

---

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

If you have sold or transferred all your shares in CSI Properties Limited, you should at once hand this document, together with the accompanying Form of Approval and Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, the contents of which form part of the terms and conditions of the Partial Offer and the Option Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, 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 document.

---

**EARNEST EQUITY LIMITED**  
(Incorporated in British Virgin Islands with limited liability)

**CSI PROPERTIES LIMITED**  
**資本策略地產有限公司\***  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 497)

**VOLUNTARY CONDITIONAL PARTIAL CASH OFFER AND OPTION  
OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF EARNEST EQUITY LIMITED TO ACQUIRE  
1,375,000,000 OFFER SHARES IN THE ISSUED SHARE CAPITAL OF  
CSI PROPERTIES LIMITED FROM QUALIFYING SHAREHOLDERS  
AND TO CANCEL SHARE OPTIONS ENTITLING HOLDERS  
THEREOF TO SUBSCRIBE FOR UP TO 75,420,195 SHARES IN  
CSI PROPERTIES LIMITED FROM  
THE QUALIFYING OPTIONHOLDERS**

**Financial advisor to the Offeror**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

**Independent financial advisor to the independent board committee of the Company**



**CENTURION CORPORATE FINANCE LIMITED**

---

A letter from the Board is set out on pages 6 to 14 of this document.

A letter from Anglo Chinese containing, among other things, details of the terms of the Partial Offer and the Option Offer, is set out on pages 15 to 30 of this document.

A letter from the Independent Board Committee to the Qualifying Shareholders and the Qualifying Optionholders containing its recommendations in respect of the Partial Offer and the Option Offer is set out on pages 31 and 32 of this document.

A letter from Centurion containing its advice to the Independent Board Committee in respect of the Partial Offer and the Option Offer is set out on pages 33 to 73 of this document.

The procedures for acceptance and other related information are set out in Appendix I to this document and in the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance. Acceptances should be received by the Share Registrar (with respect to the Partial Offer) and the Company Secretary (with respect to the Option Offer) no later than 4:00 p.m. on Thursday, 9 February 2012, being the First Closing Date (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

Custodians, nominees and trustees who would, or otherwise intend to, forward this document and/or the accompanying Form of Approval and Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraphs headed "Overseas Shareholders and Overseas Optionholders" in the Letter from Anglo Chinese and in Appendix I to this document.

\* For identification purpose only

19 January 2012

---

## CONTENTS

---

	<i>Page</i>
<b>Expected timetable</b> .....	ii
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	6
<b>Letter from Anglo Chinese</b> .....	15
<b>Letter from the Independent Board Committee</b> .....	31
<b>Letter from Centurion</b> .....	33
<b>Appendix I — Further terms of the Partial Offer and the Option Offer</b> .....	I-1
<b>Appendix II — Financial information of the Group</b> .....	II-1
<b>Appendix III — Property valuation reports</b> .....	III-1
<b>Appendix IV — General information</b> .....	IV-1

---

## EXPECTED TIMETABLE

---

*The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.*

Partial Offer and Option Offer open for approval  
and acceptance . . . . . Thursday, 19 January 2012

Latest time and date for approval  
and acceptance of the Partial Offer  
and the Option Offer in respect of  
the First Closing Date (*Note 1*) . . . . . 4:00 p.m. on Thursday, 9 February 2012

First Closing Date (*Note 1*) . . . . . Thursday, 9 February 2012

Announcement on the results of the Partial Offer  
and the Option Offer as at the First Closing Date  
to be posted on the website of the Stock Exchange  
(*Note 2*) . . . . . no later than 7:00 p.m. on Thursday, 9 February 2012

The Partial Offer will remain open for acceptance for 14 days after the Partial Offer has  
become or been declared unconditional (*Note 3*)

Latest date by which the Partial Offer and  
the Option Offer can become unconditional  
in all respects . . . . . Monday, 19 March 2012

Remittances for amounts due under the Partial Offer and the Option Offer in respect of  
valid acceptances received on the Final Closing Date will be posted within 10 days following  
the Final Closing Date (*Note 4*)

*Notes:*

1. In order to be valid, the completed Form of Approval and Acceptance should be forwarded, together with the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for the exact number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, in an envelope marked “CSI Properties Limited — Partial Offer” as soon as possible after receipt of the Form of Approval and Acceptance but in any event on or before 4:00 p.m. on Thursday, 9 February 2012, being the First Closing Date (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

In order to accept the Option Offer, Qualifying Optionholders are required to submit the duly completed Form of Option Offer Acceptance to the Company Secretary on or before 4:00 p.m. on the Final Closing Date.

If on a closing day, valid acceptances received exceed 1,375,000,000 Offer Shares and approval of the Partial Offer from Qualifying Shareholders holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them are received, the Offeror must declare the Partial Offer and the Option Offer unconditional in all respects and comply with Rule 15.3 of the Takeovers Code for the Partial Offer and the Option Offer to remain open for acceptance for 14 days thereafter. If all conditions are fulfilled prior to the First Closing Date, the Offeror may also declare the Partial Offer and

---

## EXPECTED TIMETABLE

---

the Option Offer unconditional in all respects at such time prior to the First Closing Date, provided that the Offeror fully complies with Rule 15.1 and Rule 15.3 of the Takeovers Code. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

2. The announcement on the results of the Partial Offer and the Option Offer will be jointly issued by the Offeror and the Company and posted on the Stock Exchange's website when the Partial Offer and the Option Offer have become or been declared unconditional in all respects (if such date is prior to the First Closing Date) or as the case may be, and such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer and the Option Offer and details of the way in which each Accepting Shareholder's and Accepting Optionholder's pro rata entitlement was determined. In any announcement of an extension of the Partial Offer and the Option Offer, either the next closing date must be stated or, if the Partial Offer and the Option Offer have become or been declared unconditional in all respects, a statement will be made that the Partial Offer and the Option Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code.
3. Pursuant to Rule 15.3 and Rule 28.4 of the Takeovers Code, the Final Closing Date should be 14 days after the date on which the Partial Offer is declared unconditional.
4. Remittances in respect of the Offer Shares tendered for acceptance and taken up by the Offeror under the Partial Offer (after deducting seller's ad valorem stamp duty) and remittances in respect of the Share Options tendered and taken up by the Offeror for cancellation under the Option Offer will be posted to the relevant Accepting Shareholders and Accepting Optionholders by ordinary post at their own risk as soon as possible, but in any event within 10 days following the Final Closing Date.

**All references to times and dates in the Composite Offer Document refer to Hong Kong times and dates.**

---

## DEFINITIONS

---

*In the Composite Offer Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Accepting Shareholder(s)”	Qualifying Shareholder(s) accepting the Partial Offer
“Accepting Optionholder(s)”	Qualifying Optionholder(s) accepting the Option Offer
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is the financial advisor to the Offeror in respect of the Partial Offer and the Option Offer
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Centurion”	Centurion Corporate Finance Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser appointed to advise the Independent Board Committee in respect of the Partial Offer and the Option Offer
“Company”	CSI Properties Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Company Secretary”	the company secretary of the Company
“Composite Offer Document”	this composite offer document in respect of the Partial Offer and the Option Offer jointly issued by the Offeror and the Company in accordance with the Takeovers Code

---

## DEFINITIONS

---

“Conditions”	the conditions as set out under the paragraph headed “Terms of the Partial Offer and the Option Offer — (b) Conditions of the Partial Offer and the Option Offer” in the Letter from Anglo Chinese set out on pages 15 to 30 of this Composite Offer Document to which the Partial Offer and Option Offer are subject
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	the 14th day after the earlier of the date on which the Partial Offer and the Option Offer are declared unconditional in all respects and the First Closing Date, but in any event not less than 21 days from the date of this Composite Offer Document
“First Closing Date”	the first closing date of the Partial Offer and the Option Offer as set out in the section headed “Expected Timetable” in this Composite Offer Document, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Form of Approval and Acceptance”	the form of approval and acceptance in respect of the Partial Offer accompanying this Composite Offer Document
“Form of Option Offer Acceptance”	the form of acceptance in respect of the Option Offer accompanying this Composite Offer Document
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Dato’ Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo, being all the independent non-executive Directors who have no interest in the Partial Offer or the Option Offer, which has been established by the Company to advise the Qualifying Shareholders and the Qualifying Optionholders in respect of the Partial Offer and the Option Offer
“In-the-money Share Option(s)”	Share Option(s) which have an exercise price equal to, or lower than, the Offer Price

---

## DEFINITIONS

---

“Last Trading Day”	8 December 2011, being the last full trading day of the Shares on the Stock Exchange prior to suspension of trading in the Shares with effect from 9:00 a.m. on 9 December 2011, pending the issue of the first joint announcement dated 14 December 2011 on the then possible proposed Partial Offer and Option Offer by the Offeror and the Company
“Latest Practicable Date”	17 January 2012, being the latest practicable date prior to the despatch of this Composite Offer Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Maximum Grant Acceptance”	the maximum number of Shares underlying the Share Options in respect of each Option Class to be taken up by the Offeror for cancellation under the Option Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from 14 December 2011, being the date of the first joint announcement issued by the Offeror and the Company in relation to the then possible proposed Partial Offer and Option Offer
“Offer Price”	HK\$0.255 per Offer Share
“Offer Share(s)”	the Share(s) which are the subject of the Partial Offer, being 1,375,000,000 in number
“Offeror”	Earnest Equity Limited, a company incorporated in the British Virgin Islands with limited liability, whose ultimate beneficial shareholder is Mr. Chung
“Option Class”	the category of Share Options by virtue of the date of grant of the Share Options
“Option Offer”	the voluntary conditional cash offer made by Anglo Chinese for and on behalf of the Offeror to take up from the Qualifying Optionholders for cancellation Share Options entitling the Qualifying Optionholders to subscribe for up to 75,420,195 Shares in accordance with the Takeovers Code on the basis set out in this Composite Offer Document and the accompanying Form of Option Offer Acceptance

---

## DEFINITIONS

---

“Option Offer Price”	HK\$0.255 less the exercise price in respect of the relevant Share Option for each underlying Share of the In-the-money Share Options or HK\$0.001 for each underlying Share of the Out-of-the-money Share Options
“Optionholder(s)”	holder(s) of the Share Option(s)
“Out-of-the-money Share Option(s)”	Share Option(s) which have an exercise price above the Offer Price
“Partial Offer”	the voluntary conditional partial cash offer made by Anglo Chinese for and on behalf of the Offeror to acquire 1,375,000,000 Offer Shares at the Offer Price in cash from the Qualifying Shareholders in accordance with the Takeovers Code on the basis set out in this Composite Offer Document and the accompanying Form of Approval and Acceptance
“PRC”	the People’s Republic of China (which, for the purpose of this Composite Offer Document, excludes Hong Kong, Macau and Taiwan)
“Qualifying Optionholder(s)”	Optionholder(s), other than Mr. Chung and the Offeror and for the purpose of voting on the Partial Offer, parties acting in concert with any of them
“Qualifying Shareholder(s)”	Shareholder(s), other than Mr. Chung and the Offeror and for the purpose of voting on the Partial Offer, parties acting in concert with any of them
“Register”	the register of members of the Company
“Relevant Period”	the period commencing on 14 June 2011 (being the date falling six months prior to 14 December 2011, the commencement date of the Offer Period) and up to the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.008 each in the share capital of the Company
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Scheme, entitling the Optionholder(s) to subscribe for new Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 26 August 2002



---

## DEFINITIONS

---

“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	Shareholders who have an interest representing 5% or more of the issued share capital of the Company, in accordance with Part XV of the SFO
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

*In the event of inconsistency, the English text of this Composite Offer Document shall prevail over the Chinese text.*

**CSI PROPERTIES LIMITED**  
**資本策略地產有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 497)**

*Executive Directors:*

Mr. Chung Cho Yee, Mico (*Chairman*)  
Mr. Kan Sze Man  
Mr. Chow Hou Man  
Mr. Wong Chung Kwong

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

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

*Head office and principal place of  
business in Hong Kong:*

3108  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

19 January 2012

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL PARTIAL CASH OFFER AND OPTION  
OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF EARNEST EQUITY LIMITED TO ACQUIRE  
1,375,000,000 OFFER SHARES IN THE ISSUED SHARE CAPITAL OF  
CSI PROPERTIES LIMITED FROM QUALIFYING SHAREHOLDERS  
AND TO CANCEL SHARE OPTIONS ENTITLING HOLDERS  
THEREOF TO SUBSCRIBE FOR UP TO 75,420,195 SHARES IN  
CSI PROPERTIES LIMITED FROM  
THE QUALIFYING OPTIONHOLDERS**

**INTRODUCTION**

On 14 December 2011, the Offeror and the Company jointly announced that Anglo Chinese, on behalf of the Offeror, intended to make a voluntary conditional partial cash offer to acquire 1,375,000,000 Offer Shares (representing approximately 16.70% of the existing issued share capital of the Company or approximately 25.48% of the Shares subject to the Partial Offer, including those Shares held by Directors who have stated their intention not to accept the Partial Offer and the Option Offer, as at 14 December 2011) from the Qualifying Shareholders at the Offer Price of HK\$0.255 per Offer Share in cash, payable by the Offeror.

\* *For identification purpose only*

---

## LETTER FROM THE BOARD

---

The Offeror will extend an appropriate offer to the Qualifying Optionholders for their Share Options pursuant to Rule 13.1 of the Takeovers Code. Assuming full acceptance of the Partial Offer and the Option Offer, the total cash consideration payable by the Offeror under the Partial Offer and the Option Offer will amount to approximately HK\$359,144,000.

The Independent Board Committee comprising Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo, being all independent non-executive Directors, has been formed by the Company to advise the Qualifying Shareholders and Qualifying Optionholders in respect of the Partial Offer and the Option Offer. Centurion has been appointed to advise the Independent Board Committee in respect of the Partial Offer and the Option Offer. The appointment of Centurion has been approved by the Independent Board Committee.

The purpose of the Composite Offer Document, of which this letter forms a part, is to provide you with, among other things, (i) the information relating to the Group, the Partial Offer and the Option Offer; (ii) the Letter from Anglo Chinese containing details of the Partial Offer and the Option Offer; (iii) the Letter from the Independent Board Committee containing its recommendation and advice to the Qualifying Shareholders and the Qualifying Optionholders in respect of the Partial Offer and the Option Offer; and (iv) the Letter from Centurion containing its advice to the Independent Board Committee in respect of the Partial Offer and the Option Offer.

### THE PARTIAL OFFER AND THE OPTION OFFER

Anglo Chinese, for and on behalf of the Offeror, is conditionally making the Partial Offer to acquire 1,375,000,000 Offer Shares from the Qualifying Shareholders, and the Option Offer to cancel Share Options entitling holders thereof to subscribe for up to 75,420,195 new Shares issuable upon the exercise of such Share Options from the Qualifying Optionholders on the following basis:

**For each Offer Share . . . . . HK\$0.255**

**For each underlying Share of the**

**In-the-money Share Options . . . . . HK\$0.255 less the exercise price in respect  
of the relevant Share Option**

**For each underlying Share of the**

**Out-of-the-money Share Options . . . . . HK\$0.001**

Pursuant to Rule 28.5 of the Takeovers Code, the Partial Offer is conditional upon:

- (i) acceptances being received in respect of a minimum of 1,375,000,000 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer by the Qualifying Shareholders who are registered as Shareholders in the Register on or before the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code), holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in

---

## LETTER FROM THE BOARD

---

concert with any of them, signified by completing a separate box on the Form of Approval and Acceptance, specifying the number of Shares in respect of which the Partial Offer is approved.

