Practicable Date, Deloitte and Conyers were not interested beneficially in the shares in any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Deloitte and Conyers did not have any direct or indirect interest in any asset which has been acquired or disposed of by or leased to the Group, or are proposed to be acquired or disposed of by or leased to the Group since 31 March 2008, being the date up to which the latest published audited consolidated accounts of the Company was made up.

Deloitte and Conyers have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of and references to its name and the reports or letters in the form and context in which it appears.

11. GENERAL

- (i) The company secretary of the Company is Mr. Kan Sze Man who graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as solicitor in Hong Kong.
- (ii) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

12. BINDING EFFECT

This Prospectus, the PAL and the EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, that shall have the effect of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

The English text of this Prospectus shall prevail over the Chinese text in case of inconsistencies.

13. EXPENSES

The expenses in connection with the Rights Issue, including the commission payable under the Underwriting Agreement, printing, registration, translating, legal and accounting charges are estimated to amount to approximately HK\$2.5million, and will be borne by the Company.

14. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of this Prospectus, the PAL and the EAF, having attached thereto the written consents referred to in the paragraph headed “Qualifications of Experts And Consents” in this Appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

A copy of each of this Prospectus Documents has also been delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the office of the Company at 3203, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for a period of up to 14 days after the date of this Prospectus;—

- (i) this Prospectus;
- (ii) the memorandum of association and bye laws of the Company;
- (iii) the annual reports of the Company for the years ended 31 March 2006, 31 March 2007 and 31 March 2008;

- (iv) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II of this Prospectus;
- (v) the written consents referred to in the paragraph 10 of this Appendix IV;
- (vi) the Companies Act;
- (vii) the letter of advice issued by Conyers summarizing certain aspects of Bermuda Company Law, the text of which is set out in Appendix III of this prospectus; and
- (viii) the material contracts as disclosed in paragraph 8 of this Appendix IV.