The Option Offer will only become unconditional if the Partial Offer becomes unconditional in all respects. The conditions to the Partial Offer and the Option Offer cannot be waived by the Offeror.

Further details of the Partial Offer and the Option Offer are set out in the Letter from Anglo Chinese on pages 15 to 30 of the Composite Offer Document, Appendix I to the Composite Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

As at the Latest Practicable Date, the Company has 8,233,107,426 Shares in issue. The Offer Shares of 1,375,000,000 Shares represent approximately 16.70% of the existing issued share capital of the Company of 8,233,107,426 Shares and approximately 25.62% of the 5,366,908,171 Shares (excluding those Shares held by the Directors who have stated their intention not to accept the Partial Offer and the Option Offer) held by the Qualifying Shareholders, respectively, as of the Latest Practicable Date.

As at the Latest Practicable Date, there are Share Options outstanding held by certain Directors, employees and consultants of the Group, entitling the Qualifying Optionholders to subscribe for a total of 295,997,626 new Shares (representing approximately 3.60% of the issued share capital of the Company of 8,233,107,426 Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Chung indirectly held all the outstanding convertible notes of the Company which are convertible into 18,648,018 new Shares. No offer will be made by the Offeror to take up such outstanding convertible notes of the Company.

Save for the Share Options and convertible notes mentioned above, there are no other outstanding warrants, options or securities of the Company which are convertible into new Shares as at the Latest Practicable Date.

---

## LETTER FROM THE BOARD

---

### **EFFECT OF ACCEPTING THE PARTIAL OFFER AND THE OPTION OFFER**

By validly accepting the Partial Offer, the Qualifying Shareholders will sell their tendered Offer Shares which are finally taken up by the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Qualifying Optionholders will tender their Share Options for cancellation which are finally taken up by the Offeror and such tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

The formulae for determining the number of Offer Shares to be taken up by the Offeror from each Qualifying Shareholder and the number of Shares underlying the Share Options to be taken up for cancellation by the Offeror from each Qualifying Optionholder are set out in the Letter from Anglo Chinese on pages 15 to 30 of the Composite Offer Document.

### **STAMP DUTY IMPLICATIONS**

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000.00 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the value of the consideration arising on acceptance of the Partial Offer, whichever is the higher, will be payable by the Qualifying Shareholders who accept the Partial Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Partial Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000.00 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the consideration payable in respect of relevant acceptances of the Partial Offer, whichever is the higher, and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the Offer Shares which are finally taken up by the Offeror under the Partial Offer. No stamp duty is payable in connection with the Option Offer.

### **TOTAL CONSIDERATION**

Assuming full acceptance of the Partial Offer, the cash consideration payable by the Offeror at the Offer Price of HK\$0.255 per Offer Share will amount to approximately HK\$350,625,000. Assuming full acceptance of the Option Offer, the total cash consideration payable by the Offeror for the Option Offer will amount to approximately HK\$8,519,000. Assuming full acceptance of the Partial Offer and the Option Offer, the total cash consideration payable by the Offeror under the Partial Offer and the Option Offer will amount to no more than HK\$359,144,000. The Partial Offer and the Option Offer will be funded by a loan from Mr. Chung (being the ultimate beneficial shareholder of the Offeror) and a bank facility granted by The Hong Kong and Shanghai Banking Corporation Limited to the Offeror. The payment of interests thereon will not depend on the business of the Company.

---

## LETTER FROM THE BOARD

---

### THE INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the paragraph headed “Intentions of the Offeror and Maintaining the Listing Status of the Company” in the Letter from Anglo Chinese on pages 15 to 30 of this Composite Offer Document.

The Board notes that the Offeror (i) intends to continue the existing businesses of the Group; (ii) has no intention to introduce any major changes to the existing business strategies and operations of the Group; (iii) intends that the employment of the employees of the Group will be continued; (iv) intends that there will be no material change in the deployment of financial resources including, amongst others, fixed assets that are not in the course of normal ordinary business of the Group; and (v) intends to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer and the Option Offer.

The Board acknowledges the intentions of the Offeror in respect of the Group. In particular, the Directors consider that the successful implementation of the Partial Offer and the Option Offer would allow Mr. Chung, currently a Substantial Shareholder and the Chairman of the Company, to reinforce his commitment and dedication to the Group. Mr. Chung and the Offeror, the Chairman of the Company and a Substantial Shareholder, have full confidence in the future growth potential of the Group’s principal businesses. This confidence is evidenced by the fact that the Offer Price is at a premium over the closing price of the Shares on the Last Trading Day.

The Board also understands that Mr. Chung has no intention to privatise the Company but would like to reinforce his commitment and dedication to the Group which the Board considers as most welcoming.

---

**LETTER FROM THE BOARD**

---

**EFFECT OF THE PARTIAL OFFER AND THE OPTION OFFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The table below shows the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Partial Offer and the Option Offer on the assumptions that (i) the Partial Offer has been accepted in full by the Qualifying Shareholders (except Mr. Kan and Mr. Chow); and (ii) no additional Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the date of completion of the Partial Offer and the Option Offer:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Partial Offer and the Option Offer</b>	
	<b>Number of Shares</b>	<b>Approx. %</b>	<b>Number of Shares</b>	<b>Approx. %</b>
Mr. Chung and the Offeror <i>(Note 1)</i>	2,836,362,062	34.45%	4,211,362,062	51.15%
<b>Parties acting in concert with Mr. Chung and/or the Offeror (by virtue of the Partial Offer only):</b>				
Mr. Kan Sze Man <i>(Note 3)</i>	24,534,562	0.3%	24,534,562	0.3%
Mr. Chow Hou Man <i>(Note 3)</i>	5,302,631	0.06%	5,302,631	0.06%
The Anglo Chinese Investment Company, Limited <i>(Note 3)</i>	<u>17,860,000</u>	<u>0.22%</u>	<u>13,284,274</u>	<u>0.16%</u>
<b>Subtotal for Mr. Chung, the Offeror and parties acting in concert with any of them (by virtue of the Partial Offer only)</b>	2,884,059,255	35.03%	4,254,483,529	51.68%
Public Shareholders <i>(Note 3)</i>	<u>5,349,048,171</u>	<u>64.97%</u>	<u>3,978,623,897</u>	<u>48.32%</u>
<b>Total no. of Shares in issue</b>	<u><u>8,233,107,426</u></u>	<u><u>100.00</u></u>	<u><u>8,233,107,426</u></u>	<u><u>100.00</u></u>

*Notes:*

- Mr. Chung is the beneficial owner of 2,836,362,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by the Offeror of 2,833,317,062 shares) and 18,648,018 shares relate to the derivative interests held by the Offeror in convertible notes. The Offeror is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and the Offeror are corporations wholly-owned and controlled by him.

---

## LETTER FROM THE BOARD

---

2. Each of the three executive Directors, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, holds interests in the share option scheme granted by the Company under the share option scheme (the “2002 Scheme”) adopted by the Company on 26 August 2002:

Name of Directors	Date of grant	Period during which Share Options outstanding are exercisable	Exercise price per Share <i>HK\$</i>	Number of new Shares issued upon exercise of Share Options by Optionholders
Mr. Kan Sze Man	23 September 2002	23 September 2002 to 25 August 2012	0.0884	19,785,938
Mr. Chow Hou Man	23 September 2002	23 September 2002 to 25 August 2012	0.0884	19,785,938
Mr. Wong Chung Kwong	3 October 2007	3 October 2007 to 25 August 2012	0.3198	25,326,000*

\* There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

3. As explained below, Mr. Kan Sze Man and Mr. Chow Hou Man do not intend to tender any Shares to the Offeror under the Partial Offer. On this basis, the Offer Shares under the Partial Offer of 1,375,000,000 Shares would represent approximately 25.62% of the 5,366,908,171 Shares (excluding those Shares held by Mr. Kan and Mr. Chow) held by the Qualifying Shareholders as of the Latest Practicable Date.

Mr. Kan Sze Man and Mr. Chow Hou Man, who are Qualifying Shareholders, do not intend to tender any Shares to the Offeror under the Partial Offer. In considering the acceptance of the Partial Offer, Mr. Kan and Mr. Chow have taken into account the fact that unlike the public Shareholders, they, being parties acting in concert with the Offeror by virtue of the Partial Offer, may not acquire voting rights in the Company during the 12 month period immediately following the end of the Offer Period pursuant to Rule 28.3 of the Takeovers Code.

In relation to the Offer Option, each of the three executive Directors, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong do not intend to accept the Option Offer but they intend to exercise all of his outstanding options before their expiry provided that they are in the money at the relevant time as elaborated below.

In the event that the Partial Offer and the Option Offer are declared unconditional in all respects, the interests of Mr. Chung, the Offeror and parties acting in concert with any of them in the issued share capital of the Company would increase from approximately 35.03% as at the Latest Practicable Date to no more than approximately 51.68% immediately upon completion of the Partial Offer and the Option Offer. **Shareholders should note that if the Partial Offer is completed, neither Mr. Chung, the Offeror nor parties acting**



---

## LETTER FROM THE BOARD

---

in concert with any of them in the course of the Partial Offer or those who subsequently become parties acting in concert with Mr. Chung, the Offeror (where applicable) may, during the 12-month period immediately following the end of the Offer Period, acquire any voting rights in the Company under Rule 28.3 of the Takeovers Code. However, as the expiry dates of all the outstanding Share Options of the Company fall within the prescribed 12 month period under Rule 28.3, the Executive has given consent to the Company to permit Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, who are parties acting in concert with the Offeror by virtue of the Partial Offer, to exercise their outstanding Share Options which are not successfully tendered and accepted under the Option Offer such that they will be given an equal opportunity as the other Qualifying Optionholders, namely the employees and consultants of the Company, to exercise outstanding Share Options due to expire in the prescribed 12 month period under Rule 28.3.

### INFORMATION ON THE GROUP

The Company is an investment holding company and is principally engaged in property repositioning and investment. The subsidiaries of the Company are principally engaged in property enhancement and development, property investment, and securities investment in Hong Kong and the PRC.

### GENERAL

Your attention is drawn to the Letter from Anglo Chinese and to Appendix I to this Composite Offer Document, the accompanying Form of Approval and Acceptance and the Form of Option Offer Acceptance for the principal terms and the acceptance and settlement procedures of the Partial Offer and the Option Offer.

Your attention is also drawn to the Letter from the Independent Board Committee as set out on pages 31 and 32 of this Composite Offer Document as well as the Letter from Centurion as set out on pages 33 to 73 of this Composite Offer Document which contains, amongst other things, Centurion's advice to the Independent Board Committee in respect of the Partial Offer and the Option Offer and the principal factors and reasons considered by it in arriving at such advice.

Your attention is further drawn to the general information as set out in Appendix IV to this Composite Offer Document.

**The Partial Offer may or may not become unconditional, depending on the number of acceptances and approvals by the Qualifying Shareholders received by the Offeror. The Option Offer may or may not become unconditional, depending on whether the Partial Offer becomes unconditional in all respects. Shareholders, Optionholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisors. If the Partial Offer and the Option Offer are declared unconditional in all respects before the First Closing Date, the Offeror will publish an announcement on the Stock Exchange's website to inform the Shareholders and Optionholders that the Partial Offer and the Option Offer have become or been declared unconditional in all respects. Such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to**

---

## LETTER FROM THE BOARD

---

**Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer and the Option Offer and details of the way in which each Accepting Shareholder's and Accepting Optionholder's pro-rata entitlement was determined. If the Partial Offer and the Option Offer are not previously declared unconditional in all respects, the Offeror will publish an announcement on the Stock Exchange's website to inform the Shareholders and the Optionholders the results of the Partial Offer and the Option Offer and as to whether or not the Partial Offer and the Option Offer have been revised or extended, have expired or have become or been declared unconditional.**

### **INTERESTED PARTIES**

Mr. Chung, a Substantial Shareholder and the Chairman of the Company, who holds the entire issued share capital of Digisino Assets Limited ("Digisino"), which in turn holds the entire issued share capital of the Offeror, is also a director of the Offeror. Each of the executive Directors, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, has an interest in the Shares and the Share Options. Accordingly, neither Mr. Chung, Mr. Kan Sze Man, Mr. Chow Hou Man nor Mr. Wong Chung Kwong has joined with the rest of the Board in giving their views on the Partial Offer or the Option Offer, or the recommendations to the Qualifying Shareholders and Qualifying Optionholders as set out in this letter.

### **OTHER**

Your attention is drawn to the Letter from the Independent Board Committee and the Letter from Centurion, which form part of this Composite Offer Document.

Yours faithfully  
For and on behalf of the Board of  
**CSI Properties Limited**  
**Kan Sze Man**  
*Executive Director*



19 January 2012

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL PARTIAL CASH OFFER AND OPTION  
OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF EARNEST EQUITY LIMITED TO ACQUIRE  
1,375,000,000 OFFER SHARES IN THE ISSUED SHARE CAPITAL OF  
CSI PROPERTIES LIMITED FROM QUALIFYING SHAREHOLDERS  
AND TO CANCEL SHARE OPTIONS ENTITLING HOLDERS  
THEREOF TO SUBSCRIBE FOR UP TO 75,420,195 SHARES  
IN CSI PROPERTIES LIMITED FROM THE  
QUALIFYING OPTIONHOLDERS**

**INTRODUCTION**

On 14 December 2011, the Offeror and the Company jointly announced that Anglo Chinese, for and on behalf of the Offeror, intended to make a possible proposed voluntary conditional partial cash offer to acquire 1,375,000,000 Offer Shares from the Qualifying Shareholders at the Offer Price of HK\$0.255 per Offer Share and extend an appropriate offer to the Qualifying Optionholders to cancel Share Options entitling holders thereof to subscribe for up to 75,420,195 new Shares issuable upon the exercise of such Share Options.

The purpose of this letter is to provide you with, amongst other things, the terms of the Partial Offer and the Option Offer. Further details of the terms and conditions of the Partial Offer and the Option Offer are set out in Appendix I to this Composite Offer Document, the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

Your attention is drawn to the Letter from the Board as set out on pages 6 to 14 of this Composite Offer Document. You are also strongly advised to read the Letter from the Independent Board Committee as set out on pages 31 and 32 of the Composite Offer Document which contains its recommendation to the Qualifying Shareholders and the Qualifying Optionholders in respect of the Partial Offer and the Option Offer, and the Letter from Centurion as set out on pages 33 to 73 of the Composite Offer Document containing its advice to the Independent Board Committee in respect of the Partial Offer and the Option Offer.

---

**LETTER FROM ANGLO CHINESE**

---

**TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER**

The Partial Offer and the Option Offer are made on the terms set out below:

**(a) Offer Price and Option Offer Price**

Anglo Chinese, for and on behalf of the Offeror, is conditionally making the Partial Offer to acquire 1,375,000,000 Offer Shares from the Qualifying Shareholders, and the Option Offer to cancel Share Options entitling holders thereof to subscribe for up to 75,420,195 new Shares issuable upon the exercise of such Share Options from the Qualifying Optionholders on the following basis:

**For each Offer Share . . . . . HK\$0.255**

**For each underlying Share of the  
In-the-money Share Options . . . . . HK\$0.255 less the exercise price in  
respect of the relevant Share Option**

**For each underlying Share of the  
Out-of-the-money Share Options . . . . . HK\$0.001**

**(b) Conditions of the Partial Offer and the Option Offer**

Pursuant to Rule 28.5 of the Takeovers Code, the Partial Offer is conditional upon:

- (i) acceptances being received in respect of a minimum of 1,375,000,000 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer by the Qualifying Shareholders who are registered as Shareholders in the Register on or before the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code), holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them, signified by completing a separate box on the Form of Approval and Acceptance, specifying the number of Shares in respect of which the Partial Offer is approved.

The Option Offer will only become unconditional if the Partial Offer becomes unconditional in all respects. The conditions to the Partial Offer and the Option Offer cannot be waived by the Offeror.

The Share Options that are duly tendered by the Accepting Optionholders and taken up by the Offeror for cancellation under the Option Offer will be cancelled. Further, the Option Offer will be made on the basis that acceptance of the Option Offer by any person will constitute a warranty by such person or persons to the Offeror that the Share Options are still outstanding, free from all third party rights, liens, charges, equities, adverse

---

## LETTER FROM ANGLO CHINESE

---

interests and encumbrances and are to be cancelled and renounced together with all rights attaching thereto as at the Latest Practicable Date or subsequently becoming attaching to them.

In the event that valid acceptances are received for less than 1,375,000,000 Offer Shares or the approval of the Partial Offer received from Qualifying Shareholders represents less than 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer and the Option Offer will not proceed and will immediately lapse.

In the event that valid acceptances are received for not less than 1,375,000,000 Offer Shares and approval of the Partial Offer from Qualifying Shareholders holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them is received on or prior to the First Closing Date, the Offeror will declare the Partial Offer and the Option Offer unconditional in all respects on or prior to the First Closing Date. The Option Offer will only be declared unconditional when the Partial Offer is declared unconditional in all respects.

Pursuant to Rule 15.3 of the Takeovers Code, the Final Closing Date will be the 14th day after the earlier of the date on which the Partial Offer and the Option Offer are declared unconditional in all respects and the First Closing Date, but in any event the Final Closing Date will be not less than 21 days from the date of this Composite Offer Document.

**The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

**Whether or not the Qualifying Shareholders accept the Partial Offer, they may approve the Partial Offer AND specify the number of Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Share shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer.**

**Warning: The Partial Offer and the Option Offer may or may not become unconditional. Completion of the Partial Offer and the Option Offer is a possibility only. Shareholders, Optionholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisors.**

### VALUE OF THE PARTIAL OFFER

The Offer Price of HK\$0.255 represents:

- (i) a premium of approximately 31.4% over the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Last Trading Day;

---

## LETTER FROM ANGLO CHINESE

---

- (ii) a premium of approximately 32.1% over the average closing price of HK\$0.193 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 31.4% over the average closing price of HK\$0.194 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 26.9% over the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 13.3% over the closing price of HK\$0.225 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 61.9% to the unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$0.67 per Share as at 30 September 2011 as shown in the published interim report of the Company for the six months ended 30 September 2011; and
- (vii) a discount of approximately 51.0% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$0.52 per Share as at 31 March 2011 as shown in the published annual report of the Company for the year ended 31 March 2011.

As at the Latest Practicable Date, the Company has 8,233,107,426 Shares in issue. The Partial Offer for 1,375,000,000 Offer Shares is being valued at HK\$350,625,000 based on the Offer Price of HK\$0.255 per Offer Share. On the basis of the Offer Price of HK\$0.255 per Offer Share, the entire issued share capital of the Company is valued at HK\$2,099,442,394.

### HIGHEST AND LOWEST CLOSING PRICES OF THE SHARES

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period, were HK\$0.325 per Share on 14 June 2011 and HK\$0.158 per Share on 3 October 2011.

### TOTAL CONSIDERATION FOR THE PARTIAL OFFER AND THE OPTION OFFER AND FINANCIAL RESOURCES OF THE OFFEROR

Assuming full acceptance of the Partial Offer, the cash consideration payable by the Offeror at the Offer Price of HK\$0.255 per Offer Share will amount to HK\$350,625,000. Based on the number of outstanding Share Options as at the Latest Practicable Date and the terms of the Option Offer set out in this Composite Offer Document, assuming full acceptance of the Option Offer, the cash consideration payable by the Offeror for the Option Offer at the Option Offer Price will not exceed HK\$8,519,000 in any event. Assuming full acceptance of the Partial Offer and the Option Offer, the total cash consideration payable by the Offeror for the Partial Offer and the Option Offer will amount

---

## LETTER FROM ANGLO CHINESE

---

to no more than HK\$359,144,000. The Partial Offer and the Option Offer will be funded by a loan from Mr. Chung (being the ultimate beneficial Shareholder of the Offeror) and a bank loan granted by The Hongkong and Shanghai Banking Corporation Limited to the Offeror. The payment of interests thereon will not depend on the business of the Company. Anglo Chinese, the financial advisor to the Offeror in relation to the Partial Offer and the Option Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy payment of the cash consideration on acceptance of the Partial Offer and the Option Offer in full.

### **OTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER**

The maximum number of Shares to be taken up by the Offeror pursuant to the Partial Offer is 1,375,000,000 Shares, representing approximately 16.70% of the issued share capital of the Company of 8,233,107,426 Shares and approximately 25.62% of the Shares held by Qualifying Shareholders (being 5,366,908,171 Shares, excluding those Shares held by the Directors who have stated their intention not to accept the Partial Offer and the Option Offer) as at the Latest Practicable Date.

Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Offer Shares held by them. If valid acceptances are received for 1,375,000,000 Offer Shares, all Offer Shares validly accepted will be taken up. If valid acceptances are received for more than 1,375,000,000 Offer Shares, the total number of Offer Shares taken up by the Offeror from each Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

- A: 1,375,000,000 Offer Shares (being the total number of Offer Shares for which the Partial Offer is made)
- B: Total number of Offer Shares tendered by all the Qualifying Shareholders under the Partial Offer
- C: Number of Offer Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

As a result, it is possible that if a Qualifying Shareholder tenders all his Offer Shares to the Offeror under the Partial Offer, not all of such Offer Shares will be taken up. Fractions of Offer Shares will not be taken up under the Partial Offer and, accordingly, the number of Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

The Shares are currently traded in board lots of 10,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer. According to the above formula, an Accepting Shareholder may, as a result of the Partial Offer, hold odd lots of the Shares.

---

**LETTER FROM ANGLO CHINESE**

---

Further to the joint announcement issued on 14 December 2011 in which a general mechanism and basis for the Option Offer has been stated, the detailed mechanism and basis of the Option Offer are further set out below.

Qualifying Optionholders may accept the Option Offer in respect of some or all of the Share Options held by them. The Share Options will be categorised in different categories (each an “Option Class”) by virtue of the date of grant of the Share Options. The maximum number of Shares underlying the Share Options to be taken up by the Offeror in each Option Class (“Maximum Grant Acceptance”) (“X”) will be determined in accordance with the following formula:

$$X = \frac{D}{E} \times F$$

- D: Total number of Shares underlying the Share Options held by all the Qualifying Optionholders under the Option Class
- E: Total number of Shares underlying the Share Options held by all the Qualifying Optionholders
- F: 75,420,195 being the maximum number of Shares underlying the Share Options to be taken up for cancellation by the Offeror under the Option Offer

Set out below is a table of the outstanding Share Options as at the Latest Practicable Date and the Maximum Grant Acceptance applicable to each Option Class:

Option Class (categorised by the date of grant of the Share Options)	Period during which Share Options outstanding are exercisable	Exercise price per Share (HK\$)	Number of new Shares issuable upon exercise of Share Options by all Optionholders	Number of new Shares issuable upon exercise of Share Options by all Qualifying Optionholders	Maximum Grant Acceptance	Option Offer Price per Share underlying the Share Options (HK\$)
23 September 2002	23 September 2002 to 25 August 2012	0.0884	129,795,751	129,795,751	33,071,957	0.1666
8 January 2004	8 January 2004 to 25 August 2012	0.0884	47,486,250	47,486,250	12,099,497	0.1666
9 January 2004	9 January 2004 to 25 August 2012	0.0948	23,743,125	23,743,125	6,049,748	0.1602
3 October 2007	3 October 2007 to 25 August 2012	0.3198	94,972,500	94,972,500	24,198,993	0.001
Total			<u>295,997,626</u>	<u>295,997,626</u>	<u>75,420,195</u>	



---

## LETTER FROM ANGLO CHINESE

---

Further details of the outstanding Share Options, including the exercise periods of the Share Options are set out in Appendix IV to this Composite Offer Document. In respect of each Option Class, if valid acceptances are received for no more than the Maximum Grant Acceptance applicable to that Option Class, all Share Options tendered in respect of that Option Class will be taken up by the Offeror and cancelled on the Final Closing Date. In respect of each Option Class, if valid acceptances are received for more than the relevant Maximum Grant Acceptance, the total number of Shares underlying the Share Options tendered by the relevant individual Qualifying Optionholder to be taken up by the Offeror and cancelled on the Final Closing Date in respect of the relevant Option Class (“V”) will be determined in accordance with the following formula:

$$V = \frac{X}{Y} \times Z$$

- X: Maximum Grant Acceptance for the relevant Option Class
- Y: Total number of Shares underlying the Share Options of the relevant Option Class tendered by all Qualifying Optionholders
- Z: Number of Shares underlying the Share Options of the relevant Option Class tendered by the relevant individual Qualifying Optionholder

Qualifying Optionholders will have the right to elect how many Shares underlying the Share Options under each Option Class to tender for acceptance under the Option Offer. In the Form of Option Offer Acceptance, Qualifying Optionholders will be requested to indicate the date of grant of the Option Class and the number of Shares underlying the Share Options they wish to tender under that Option Class. If the Qualifying Optionholder accepts the Option Offer in respect of a particular Option Class, the Qualifying Optionholder will be deemed to have tendered such Share Options proportional to the Share Options he/she holds for each exercise period within that Option Class.

If a Qualifying Optionholder wants to tender any or all of their Share Options under any given Option Class, he/she must enclose all the corresponding certificates or letters of grant, as the case may be, for the Share Options for all exercise periods under that Option Class as the Offeror will apply a pro-rata mechanism across the Share Options for all exercise periods on a pro-rata basis granted under that Option Class. In other words, Qualifying Optionholders cannot choose which exercise period of Share Options under the same Option Class to tender. Failure to attach all the corresponding certificates or letters of grant, as the case may be, for the Share Options under the same Option Class so tendered would render the acceptance of the Option Offer null and void.

For the ease of understanding, below is a simple illustration of how the mechanism of the Option Offer works for a Qualifying Optionholder:

Assuming a Qualifying Optionholder holds one class of Share Options granted on 23 September 2002. If such a Qualifying Optionholder tenders his/her Share Option entitling holders thereof to subscribe for 1,000,000 Shares and if valid acceptances are received for less than the relevant Maximum Grant Acceptance for this Option Class (i.e. 33,071,957

---

**LETTER FROM ANGLO CHINESE**

---

Shares underlying the Share Option with reference to the table on page 20) and assuming Share Options entitling holders thereof to subscribe for 35,000,000 Shares are tendered by all Qualifying Optionholders which is more than the relevant Maximum Grant Acceptance for this Option Class, the Offeror will take up from such Qualifying Optionholder only 944,913 underlying Shares (i.e. 33,071,957 divided by 35,000,000 multiplied by 1,000,000).

The assumed number of Shares underlying the Share Option granted on 23 September 2002 held by such Qualifying Optionholder and the number of Shares issuable upon exercise of the Share Option taken up by the Offeror for cancellation from such Qualifying Optionholder under the abovementioned scenarios are set out in the table below:

<b>Exercise period</b>	<b>Assumed number of Shares underlying the Share Options granted on 23 September 2002 held by such Qualifying Optionholder</b>	<b>Number of Shares underlying the Share Option taken up by the Offeror for cancellation from such Qualifying Optionholder under different scenarios</b>	
		<b>Scenario A: Valid acceptances are received for less than the relevant Maximum Grant Acceptance</b>	<b>Scenario B: Valid acceptances are received for 35,000,000 underlying Shares, more than the relevant Maximum Grant Acceptance</b>
23 September 2002 to 25 August 2012	1,000,000	1,000,000	944,913

Share Options that are not tendered for acceptance under the Option Offer will not be deemed to have lapsed after the closing of the Option Offer.

Fractions of underlying Shares of Share Options will not be taken up under the Option Offer and, accordingly, the number of underlying Shares of Share Options that the Offeror will take up from each Qualifying Optionholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

The Partial Offer and the Option Offer are made in compliance with the Takeovers Code.

**EFFECT OF ACCEPTING THE PARTIAL OFFER AND THE OPTION OFFER**

By validly accepting the Partial Offer, the Qualifying Shareholders will sell their tendered Offer Shares which are finally taken up by the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

---

## LETTER FROM ANGLO CHINESE

---

By validly accepting the Option Offer, Qualifying Optionholders will tender their Share Options for cancellation which are finally taken up by the Offeror and such tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

### PROCEDURE FOR ACCEPTANCE AND APPROVAL

**Whether a Qualifying Shareholder accepts the Partial Offer or not, he/she is strongly recommended to provide his/her decision on the approval of the Partial Offer by completing Box A in the accompanying Form of Approval and Acceptance. Mr. Chung, the Offeror and parties acting in concert with any of them will abstain from voting on the Partial Offer.**

If the Partial Offer and Option Offer are declared unconditional in all respects, the Partial Offer and the Option Offer will be open for 14 days after the date on which the Partial Offer is declared unconditional in all respects in accordance with Rule 15.1 and Rule 15.3 of the Takeovers Code, and in any event the Final Closing Date will be not less than 21 days from the date of this Composite Offer Document. The Offeror reserves the right to extend or revise the First Closing Date in accordance with the Takeovers Code. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

In order to accept and/or approve the Partial Offer, Qualifying Shareholders should complete and return the accompanying Form of Approval and Acceptance to the Share Registrar in accordance with the instructions printed in this Composite Offer Document and on the Form of Approval and Acceptance. The instructions in the Composite Offer Document should be read together with the instructions on the Form of Approval and Acceptance (which instructions form part of the terms of the Partial Offer).

Qualifying Shareholders are required to submit the duly completed Form of Approval and Acceptance, together with the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for the exact number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, Hong Kong, in an envelope marked “**CSI Properties Limited — Partial Offer**” as soon as possible after receipt of the Form of Approval and Acceptance but in any event by no later than 4:00 p.m. (Hong Kong time) on the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. In accordance with Rule 15.1 and Rule 15.3 of the Takeovers Code, when the Partial Offer is declared unconditional in all respects, the Partial Offer will be open for acceptance for 14 days after the date on which the Partial Offer is declared unconditional in all respects. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

No acknowledgement of receipt of any Form of Approval and Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) will be given.

---

## LETTER FROM ANGLO CHINESE

---

Only one Form of Approval and Acceptance will be accepted from each Qualifying Shareholder by the Share Registrar. Tenders duly received will become irrevocable and cannot be withdrawn after the Partial Offer has been declared unconditional as to acceptances except in the circumstances as described in the section headed “Irrevocable Acceptances” under Appendix I to this Composite Offer Document.

**Whether or not the Qualifying Shareholders accept the Partial Offer, they may approve the Partial Offer AND specify the number of Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Share shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Only ONE Form of Approval and Acceptance will be accepted from each Qualifying Shareholder by the Share Registrar and only ONE vote for each Share may be cast. If a Qualifying Shareholder has put a tick “√” to indicate his/her approval of the Partial Offer on the Form of Approval and Acceptance but no number of Shares in respect of such approval is specified or any other information in the Form of Approval and Acceptance is missing, incomplete or erroneous, the approval and the acceptance of the Partial Offer by such Shareholder will not be considered as valid until such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Qualifying Shareholders may vote in respect of the total number of Shares held by him/her even though he/she does not intend to accept the Partial Offer and/or the number of Shares voted may be more than the number of Shares tendered for acceptance.**

To accept the Option Offer, Qualifying Optionholders should complete and sign the accompanying Form of Option Offer Acceptance in accordance with the instructions printed on it, which instructions form part of the terms of the Option Offer.

The completed and signed Form of Option Offer Acceptance should then be forwarded, together with all the relevant certificate(s) of the Share Options under the Option Class the Qualifying Optionholder intends to tender, stating the number of Shares underlying the Share Options in respect of which the Qualifying Optionholder intends to accept the Option Offer for those Share Options in respect of the same Option Class, by post or by hand to the Company Secretary at 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong in an envelope marked “**CSI Properties Limited — Option Offer**”, as soon as possible after receipt of this Composite Offer Document and in any event no later than 4:00 p.m. on the Final Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive. If the number of Shares underlying the Share Options as evidenced in the relevant certificate(s) or letter(s) of grant, as the case may be, of the Share Options tendered is less than the number of Shares underlying the Share Options stated in the Form of Option Offer Acceptance, or the Qualifying Optionholder fails to submit all the certificate(s) or letter(s) of grant, as the case may be, of the Share Options tendered for acceptance within the same Option Class, his/her acceptance would be invalid. Acceptance will only be valid if the Share Options tendered by the Qualifying Optionholder have not lapsed as at the Final Closing Date.

## NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Qualifying Shareholders, those Qualifying Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. **In order for beneficial owners of Shares whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.**

## INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Digisino. The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and the Offeror are corporations wholly-owned and controlled by him.

## REASONS FOR THE PARTIAL OFFER

Mr. Chung, the Offeror and parties acting in concert with any of them by virtue of the Partial Offer currently hold approximately 35.03% of the existing share capital of the Company, which under the Takeovers Code is considered to represent a sufficient percentage of the voting rights in the Company for Mr. Chung to be regarded as having control of the Company. Notwithstanding that Mr. Chung is deemed to have control of the Company, he wishes to increase his shareholding as he believes that an increase in the shareholding in the Company as a result of the Partial Offer would demonstrate the commitment and dedication of Mr. Chung to the Group and would further reinforce the alignment of his interest with those of the other Shareholders.

Further, Mr. Chung and the Offeror recognise that the Shares have been, in general, relatively thinly traded throughout the year 2011. Despite strong financial results of the Company in respect of the six months ended 30 September 2011, the prices of the Shares have not been performing in line with such results. Mr. Chung and the Offeror wish to offer Shareholders the opportunity to realise part of their investment at a significant premium to the current market price. In the circumstances, the Partial Offer would offer an opportunity to those Shareholders who wish to realise part of their investment to do so at a premium to the current Share price without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market, whilst retaining the balance of their equity interest in the Company to participate in the future growth of the Group.

Mr. Chung believes that the Partial Offer, if it becomes unconditional, would assist in relieving some of the selling pressure having a depressing effect on the Share price given the current turbulent and volatile market. Mr. Chung and persons acting in concert with him control between 30% and 50% of the voting rights of the Company and, under the Takeovers Code, he and persons acting in concert with him are restricted from increasing their interest in the Company by more than 2% of its issued share capital from their lowest percentage holding in the 12 months' period ending and inclusive of the date of the relevant

---

## LETTER FROM ANGLO CHINESE

---

acquisition. An increase of the interest of Mr. Chung and persons acting in concert with him beyond these restrictions would incur an obligation to make a general offer under the Takeovers Code. The Offer will enable him and the Offeror to acquire a more meaningful number of Shares over a defined period.

It is expected that through the Partial Offer, subject to exercise of Share Options by any Optionholders and conversion of convertible notes by Mr. Chung, the interests of the Offeror and Mr. Chung in the voting rights of the Company will increase from approximately 34.45% to 51.15%. The Offeror and Mr. Chung have no intention to privatise the Company and therefore have decided to proceed with the Partial Offer instead of a general offer.

### **INTENTIONS OF THE OFFEROR AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends to continue the existing businesses of the Group and does not intend to introduce any major changes to the existing business strategies and operations of the Group. The Offeror also intends that the employment of the employees of the Group will be continued and there will be no material change in the deployment of financial resources including, amongst others, fixed assets that are not in the course of normal ordinary business of the Group.

The Offeror intends to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer. As at the Latest Practicable Date, the Company has a public float of approximately 64.97% of the entire issued share capital of the Company. Assuming full acceptances of the Partial Offer by all the Qualifying Shareholders subject to any exercise of Share Options by any Optionholders, the Company will have a public float of not less than approximately 48.32% of the entire issued share capital of the Company immediately following the completion of the Partial Offer and the Option Offer and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules. The Offeror does not intend to avail itself of any powers of compulsory acquisition.

### **OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

A copy of the Composite Offer Document will be sent to overseas Shareholders. However, this Composite Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. Based on the register of members of the Company as at the Latest Practicable Date, there are 2 overseas Shareholders holding 5,000 Shares with registered addresses in Canada and the United Kingdom which are jurisdictions outside Hong Kong. The Optionholders' addresses are in Hong Kong.

The making of the Partial Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subjected to the laws of the relevant jurisdictions. Such relevant Shareholders may be prohibited or affected by laws of the relevant jurisdictions and it is the responsibility of each relevant Shareholder who wishes to accept the Partial Offer to satisfy himself/herself as to the full observance of the laws of the

---

## LETTER FROM ANGLO CHINESE

---

relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions.

**Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisors if in doubt.**

### STAMP DUTY IMPLICATIONS

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the value of the consideration arising on acceptance of the Partial Offer, whichever is the higher, will be payable by the Qualifying Shareholders who accept the Partial Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Partial Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the consideration payable in respect of relevant acceptances of the Partial Offer, whichever is the higher, and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the Offer Shares which are finally taken up by the Offeror under the Partial Offer. No stamp duty is payable in connection with the Option Offer.

### ODD LOTS

The Shares are currently traded in board lots of 10,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer and the Option Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares.

For this purpose, The Hongkong and Shanghai Banking Corporation Limited, whose address is at Level 10, HSBC Main Building, 1 Queen's Road Central, Hong Kong, Hong Kong (Contact person: Helen Wong; telephone number: (852) 2822 3671) has been appointed by the Offeror as the designated broker to match sales and purchases of odd lot holdings of Shares in the market, on a best effort basis, for a period of six weeks from the close of the Partial Offer to enable Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 10,000 Shares. Shareholders should note that the matching of odd lots is not guaranteed.

An Accepting Optionholder may, as a result of accepting the Option Offer, hold Share Options entitling him/her to subscribe for odd lots of the Shares. Pursuant to the terms of the Share Option Scheme, Share Options are not transferable and no matching sales or purchases of the resultant odd lot holdings of the Share Options will be arranged.

---

## LETTER FROM ANGLO CHINESE

---

### RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Forms of Option Offer Acceptance, Forms of Approval and Acceptance, Share certificates, Share Option certificates or letters of grant, as the case may be, transfer receipts, other documents of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Shareholder or Optionholder will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of Mr. Chung, the Offeror, the Company, Anglo Chinese, the Share Registrar, Centurion or any of their respective directors or any other person involved in the Partial Offer and the Option Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

### SETTLEMENT

Provided that the Partial Offer becomes unconditional in all respects and a duly completed Form of Approval and Acceptance, accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) are received by the Share Registrar by no later than 4:00 p.m. on the Final Closing Date (or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce) and are in order in all respects and in accordance with the Takeovers Code, the Share Registrar will send to the relevant Accepting Shareholder by ordinary post, at his/her own risks, a remittance for the amount due to him/her under the Partial Offer and (if applicable) any Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) for Shares not taken up or, if applicable, Share certificate(s) in respect of the balance of such Shares (taking account of any adjustment to his/her acceptance, stamp duty and the fees payable to the Share Registrar in respect of lost or unavailable Share certificates) in accordance with the authority and provisions contained in the Form of Approval and Acceptance as soon as possible but in any event within 10 days following the Final Closing Date. Settlement of the consideration to which any Accepting Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

If the Partial Offer does not become unconditional in all respects, the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities in respect thereof) (as the case may be) will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) as soon as possible but in any event within 10 days following the lapse of the Partial Offer. Where such Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Accepting Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).



---

## LETTER FROM ANGLO CHINESE

---

If the Shares tendered by an Accepting Shareholder have not been taken up by the Offeror in full, the Share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) (as the case may be) in respect of the balance of such Shares or a replaced certificate therefore will be returned or sent to him/her by ordinary post at his/her own risk as soon as possible but in any event within 10 days following the Final Closing Date.

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) or letter(s) of grant, as the case may be, of the Share Options are complete and in good order in all respects and have been received by the Company Secretary no later than the latest time for acceptance (i.e. the Final Closing Date, or such later time and/or date as the Offeror may announce with the consent of the Executive), a cheque for the amount due to each Qualifying Optionholder in respect of the Share Options surrendered by him/her under the Option Offer and the certificate(s) or letter(s) of grant, as the case may be, of the Share Options which are not successfully tendered and/or accepted under the Option Offer will be despatched to the Qualifying Optionholder by ordinary post at his/her own risk as soon as possible but in any event within 10 days following the Final Closing Date. If the Partial Offer does not become unconditional in all respects, the certificate(s) or letter(s) of grant, as the case may be, of the Share Option(s) tendered will be returned and/or sent to each Accepting Optionholder as soon as possible but in any event within 10 days following the lapse of the Partial Offer.

Settlement of the consideration to which any Qualifying Shareholder or Qualifying Optionholder is entitled under the Partial Offer or the Option Offer (as the case may be) will be implemented in full in accordance with the terms of the Partial Offer and the Option Offer (save in respect of the payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying Shareholder or Qualifying Optionholder, as the case may be.

### CONSENT FROM THE EXECUTIVE

Pursuant to 28.1 of the Takeovers Code, the Executive has consented to the Offeror making the Partial Offer.

### TAX IMPLICATIONS

**Qualifying Shareholders and Qualifying Optionholders are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of their acceptance of the Partial Offer and the Option Offer. It is emphasized that none of the Company, Mr. Chung and the Offeror and parties acting in concert with any of them, Anglo Chinese, Centurion, the Share Registrar or any of their respective directors or any persons involved in the Partial Offer and the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Partial Offer and the Option Offer.**

---

## LETTER FROM ANGLO CHINESE

---

### GENERAL

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code.

Pursuant to Note 11 of Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and (including shareholders holding 5% or more of any class of relevant securities under class (6) of the definition of associates under the Takeovers Code) other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1,000,000. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information in those dealings, including identities of clients, as part of that co-operation.

Further details on the terms and conditions of the Partial Offer and the Option Offer including, amongst other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix I to this Composite Offer Document, the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

Qualifying Shareholders and Qualifying Optionholders are strongly advised to consider carefully the information as contained in the Letter from the Board, the recommendation as contained in the Letter from the Independent Board Committee and the advice of Centurion as contained in the Letter from Centurion in this Composite Offer Document, and to consult their professional advisors as they see fit.

Your attention is also drawn to the information as set out in the appendices to this Composite Offer Document which form part of this Composite Offer Document.

Yours faithfully  
For and on behalf of  
**Anglo Chinese Corporate Finance, Limited**  
**Dennis Cassidy**  
*Director*

**CSI PROPERTIES LIMITED**  
**資本策略地產有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 497)**

*The Independent Board Committee:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

3108  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

19 January 2012

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL PARTIAL CASH OFFER AND OPTION  
OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON  
BEHALF OF EARNEST EQUITY LIMITED TO ACQUIRE 1,375,000,000  
OFFER SHARES IN THE ISSUED SHARE CAPITAL OF  
CSI PROPERTIES LIMITED FROM QUALIFYING SHAREHOLDERS  
AND TO CANCEL SHARE OPTIONS ENTITLING HOLDERS  
THEREOF TO SUBSCRIBE FOR UP TO 75,420,195 SHARES IN CSI  
PROPERTIES LIMITED FROM THE QUALIFYING OPTIONHOLDERS**

We refer to the composite offer document issued jointly by the Company and the Offeror to the Qualifying Shareholders and the Qualifying Optionholders dated 19 January 2012 (the “**Composite Offer Document**”) of which this letter forms a part. Unless the context otherwise requires, terms defined in the Composite Offer Document have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to consider and to make a recommendation to you (i) as to whether or not the Partial Offer and the Option Offer are fair and reasonable and (ii) as to the approval and acceptance of the Partial Offer and the Option Offer, taking into account the advice from Centurion, the independent financial advisor to the Independent Board Committee.

\* *For identification purpose only*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Your attention is drawn to the Letter from the Board as set out on pages 6 to 14 of the Composite Offer Document, the Letter from Anglo Chinese as set out on pages 15 to 30 of the Composite Offer Document and Appendix I to the Composite Offer Document containing detailed terms of the Partial Offer and the Option Offer, and the Letter from Centurion as set out on pages 33 to 73 of the Composite Offer Document, which contains its advice and recommendation to us in respect of the Partial Offer and the Option Offer, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of Centurion as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Partial Offer and the Option Offer are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned. We recommend that (i) Qualifying Shareholders approve the Partial Offer; (ii) Qualifying Shareholders accept the Partial Offer; and (iii) Qualifying Optionholders accept the Option Offer.

Yours faithfully,

For and on behalf of

Independent Board Committee

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

*Independent non-executive Directors*

---

## LETTER FROM CENTURION

---

*The following is the text of the letter of advice to the Independent Board Committee from Centurion Corporate Finance Limited dated 19 January 2012 for incorporation in the Composite Offer Document:*



---

### CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

---

7th Floor, Duke Wellington House  
14-24 Wellington Street  
Central, Hong Kong

香港中環  
威靈頓街14-24號  
威靈頓公爵大廈7樓

Telephone : (852) 2525 2128  
(852) 2525 6026  
Facsimile : (852) 2537 7622

19 January 2012

*To the Independent Board Committee  
of CSI Properties Limited*

Dear Sirs,

**VOLUNTARY CONDITIONAL PARTIAL CASH OFFER AND OPTION  
OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF EARNEST EQUITY LIMITED TO ACQUIRE  
1,375,000,000 OFFER SHARES IN THE ISSUED SHARE CAPITAL OF  
CSI PROPERTIES LIMITED FROM QUALIFYING SHAREHOLDERS  
AND TO CANCEL SHARE OPTIONS ENTITLING HOLDERS  
THEREOF TO SUBSCRIBE FOR UP TO 75,420,195 SHARES FROM THE  
QUALIFYING OPTIONHOLDERS**

#### INTRODUCTION

We have been engaged to advise the Independent Board Committee with respect to the Partial Offer and the Option Offer (collectively the “Offers”), details of which are outlined in the Composite Offer Document jointly issued by the Company and the Offeror to the Shareholders dated 19 January 2012 of which this letter forms a part. The Composite Offer Document, the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance together set out the terms of, and certain other information relating to, the Offers.

We have been appointed to give an opinion as to (i) whether the terms of the Offers are fair and reasonable in so far as the Qualifying Shareholders and Qualifying Optionholders are concerned; and (ii) the acceptance or rejection of the Offers. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

Following the joint announcement by the Company and the Offeror on 14 December 2011, Anglo Chinese, on behalf of the Offeror, is conditionally making the Partial Offer to acquire 1,375,000,000 Offer Shares (representing approximately 16.70% of the existing issued share capital of the Company or approximately 25.48% of the Shares subject to the Partial Offer, including those Shares held by Directors who have stated their intention not

---

## LETTER FROM CENTURION

---

to accept the Offers, as at 14 December 2011) from the Qualifying Shareholders at the Offer Price of HK\$0.255 per Offer Share in cash, payable by the Offeror. The Offeror will extend an appropriate offer to the Qualifying Optionholders for their Share Options pursuant to Rule 13.1 of the Takeovers Code. Assuming full acceptance of the Offers, the total cash consideration payable by the Offeror under the Offers will amount to approximately HK\$359,144,000.

As at the Latest Practicable Date, Mr. Chung indirectly held all the outstanding convertible notes of the Company which are convertible into 18,648,018 new Shares. No offer will be made by the Offeror to take up such outstanding convertible notes of the Company.

The Company has established the Independent Board Committee, comprising Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo, all independent non-executive Directors, to advise the Qualifying Shareholders and Qualifying Optionholders in respect of the terms of the Offers. Mr. Chung, a Substantial Shareholder and the Chairman of the Company, who is also a director of, and the ultimate beneficial shareholder of a company holding the entire issued share capital of, the Offeror. Each of the executive Directors, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, has an interest in the Shares and the Share Options. Accordingly, neither Mr. Chung, Mr. Kan Sze Man, Mr. Chow Hou Man nor Mr. Wong Chung Kwong has become a member of the Independent Board Committee.

We are not associated with either the Offeror or Mr. Chung, or any of their respective parties acting in concert with any of them. Therefore, we are considered suitable to give our letter of independent advice on the terms of the Offers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or Mr. Chung, or any of their parties acting in concert with any of them.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Composite Offer Document, the Company's annual and interim reports and other publicly available documents of the Company, which have been provided to us by the executive Directors and management of the Company and for which they take full responsibility, insofar as documents of the Company are concerned. We have assumed that all statements, information, opinions and representations made or referred to in the Composite Offer Document were true at the time they were made and continued to be true at the date of the Composite Offer Document. We have also assumed that all statements of belief, opinions and intentions made by the Offeror in the Composite Offer Document are reasonably made after due and careful enquiry.

In respect of the financial information of the Group, we have relied principally on its audited and/or unaudited financial statements, all prepared by the Company and for which the Directors shall take full responsibility. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and/or referred to in the Composite Offer Document.

---

## LETTER FROM CENTURION

---

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the information as contained in the Composite Offer Document to provide a reasonable basis for our opinion and recommendation. We have not, however, conducted any form of independent or in-depth investigation into the businesses, financial positions, or prospects of the Group, the Offeror, or any of their respective subsidiaries or associates, nor have we independently verified any of the information supplied to us.

We have not considered the tax consequences on the Qualifying Shareholders and Qualifying Optionholders accepting or not accepting the Offers since these are particular to their individual circumstances. It should therefore be noted that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, Qualifying Shareholders and Qualifying Optionholders who, being residents overseas, are subject to overseas taxes or Hong Kong taxes on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

Our opinion and recommendation as set out herein are for the sole purpose of the Offers only and shall not be used for any other purposes.

### **TERMS OF THE OFFERS**

Anglo Chinese is conditionally making the Offers, for and on behalf of the Offeror, on the terms as set out in the Composite Offer Document (including, without limitation, the further terms of the Offers set out in Appendix I to the Composite Offer Document) and in the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, to acquire 1,375,000,000 Offer Shares from the Qualifying Shareholders, and the Option Offer to cancel Share Options entitling holders thereof to subscribe for up to 75,420,195 new Shares issuable upon the exercise of such Share Options, on the bases as set out below.

By validly accepting the Partial Offer, Qualifying Shareholders will sell their tendered Offer Shares which are finally taken up by the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividend or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Qualifying Optionholders will tender their Share Options for cancellation which are finally taken up by the Offeror and such tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

---

## LETTER FROM CENTURION

---

The formulae for determining the number of Offer Shares to be taken up by the Offeror from each Qualifying Shareholder and the number of Shares underlying the Share Options to be taken up for cancellation by the Offeror from each Qualifying Optionholder are set out in the “Letter From Anglo Chinese” on pages 15 to 30 of the Composite Offer Document.

### 1. Offer Price

**For each Offer Share . . . . . HK\$0.255**

**For each underlying Share of the**

**In-the-money Share Options . . . . . HK\$0.255 less the exercise price  
in respect of the relevant Share Option**

**For each underlying Share of the**

**Out-of-the-money Share Options . . . . . HK\$0.001**

### 2. Conditions of the Offers

Pursuant to Rule 28.5 of the Takeovers Code, the Partial Offer is conditional upon:

- (i) acceptances being received in respect of a minimum of 1,375,000,000 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer by the Qualifying Shareholders who are registered as Shareholders in the Register on or before the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code), holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them, signified by completing a separate box on the Form of Approval and Acceptance, specifying the number of Shares in respect of which the Partial Offer is approved.

The Option Offer will only become unconditional if the Partial Offer becomes unconditional in all respects. The conditions to the Partial Offer and the Option Offer cannot be waived by the Offeror.

The Share Options that are duly tendered by the Accepting Optionholders and taken up by the Offeror for cancellation under the Option Offer will be cancelled. Further, the Option Offer will be made on the basis that acceptance of the Option Offer by any person will constitute a warranty by such person or persons to the Offeror that the Share Options are still outstanding, free from all third party rights, liens, charges, equities, adverse interests and encumbrances and are to be cancelled and renounced together with all rights attaching thereto as at the Latest Practicable Date or subsequently becoming attaching to them.

In the event that valid acceptances are received for less than 1,375,000,000 Offer Shares or the approval of the Partial Offer received from Qualifying Shareholders represents less than 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert



---

## LETTER FROM CENTURION

---

with any of them by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer and the Option Offer will not proceed and will immediately lapse.

In the event that valid acceptances are received for not less than 1,375,000,000 Offer Shares and approval of the Partial Offer from Qualifying Shareholders holding over 50% of the Shares not held by Mr. Chung, the Offeror and parties acting in concert with any of them is received on or prior to the First Closing Date, the Offeror will declare the Partial Offer and the Option Offer unconditional in all respects on or prior to the First Closing Date. The Option Offer will only be declared unconditional when the Partial Offer is declared unconditional in all respects.

Pursuant to Rule 15.3 of the Takeovers Code, the Final Closing Date will be the 14th day after the earlier of the date on which the Partial Offer and the Option Offer are declared unconditional in all respects and the First Closing Date, but in any event the Final Closing Date will be not less than 21 days from the date of the Composite Offer Document.

**The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

Further details of the Offers are set out in the “Letter From The Board” and “Letter From Anglo Chinese” in the Composite Offer Document.

### **3. Stamp duty**

Seller’s ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the value of the consideration arising on acceptance of the Partial Offer, whichever is the higher, will be payable by the Qualifying Shareholders who accept the Partial Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Partial Offer. The Offeror will bear its own portion of buyer’s ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the market value of the tendered Offer Shares finally taken up by the Offeror or the consideration payable in respect of relevant acceptances of the Partial Offer, whichever is the higher, and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the Offer Shares which are finally taken up by the Offeror under the Partial Offer. No stamp duty is payable in connection with the Option Offer.

### **4. Odd lots and effects of different acceptance levels**

The Shares are currently traded in board lots of 10,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer and the Option Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares.

---

## LETTER FROM CENTURION

---

This is because Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Offer Shares held by them. If valid acceptances are received for 1,375,000,000 Offer Shares, all Offer Shares validly accepted will be taken up. If valid acceptances are received for more than 1,375,000,000 Offer Shares, the total number of Offer Shares taken up by the Offeror from each Qualifying Shareholder will be determined by the total number of Shares tendered in acceptance, in accordance with the formula set out in the “Letter From Anglo Chinese”. For illustration purpose, if all 5,366,908,171 Shares held by the Qualifying Shareholders, excluding those Shares held by the Directors who have stated their intention not to accept the Offers, were to be tendered in acceptance of the Partial Offer, only 1,375,000,000 Offer Shares (or 25.62%) would have been taken up by the Offeror. Thus depending on the level of acceptance of the Partial Offer by the Qualifying Shareholders, the resulting percentage of acceptance of their Shares tendered would range from 25.62% to 100%. Therefore, if valid acceptances are received for more than 1,375,000,000 Offer Shares, there will be a scaling down of acceptance of the excess Shares tendered by the Accepting Shareholders on an equitable basis which may result in their residual holding of the Shares comprising an odd lot. Odd lots are generally less marketable and consequently, less realisable or realisable at less market value.

For this purpose, The Hongkong and Shanghai Banking Corporation Limited, whose address is at Level 10, HSBC Main Building, 1 Queen’s Road Central, Hong Kong (Contact person: Helen Wong; telephone number: (852) 2822 3671) has been appointed by the Offeror as the designated broker to match sales and purchases of odd lot holdings of Shares in the market, on a best effort basis, for a period of six weeks from the close of the Partial Offer to enable Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 10,000 Shares. Shareholders should note that the matching of odd lots is not guaranteed.

An Accepting Optionholder may, as a result of accepting the Option Offer, hold Share Options entitling him/her to subscribe for odd lots of the Shares. Pursuant to the terms of the Share Option Scheme, Share Options are not transferable and no matching sales or purchases of the resultant odd lot holdings of the Share Options will be arranged.

### **5. Timetable of the Offers**

The First Closing Date of the Offers is on Thursday, 9 February 2012 (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code). The Final Closing Date will be the 14th day after the earlier of the date on which the Partial Offer and the Option Offer are declared unconditional in all respects and the First Closing Date, but in any event the Final Closing Date will be not less than 21 days from the date of this Composite Offer Document. The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code. For details of the timetable, please refer to the “Expected Timetable” and its notes on pages ii to iii of the Composite Offer Document.

---

## LETTER FROM CENTURION

---

### 6. Irrevocable acceptances

Acceptance of the Offers by Accepting Shareholders and Accepting Optionholders shall be irrevocable and not capable of being withdrawn, except in the circumstances as described in the section headed “Irrevocable Acceptances” under Appendix I to the Composite Offer Document.

### 7. Procedures for acceptance for Shares held through CCASS

If the Shares of those Qualifying Shareholders are held through a CCASS participant who deposited such Shares in CCASS and if those relevant Qualifying Shareholders are thinking of accepting the Partial Offer, they should carefully read the section headed “Nominee Registration Of Shares” in the “Letter From Anglo Chinese” and the section headed “Nominee Holdings” in Appendix I to the Composite Offer Document.

**Qualifying shareholders who hold their Shares through stockbrokers, intermediaries or nominees should note that their intermediaries or nominees may or may not notify them the existence of the Partial Offer, and may or may not act on their acceptance instructions on time or at all. It is important that Qualifying Shareholders who would like to accept the Partial Offer consult their intermediaries or nominees as to the timetable and the proper acceptance procedure relating to the Partial Offer, and closely monitor the acceptance process. Accepting Shareholders should also request a written confirmation from their intermediaries or nominees of acceptance instructions. If your intermediaries or nominees are unsure of any of the above matters, you may directly contact Anglo Chinese for assistance.**

Accepting Shareholders should note that CCASS charges a corporate actions service fee of HK\$0.8 per board/odd lot of Shares to be tendered under the Partial Offer (subject to a maximum of HK\$10,000 per instruction or per corporate action per account) and there may be other charges that are required by their stockbrokers, intermediaries or nominees in relation to tendering their Shares to the Partial Offer. Further details of such corporate actions service fee are set out on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) under the section headed “Common Nominee Services”.

### 8. Overseas Shareholders

A copy of the Composite Offer Document will be sent to overseas Shareholders. However, this Composite Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. Based on the register of members of the Company as at the Latest Practicable Date, there are 2 overseas Shareholders holding 5,000 Shares with registered addresses in Canada and the United Kingdom which are jurisdictions outside Hong Kong. The Optionholders’ addresses are in Hong Kong.

The making of the Partial Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subjected to the laws of the relevant jurisdictions. Such relevant Shareholders may be prohibited or affected by laws of the relevant jurisdictions and it is the responsibility of each relevant Shareholder who wishes to accept the Partial Offer to satisfy himself/herself as to the full observance of the laws of the

---

## LETTER FROM CENTURION

---

relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions.

**Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisors if in doubt.**

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. The Partial Offer

##### *1.1 The Offer Price*

The Offer Price of HK\$0.255 per Offer Share in cash is made under the Partial Offer to acquire 1,375,000,000 Offer Shares (representing approximately 16.70% of the existing issued share capital of the Company) from the Qualifying Shareholders. The Offeror and Mr. Chung collectively have an effective equity control stake of 34.45% in the Company already and there is no change in management or board control under the Partial Offer. As such, the Offer Price does not, nor was it expected to, include any “control premium”. The Offeror’s stated intention is to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer and thus, the Offer Price also rightfully does not include any privatization bid premium.

We understand the Offer Price of HK\$0.255 is determined based mainly on the market price performance of the Shares. Apart from comparing the Offer Price with the relevant net asset value of the Group and other valuation parameters such as price-earnings multiple, dividend yield and price-to-book ratio as set out herein, we did not apply other financial information comparison such as enterprise-value and EBITDA multiples, to the Offer Price, the applications of which are in our view, more relevant to the acquisition of control or privatisation situation or for pricing target companies which are non-property companies.

##### *1.2 The Comparison of the Offer Price to market prices*

Based on the Offer Price of HK\$0.255, the Partial Offer for 1,375,000,000 Offer Shares is being valued at approximately HK\$350,625,000. On the basis that as at the Latest Practicable Date, the Company had 8,233,107,426 Shares in issue, the Offer Price values the entire issued share capital of the Company at HK\$2,099,442,394.

The following table summarises recent events which may have affected market price of the Shares.

---

**LETTER FROM CENTURION**

---

**Table A: Recent important events which may have affected the Share price**

<b>Trading Date</b>	<b>Events announced or important milestones</b>	<b>Closing Share Price</b>	<b>No. of Shares traded</b>
Tuesday, 17 January 2012	Latest Practicable Date	HK\$0.225	5,235,000
Thursday, 15 December 2011	<b>The Partial Offer Joint Announcement:</b> Resumption of trading of the Shares following the release of the joint announcement of the Partial Offer on 14 December 2011	HK\$0.219	90,095,000
Thursday, 8 December 2011	Last Trading Date of the Shares prior to suspension of trading in the Shares pending the release of the Partial Offer joint announcement	HK\$0.194	1,172,000
Wednesday, 23 November 2011	<b>Interim Results Announcement:</b> The next trading day after the release of the interim results announcement for the period ended 30 September 2011	HK\$0.202	34,607,860
Tuesday, 22 November 2011	Release of the interim results announcement for the period ended 30 September 2011, the subject of the “Estimated Significant Improvement In Profit” announcement on 31 October 2011	HK\$0.218	41,910,000
Monday, 21 November 2011	The last trading day before the release of the interim results announcement for the period ended 30 September 2011	HK\$0.216	9,970,000
Tuesday, 1 November 2011	<b>“Estimated Significant Improvement In Profit” Announcement:</b> The full trading day following the release of the “Estimated Significant Improvement In Profit” announcement in relation to the interim results for the period ended 30 September 2011	HK\$0.198	85,390,000
Monday, 31 October 2011	The trading day before the release of the “Estimated Significant Improvement In Profit” announcement	HK\$0.193	5,020,000

---

**LETTER FROM CENTURION**

---

Trading Date	Events announced or important milestones	Closing Share Price	No. of Shares traded
	<b>Annual Results Announcement:</b>		
Friday, 24 June 2011	The full trading day following the release of the Company's results announcement in relation to the year ended 31 March 2011	HK\$0.275	214,965,616
Thursday, 23 June 2011	The release of the Company's results announcement on 23 June 2011 in relation to the year ended 31 March 2011	HK\$0.305	16,058,000
	<b>Redemption Of Convertible Note Announcement:</b>		
Wednesday, 20 April 2011	The full trading day following the release of the "Redemption of Convertible Note" announcement on 19 April 2011 at a redemption price of HK\$96,800,000 in relation to convertible note issued to an independent third party	HK\$0.285	75,005,000
Tuesday, 19 April 2011	The release of the "Redemption of Convertible Note" announcement	HK\$0.280	142,790,000
Monday, 18 April 2011	The trading day before the release of the "Redemption of Convertible Note" announcement	HK\$0.275	74,035,000
	<b>"Property Transaction" Announcement:</b>		
Tuesday, 28 December 2010	The full trading day following the release of the "Property Transaction" announcement on 24 December 2010 in relation to disposal of the Mohan Building at Kowloon for a consideration of HK\$1.38 billion (bought at HK\$575 million in 2007)	HK\$0.209	61,078,000
Friday, 24 December 2010	The trading day before the release of the "Property Transaction" announcement	HK\$0.195	17,620,000

Source: website of the Stock Exchange — [www.hkex.com.hk](http://www.hkex.com.hk)

---

## LETTER FROM CENTURION

---

In the order of the numbered paragraphs in the section headed “Value Of The Partial Offer” set out in the “Letter From Anglo Chinese”, the Offer Price of HK\$0.255 represents:

- (i) a premium of approximately 31.4% over the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 32.1% over the average closing price of HK\$0.193 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 31.4% over the average closing price of HK\$0.194 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 26.9% over the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 13.3% over the closing price of HK\$0.225 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 61.9% to the unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$0.67 per Share as at 30 September 2011 as shown in the published interim report of the Company for the six months ended 30 September 2011; and
- (vii) a discount of approximately 51.0% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$0.52 per Share as at 31 March 2011 as shown in the published annual report of the Company for the year ended 31 March 2011.

*Highest and lowest closing prices of the Shares*

For the purpose of this letter of independent advice, we have chosen the period from 1 December 2010 (being the first trading day of the 12 calendar months prior to the announcement of the Offers) to the Latest Practicable Date as the review period (“Review Period”), which was chosen on the basis that such time frame should be adequate to cover the recent milestone events (set out in Table A above) reasonably expected to affect the price and trading volume formation of the Shares. During the Review Period, the highest closing price of the Shares was HK\$0.345 per Share as quoted on the Stock Exchange on 24 May 2011 and the lowest closing price of the Shares was HK\$0.158 per Share as quoted on the Stock Exchange on 3 October 2011.

---

## LETTER FROM CENTURION

---

Qualifying Shareholders should note that as a result of the global financial turmoil after the collapse of Lehman Brothers in the U.S., Hang Seng Index closed at the record low of 11,015 on 27 October 2008, and the closing price for the Share on that trading day was HK\$0.095. This we believe, is a relevant milestone event (for lowest Share price) against which the subsequent upward movements of the Share price can be viewed. The following table summarises the highest and the lowest closing prices of the Shares during the Review Period:

**Table B: Highest and lowest closing Share prices comparison during the Review Period**

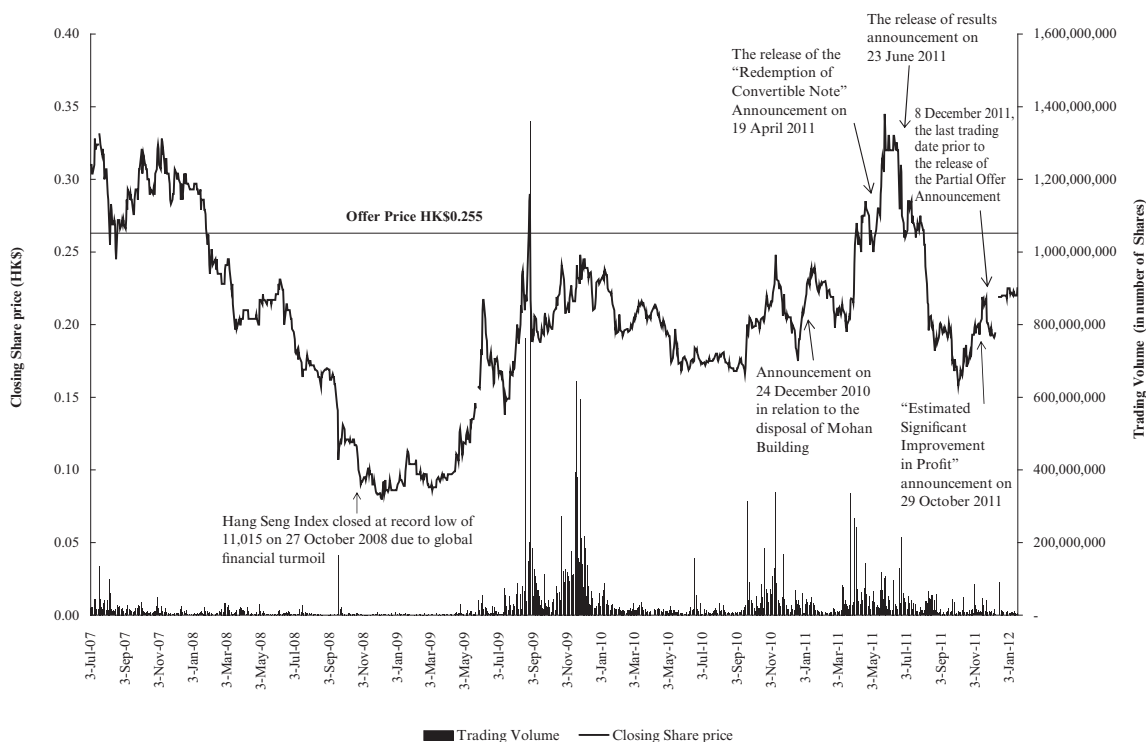
<b>Month/Period</b>	<b>Highest closing price (HK\$)</b>	<b>Lowest closing price (HK\$)</b>	<b>Average daily closing price (HK\$)</b>
<b>2010</b>			
December	0.211	0.175	0.197
<b>2011</b>			
January	0.239	0.219	0.230
February	0.230	0.198	0.219
March	0.242	0.195	0.211
April	0.285	0.250	0.267
May	0.345	0.250	0.294
June	0.330	0.260	0.304
July	0.285	0.260	0.272
August	0.265	0.182	0.211
September	0.201	0.168	0.189
October	0.193	0.158	0.176
November	0.219	0.192	0.203
December	0.225	0.191	0.210
<b>2012</b>			
January (up to the Latest Practicable Date)	0.225	0.220	0.222



## LETTER FROM CENTURION

The following chart illustrates the Offer Price as compared to the daily closing price of the Shares as quoted on the Stock Exchange since 3 July 2007, including the Review Period. We have chosen the first trading day in July 2007 as the starting point for the following chart (and for Charts II, III, IV and V below) as the Company had undertaken a share sub-division and change of board lot size exercise in May 2007, which might result in the period prior to such exercise less comparable, in so far as Share price performance is concerned.

**Chart I: Closing Share prices (and trading volume) chart of the Company**



Source: data extracted from iInvestor of Infocast Ltd.

During the Review Period, the closing price of the Shares on the Stock Exchange ranged between HK\$0.158 to HK\$0.345 per Share. If the period under review begins on 3 July 2007, the closing price of the Shares on the Stock Exchange ranged between HK\$0.080 to HK\$0.345 per Share. The closing price per Share on the Latest Practicable Date was HK\$0.225.

The daily closing price of the Shares during the Review Period, having reached the highest closing price of HK\$0.345 on 24 May 2011, has shown a steady and considerable decline in market price prior to the announcement of the Offers. While the Share price rallied briefly in the months of May and June 2011, the closing price of the Shares actually declined on the next trading date on 24 June 2011, after the Company's results announcement was released, which showed the Group net profit attributable to Shareholders

---

## LETTER FROM CENTURION

---

rose by 57% to HK\$857,732,000 for the year ended 31 March 2011. Fully diluted earnings per Share, based on such results, rose by 84% to HK\$0.0985, and based on the closing price per Share of HK\$0.275 on 24 June 2011, such price commanded a historical price-earnings multiples of 2.8 times only (also see Table D below for other price-earnings multiples under different Share price assumptions). Trading volumes of the Shares however, rose sharply from 16,058,000 Shares on 23 June 2011 to 214,965,616 Shares on 24 June 2011, an indication that such considerable selling pressure at that price range (and for the relatively thin trading volume of the Shares) might have created an “overhang” on the price formation of the Shares, irrespective of the improved earnings of the Group just announced then.

The aforesaid possible “overhang” effect on price formation of the Shares had been noted for other positive news of the Company announced during the Review Period as set out in Table A above.

In the light of the above and as part of their reasons for the Offers, Mr. Chung and the Offeror recognise that the prices of the Shares have not been performing in line with the positive trading results of the Company. Mr. Chung and the Offeror wish to offer Shareholders the opportunity to realise part of their investment at a significant premium to the current market price. Mr. Chung believes that the Partial Offer, if it becomes unconditional, would assist in relieving some of the selling pressure having a depressing effect on the Share price.

During the Review Period, the trading date on which the daily closing price per Share was last quoted at HK\$0.255 per Share, the same as the Offer Price, was on 4 August 2011. Subsequently, none of the closing prices per Share has ever reached the Offer Price. Whilst the closing prices per Share recovered somewhat since the announcement of the Partial Offer on 15 December 2011, such price increase is a direct result of the Partial Offer. We are therefore of the view that, based on the aforesaid Share price movements, such elevated market Share prices would not be sustainable, should the Partial Offer be withdrawn or lapsed.

**1.3 Comparison of the Offer Price to the net asset value of the Group**

The Offer Price represents a discount of approximately 61.9% to the unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$0.67 per Share as at 30 September 2011 as shown in the published interim report of the Company for the six months ended 30 September 2011. Historically, the price performance of the Shares has consistently traded at a considerable discount to the net asset value of the Group and the following chart summarises such discounts beginning from 3 July 2007.

**Chart II: Price-to-book ratio (Closing price per Share to reported net asset value of the Group)**



*Source: data extracted from the Company's published reports, circulars and iInvestor of Infocast Ltd.*

---

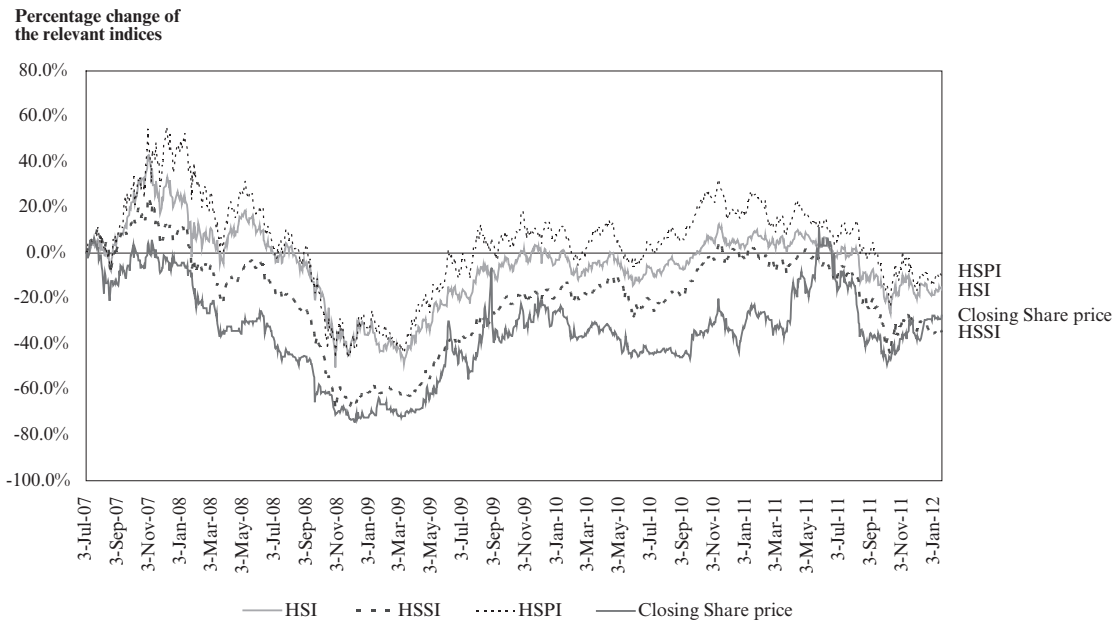
## LETTER FROM CENTURION

---

### 1.4 Share price performance against HSI and other indices

The following chart, using a percentage change approach (and by procuring all indices to begin with the same nil percentage change at the beginning), compares the closing price per Share performance, when viewed against the performance of each of the HSI (Hang Seng Index), HSSI (Hang Seng Composite SmallCap Index) and HSPI (Hang Seng Property Index), from 3 July 2007 to the Latest Practicable Date.

**Chart III: Share price performance vs. HSI, HSSI and HSPI Indices since 3 July 2007**

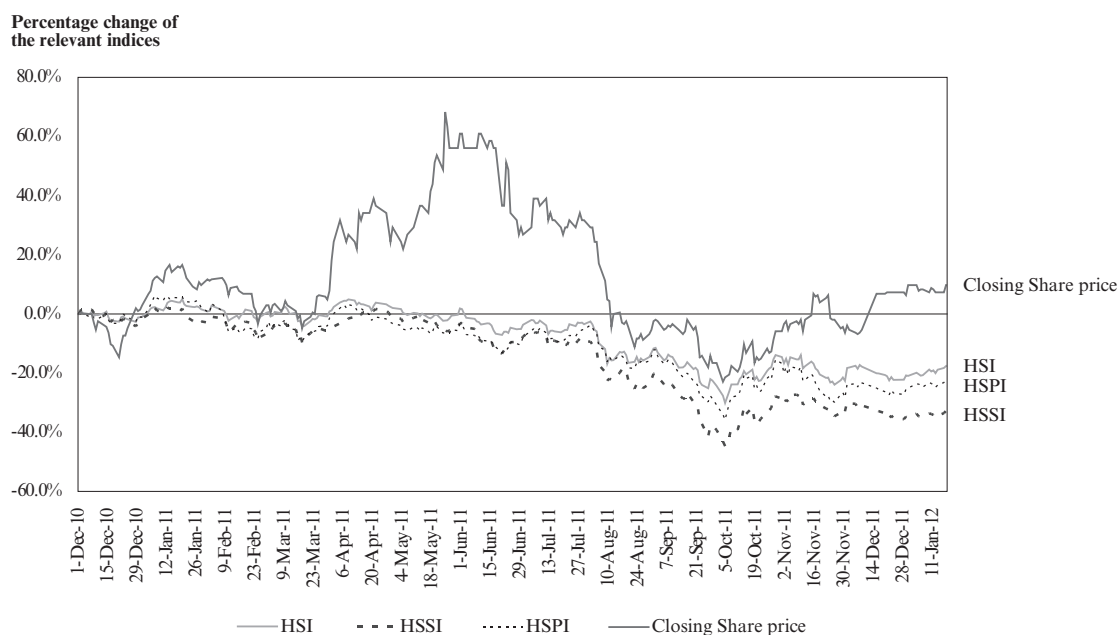


Source: data extracted from iInvestor of Infocast Ltd.

## LETTER FROM CENTURION

The following chart, using a percentage change approach (and by procuring all indices to begin with the same nil percentage change at the beginning), compares the closing price per Share performance, when viewed against the performance of each of the HSI (Hang Seng Index), HSSI (Hang Seng Composite SmallCap Index) and HSPI (Hang Seng Property Index), during the Review Period only.

**Chart IV: Share price performance vs. HSI, HSSI and HSPI Indices during the Review Period**



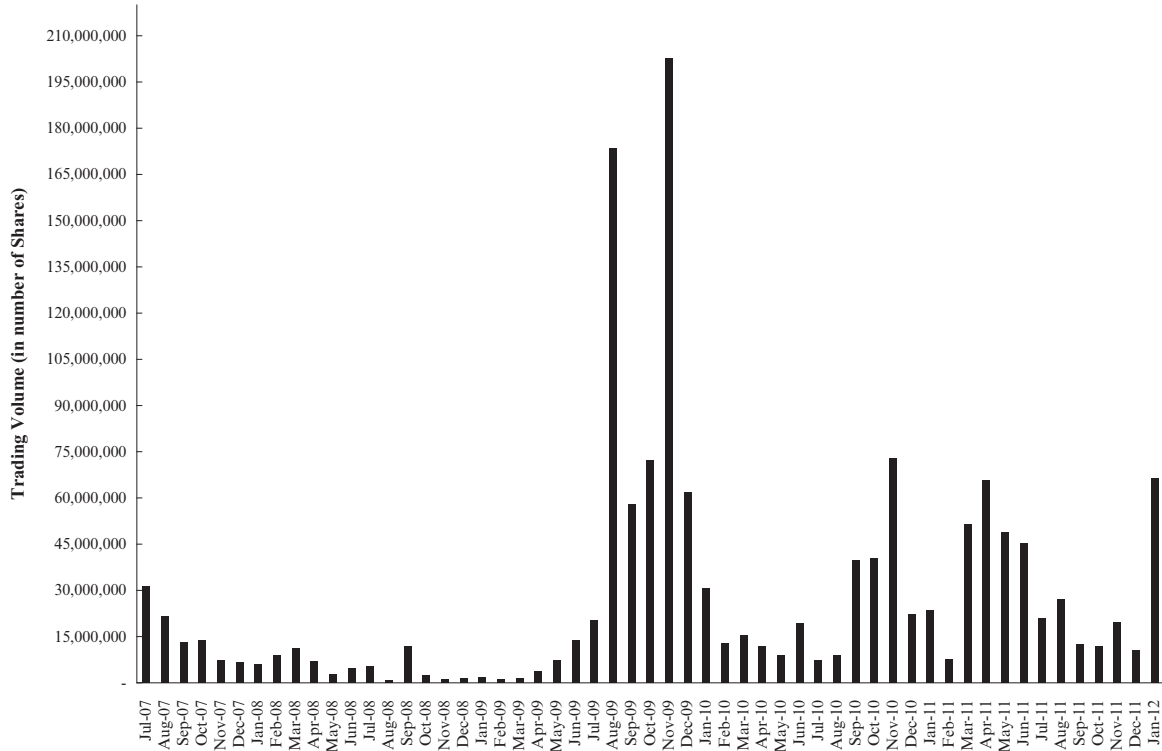
Source: data extracted from iInvestor of Infocast Ltd

Chart III shows that the closing price per Share performance was generally in line with the indices in which it was viewed against, and may even underperformed some of the indices as set out therein. Chart IV, which covers the Review Period and with the reference base period starting at nil changes on 1 December 2010, shows the closing price per Share actually out-performed these indices, especially during the period of April to July 2011, when the European sovereign debt crisis began to depress both local and global equity prices. We have also noted that this brief period of elevated Share prices also coincided with the Company's positive annual results announcement on 23 June 2011, which could be part of the reasons for the increased closing price per Share. However, Share prices had begun a downward trend after July 2011 and have since been trading more closely with the trends of the aforesaid indices. This downward trend does not appear to reflect the positive annual and interim results announced during the Review Period, details of which are set out in Table A above.

**2. Trading volume of the Shares**

The chart below illustrates the average daily trading volume of the Shares each month on the Stock Exchange from 3 July 2007 to the Latest Practicable Date:

**Chart V: Average daily trading volume of the Shares each month**



*Note:* Trading of the Shares was suspended on each of 17 July 2007, 25 and 26 May 2009 and 9, 12, 13 and 14 December 2011.

*Source:* data extracted from iInvestor of Infocast Ltd.

---

**LETTER FROM CENTURION**

---

As set out in the above chart, sharp increases in average daily trading volume are noted in the months of August and November 2009 were not sustainable and indeed, daily trading volume of the Shares on the Stock Exchange has since become more thinly traded. The following table highlights the number of Shares traded on the Stock Exchange in each calendar month during the Review Period:

**Table C: Monthly adjusted trading volume of the Shares during the Review Period**

<b>Month/Period</b>	<b>Total monthly trading volume (Shares)</b>	<b>Average daily trading volume (Shares)</b>	<b>Percentage of total monthly trading volume to total issued share capital (Note 1) (%)</b>	<b>Percentage of total monthly trading volume to public float Shares held by Shareholders (Note 2) (%)</b>
<b>2010</b>				
December	490,904,778	22,313,854	6.01	9.75
<b>2011</b>				
January	491,694,068	23,414,003	6.02	9.77
February	134,500,108	7,472,228	1.65	2.67
March	1,183,002,669	51,434,899	14.49	24.17
April	1,185,335,400	65,851,967	14.43	22.26
May	977,302,044	48,865,102	11.90	19.96
June	949,889,323	45,232,825	11.54	19.32
July	418,242,000	20,912,100	5.08	8.51
August	625,837,605	27,210,331	7.60	12.73
September	250,303,742	12,515,187	3.04	5.09
October	236,478,943	11,823,947	2.87	4.81
November	434,563,860	19,752,903	5.28	8.84
December	213,946,200	10,697,310	2.60	4.36
<b>2012</b>				
January (up to the Latest Practicable Date)	66,247,093	6,022,463	0.80	1.35

*Note 1:* Based on the total number of Shares in issue from time to time.

*Note 2:* Based on the total number of Shares held by independent Shareholders counted as public float (i.e. excluding holdings of Mr. Chung and the Offeror, Lehman Brothers Holdings Inc., Messrs. Kan Sze Man and Chow Hou Man and The Anglo Chinese Investment Company, Limited).

The above table shows that the number of Shares traded on the Stock Exchange per month during the Review Period as compared to the number of total issued Shares held in public hands (i.e. excluding those shareholdings held by Mr. Chung and the Offeror, Lehman Brothers Holdings Inc., Messrs. Kan Sze Man and Chow Hou Man and Anglo Chinese Investment Company, Limited) ranges from 2.67% to 24.17%. The sudden surge in the trading volume of the Shares in the months of March to June 2011 coincided with the positive annual results announcement of the Group on 31 March 2011, and the percentage of the total monthly trading volume to public float reached 24.17% in March 2011, the highest during the Review Period.

In light of the aforesaid, we are of the view that in the absence of the Partial Offer, the liquidity of the Shares as evidenced by its daily or monthly trading volume is, and will continue to be, relatively low. Qualifying Shareholders should therefore take note that it may be difficult to dispose large blocks of their Shares on the open market without exerting a considerable downward pressure on the Share prices, should the Partial Offer be declared lapsed.

This low level of liquidity for the Shares is recognised by Mr. Chung and the Offeror and as part of their reasons for the Offers, they believe the Shares have been, in general, relatively thinly traded throughout the year 2011, despite strong financial results of the Group, as the prices of the Shares have not been performing in line with such results. Mr. Chung believes that the Partial Offer, if it becomes unconditional, would assist in relieving some of the selling pressure having a depressing effect on the Share price. Having considered the above findings, and the price and volume formation of the Shares in Table A, we concur with such belief.

### **3. An overview of the Group's business**

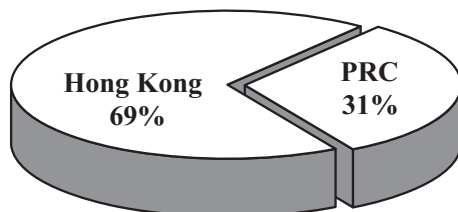
The Group is principally engaged in property investments focusing on repositioning and value enhancement of its properties acquired. A list of the Group's properties held for sale (including market values) is set out on pages 111 to 112 of the Company's 2011 annual report. The business model of the Group involves the following parameters:

- Acquisition of properties with a view to enhance value through renovation, tenant repositioning and/or change in usage;
- Prefers properties at prime location for better enhancement potential;
- Realise capital gain within a relatively short period (say 3–5 years) and redeploy capital on new opportunities; and
- Focus on two cities in Greater China — Hong Kong and Shanghai only.



In so far as the portfolio split by market value of Hong Kong and Shanghai is concerned, the Group's portfolio of properties can be summarised by the following chart.

**Chart VI: Portfolio split by market value of Hong Kong and Shanghai**



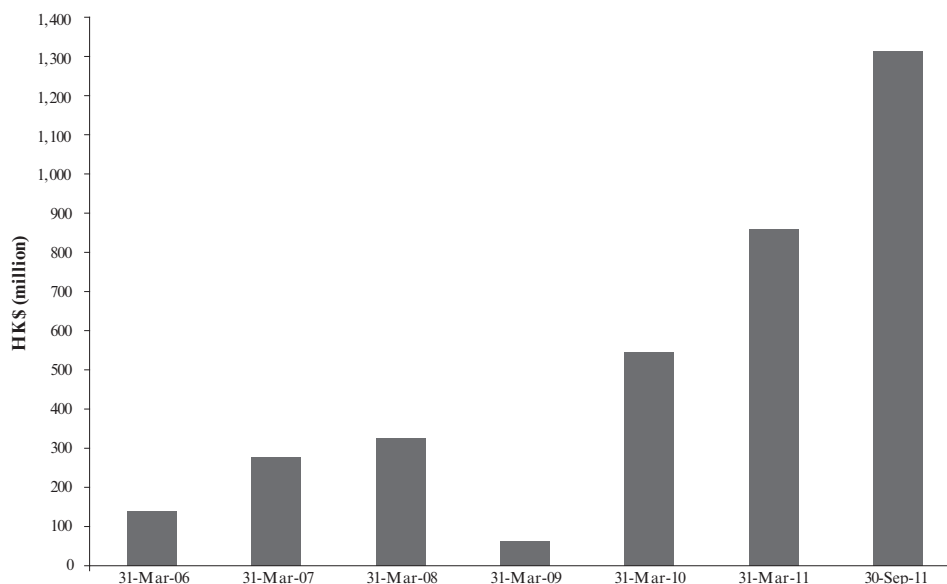
*Source: Company's presentation to analysts in November 2011 as posted on its website [www.csigroup.hk](http://www.csigroup.hk)*

The Group's PRC split of its property portfolio includes attributable interests in jointly controlled entities. The Group's intention for the next 2 to 3 years is to achieve a 50:50 split in property portfolio between Hong Kong and Shanghai. The Group's asset management teams in its Hong Kong and Shanghai offices are roughly the same size and have good local knowledge and execution capability.

#### **4. Past results of the Group and the price-earnings multiples commanded by the Shares**

The following chart gives an overview of the Group's net profit attributable to Shareholders for the past six years ended 31 March 2011 and for the six-month ended 30 September 2011.

**Chart VII: An overview of the Group's net profit attributable to Shareholders**



*Source: Company's presentation to analysts in November 2011 as posted on its website [www.csigroup.hk](http://www.csigroup.hk)*

---

**LETTER FROM CENTURION**

---

The following table highlights the Group's audited consolidated results for the three years ended 31 March 2011 as extracted from the Company's annual reports and its consolidated unaudited results for the six-month ended 30 September 2011 as extracted from its interim report dated 22 November 2011.

**Table D: Past results highlights of the Group**

	<b>For the year ended 31 March 2009 (Audited) (HK\$'000)</b>	<b>For the year ended 31 March 2010 (Audited) (HK\$'000)</b>	<b>For the year ended 31 March 2011 (Audited) (HK\$'000)</b>	<b>For the 6 months ended 30 September 2011 (unaudited) (HK\$'000)</b>
Revenue	<u>669,426</u>	<u>1,447,907</u>	<u>2,745,292</u>	<u>2,510,827</u>
Gross profit	209,493	268,948	972,192	1,363,412
<i>Gross profit margin</i>	<i>31.3%</i>	<i>18.6%</i>	<i>35.4%</i>	<i>54.3%</i>
Income and gains/(losses) from investments	(27,101)	64,728	17,311	(41,931)
Other income	25,879	48,443	5,609	7,311
Other gains and losses	(53,416)	331,396	41,691	(3,495)
Administrative expenses	(49,800)	(81,106)	(98,625)	(99,019)
Finance Costs	(113,321)	(54,951)	(79,953)	(25,710)
Share of results of jointly controlled entities	136,436	(6,509)	55,766	30,169
Share of results of associates	<u>(47,186)</u>	<u>(4,199)</u>	<u>26,426</u>	<u>155,964</u>
Profit before taxation	80,984	566,750	940,417	1,386,701
Taxation	<u>(17,861)</u>	<u>(21,765)</u>	<u>(84,106)</u>	<u>(71,183)</u>
<b>PROFIT FOR THE YEAR/ PERIOD</b>	<u>63,123</u>	<u>544,985</u>	<u>856,311</u>	<u>1,315,518</u>
Attributable to:				
— Shareholders	<u>62,373</u>	<u>546,271</u>	<u>857,732</u>	<u>1,312,060</u>
Earnings per Share				
— Diluted	<u>HK\$0.0098</u>	<u>HK\$0.0536</u>	<u>HK\$0.0985</u>	<u>HK\$0.1550</u>
Price-earnings multiple as represented by the closing Share price of HK\$0.194 on the Last Trading Day			<u>1.97 times</u>	<u>1.25 times</u>
Price-earnings multiple as represented by the Offer Price			<u>2.59 times</u>	<u>1.65 times</u>

---

## LETTER FROM CENTURION

---

The Group's gross profit margin rose sharply from 18.6% for the year ended 31 March 2010 to 35.4% and 54.3% for the year and six-month ended 31 March 2011 and 30 September 2011 respectively. However, the performance of the Share price as mentioned above simply failed to reflect such improved profit margins.

The aforesaid 2.59 times and 1.65 times price-earnings multiples as represented by the Offer Price, suggest the Share price, while relatively inexpensive, are actually in line with the lower ranges of the price-earnings multiples of the market comparables as set out in Table G below.

---

**LETTER FROM CENTURION**

---

**4.1 Segment financial information of the Group**

The segment revenue/profit of the Group for the six-month ended 30 September 2011 and the three years ended 31 March 2011 are extracted from the relevant reports and set out in the table below:

**Table E: Segment revenue and profit of the Group (HK\$'000)**

	<b>Property trading (including rental income)</b>	<b>Strategic investment (Note 1)</b>	<b>Securities investment (Note 1)</b>	<b>Total</b>
<b>For the six-month ended 30 September 2011 (Unaudited)</b>				
Segment revenue	2,510,827	—	—	2,510,827
<i>In %</i>	<i>100.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>
Segment profit/(loss)	1,319,897	198,881	(42,980)	1,475,798
<i>In %</i>	<i>89.4%</i>	<i>13.5%</i>	<i>(2.9%)</i>	<i>100.0%</i>
<b>For the year ended 31 March 2011 (Audited)</b>				
Segment revenue	2,745,292	—	—	2,745,292
<i>In %</i>	<i>100.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>
Segment profit	981,242	87,935	13,482	1,082,659
<i>In %</i>	<i>90.6%</i>	<i>8.1%</i>	<i>1.3%</i>	<i>100.0%</i>
<b>For the year ended 31 March 2010 (Audited)</b>				
Segment revenue	1,447,907	—	—	1,447,907
<i>In %</i>	<i>100.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>
Segment profit/(loss)	279,811	(10,309)	62,396	331,898
<i>In %</i>	<i>84.3%</i>	<i>(3.1%)</i>	<i>18.8%</i>	<i>100.0%</i>
<b>For the year ended 31 March 2009 (Audited)</b>				
Segment revenue	669,426	—	—	669,426
<i>In %</i>	<i>100.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>
Segment profit/(loss)	132,721	91,842	(32,921)	191,642
<i>In %</i>	<i>69.3%</i>	<i>47.9%</i>	<i>(17.2%)</i>	<i>100.0%</i>

\* *Note 1:* Segment revenue for this segment was only presented in the relevant accounts as the resulting segment profit (loss) only and not in the total revenue as set out in the relevant interim and annual reports.

*Source:* Interim report and annual reports of the Company

---

**LETTER FROM CENTURION**

---

The segment assets of the Group as at 30 September 2011 and segment assets and liabilities of the Group as at 31 March 2011, 2010, 2009 respectively are set out in the table below:

**Table F: Segment assets and liabilities of the Group (HK\$'000)**

	<b>Property trading (including rental income)</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank balances and cash</b>	<b>Other assets</b>	<b>Total Consolidated</b>
<b>As at 30 September 2011 (Unaudited)</b>						
<i>(Note 1)</i>						
Segment assets	4,152,011	1,566,804	438,009	2,193,047	165,465	8,515,336
<i>In %</i>	<i>48.8%</i>	<i>18.4%</i>	<i>5.1%</i>	<i>25.8%</i>	<i>1.9%</i>	<i>100.0%</i>
<b>As at 31 March 2011 (Audited)</b>						
Segment assets	4,543,502	681,297	450,690	1,721,786	287,030	7,684,305
<i>In %</i>	<i>59.1%</i>	<i>8.9%</i>	<i>5.9%</i>	<i>22.4%</i>	<i>3.7%</i>	<i>100.0%</i>
	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank and other borrowings</b>	<b>Other liabilities</b>	<b>Total Consolidated</b>
Segment liabilities	547,719	11,791	1,057	2,621,965	264,959	3,447,491
<i>In %</i>	<i>15.9%</i>	<i>0.3%</i>	<i>0.1%</i>	<i>76.1%</i>	<i>7.6%</i>	<i>100.0%</i>
	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank balances and cash</b>	<b>Other assets</b>	<b>Total Consolidated</b>
<b>As at 31 March 2010 (Audited)</b>						
Segment assets	6,609,924	109,545	297,189	581,745	191,455	7,789,858
<i>In %</i>	<i>84.8%</i>	<i>1.4%</i>	<i>3.8%</i>	<i>7.5%</i>	<i>2.5%</i>	<i>100.0%</i>
	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank and other borrowings</b>	<b>Other liabilities</b>	<b>Total Consolidated</b>
Segment liabilities	401,074	—	9,194	3,739,128	226,853	4,376,249
<i>In %</i>	<i>9.2%</i>	<i>0.0%</i>	<i>0.2%</i>	<i>85.4%</i>	<i>5.2%</i>	<i>100.0%</i>

---

**LETTER FROM CENTURION**

---

	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank balances and cash</b>	<b>Other assets</b>	<b>Total Consolidated</b>
<b>As at 31 March 2009</b>						
<b>(Audited)</b>						
Segment assets	4,344,468	125,030	247,200	1,197,978	144,883	6,059,559
<i>In %</i>	<i>71.7%</i>	<i>2.1%</i>	<i>4.1%</i>	<i>19.8%</i>	<i>2.3%</i>	<i>100.0%</i>
	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Bank and other borrowings</b>	<b>Other liabilities</b>	<b>Total Consolidated</b>
Segment liabilities	44,408	4,759	6,657	2,864,095	631,106	3,551,025
<i>In %</i>	<i>1.3%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>80.6%</i>	<i>17.8%</i>	<i>100.0%</i>

*Note 1:* Segment liabilities were not disclosed in the 2011 interim report.

*Source:* *Interim report and annual reports of the Company*

For the years/period under review above, segment revenues and profits of the Group were predominantly driven by property trading. Total revenue of the Group had also registered considerable increase on a year-to-year basis for the three years ended 31 March 2011 and for the six-month ended 30 September 2011 (when compared to the previous six-month period ended 30 September 2010).

In so far as assets and liabilities of the Group are concerned, the Group maintained a healthy liquid position which included large bank and cash balances of approximately HK\$2,193.0 million (or HK\$2,218.4 million, if cash held by securities brokers is included) as at 30 September 2011 (HK\$1,721.8 million (or HK\$1,859.4 million) as at 31 March 2011). The Group's short-term and long-term bank borrowings, which were utilized in financing the Group's property investment needs, decreased slightly from approximately HK\$2,622.0 million as at 31 March 2011 to approximately HK\$2,590.5 million as at 30 September 2011. The Group's ratio of total debt (represented by bank borrowings) to total assets was 30.4% as at 30 September 2011 (34.1% as at 31 March 2011). Approximately 48.8% of the Group's total assets (or HK\$4,152.0 million) was under the Property Trading segment as at 30 September 2011. The decline in such total assets under the Property Trading segment when compared to those of the previous years was due to disposal of properties.

## **5. Market comparables to the Company**

The following property companies listed on the Stock Exchange are in our view, comparable to the Company in terms of their property line of business in general and the size of their market capitalisation (when viewed against the market capitalisation of the Company as represented by the closing Share price on the Last Trading Day). In choosing these market comparables, we have also sought to include property companies whose market capitalisations are within the range of HK\$1.2 billion to HK\$2 billion only as we are of the view that samples within this range are likely to be

---

**LETTER FROM CENTURION**

---

more comparable to the Company. Our view on the comparability of these companies notwithstanding, it should be noted that no two companies are identical as quality of assets, investment horizon, leverage levels and other factors will differ from one company to another.

**Table G: Comparable companies listed on the Stock Exchange which we consider relevant**

<b>Company</b>	<b>Stock Code</b>	<b>Closing share price as at the Latest Practicable Date (HK\$)</b>	<b>Market Cap. (based on closing Share prices as at the Latest Practicable Date) (HK\$'million)</b>	<b>Price/earnings multiples based on the latest published audited accounts (HK\$)</b>	<b>Dividend Yield (in %)</b>	<b>Price to book multiples based on the latest published audited N.A.V. (times)</b>
China New Town Development Company Limited	1278	0.315	1,230	3.96	5.97%	0.37
Skyfame Realty (Holdings) Limited	59	0.93	1,374	1.39	Nil	0.70
SPG Land (Holdings) Limited	337	1.39	1,461	1.37	4.88%	11.27
Y.T. Realty Group Limited	75	1.94	1,551	2.87	1.55%	4.32
Lai Fung Holdings Limited	1125	0.185	1,489	2.81	2.70%	1.45
Beijing Capital Land Limited	2868	1.50	1,531	2.68	14.81%	0.24
Beijing Properties (Holdings) Limited	925	0.42	1,612	N.A.	Nil	1.22
SRE Group Limited	1207	0.365	1,809	2.17	7.95%	0.19
Shanghai Zendai Property Limited	755	0.137	1,708	2.98	Nil	0.33
Tian Shan Development (Holdings) Limited	2118	1.55	1,550	5.24	Nil	1.15
Sinolink Worldwide Holdings Limited	1168	0.62	2,195	6.41	Nil	0.31
			<b>Maximum</b>	<b>6.41</b>	<b>14.81</b>	<b>11.27</b>
			<b>Minimum</b>	<b>1.37</b>	<b>1.55</b>	<b>0.19</b>
			<b>Average</b>	<b>3.19</b>	<b>6.31</b>	<b>1.96</b>
			<b>Median</b>	<b>2.84</b>	<b>5.43</b>	<b>0.70</b>

---

**LETTER FROM CENTURION**

---

<b>Company</b>	<b>Stock Code</b>	<b>Closing share price as at the Latest Practicable Date (HK\$)</b>	<b>Market Cap. (based on closing Share prices as at the Latest Practicable Date) (HK\$'million)</b>	<b>Price/earnings multiples based on the latest published audited accounts (HK\$)</b>	<b>Dividend Yield (in %)</b>	<b>Price to book multiples based on the latest published audited N.A.V. (times)</b>
<b>the Company</b>	<b>497</b>	<b>0.255*</b> <i>(*based on Offer Price)</i>	<b>2,099</b>	<b>2.59</b>	<b>3.92%</b>	<b>0.49</b> <b>0.38*</b> <i>(*unaudited NAV as at 30 September 2011)</i>
		<b>0.194*</b> <i>(*based on closing Share price on the Last Trading Day)</i>	<b>1,597</b>	<b>1.97</b>	<b>5.15%</b>	<b>0.37</b> <b>0.29*</b> <i>(*unaudited NAV as at 30 September 2011)</i>

We are of the view that in so far as the Company is concerned and for the purpose of this comparison only, its market capitalisation should be with reference to the closing price per Share of HK\$0.194 on the Last Trading Day, not the Offer Price or the market prices per Share subsequent to the announcement of the Offers. These is because the price performance of the Shares subsequent to the announcement of the Offers is in our view, distorted by the influence of the Partial Offer, the Offer Price of which represents a premium of 31.4% over the closing price on the Last Trading Date prior to the announcement of the Offers.

The price-to-book multiples, price earnings multiples and dividend yield as commanded by the closing Share price on the Last Trading Day (and also the Offer Price) are within the respective range of the market comparables set out in the table above, given that the Company's price-to-book ratio was above the minimum ratio, its price-earnings multiples and dividends yield were close to the median ranges, of the relevant market comparables as set out above.

## **6. Premia of other partial offer cases precedent**

To determine whether or not the premium under the Offer Price is also in line with other recent partial offers, we have also reviewed all the cases precedent for partial offers for listed issuers whose shares are listed on the Stock Exchange since 1999. We have decided to only include previous cases announced after 2005 in the table below (the underlying rationale for this approach is to balance more up-to-date samples which in our view, better reflect market conditions but still offer a reasonable sample size for our comparison purpose). The excluded cases precedent are in our view, outdated and are thus less comparable than the more recent ones as set out in the table below as the local equity market has evolved considerably over the years in terms of



---

## LETTER FROM CENTURION

---

higher price-earnings multiples and other valuations afforded by the market. As a result of this approach, we are of the opinion that the cases precedent in the table below are considered by us to be fair representation samples and as such, are comparable to the Partial Offer, notwithstanding that these case precedents possibly involved companies in different industries and with different underlying reasons for their respective partial offers.

**Table H: Recent partial offer cases precedent**

Date of announcement of partial offer	Company*	Premium/(Discount) of partial offer over/(to) the closing prices of the shares of the relevant company for periods prior to initial announcement of partial offer		Shareholding held by the offeror and parties acting in concert	
		1 Day	10 Days	Before	After
20 May 2005	Qingling Motors Co. Ltd.	29.7%	4.3%	6.91%	20.00%
12 November 2007	Gold Peak Industries (Holdings) Limited	17.9%	7.0%	31.97%	48.00%
6 May 2009	Royale Furniture Holdings Limited	(1.5%)	(4.6%)	24.94%	51.00%
28 January 2011	Shui On Construction and Materials Limited (Renamed SOCAM Development Limited)	24.4%	27.2%	37.59%	48.62%
	<b>Maximum</b>	<b>29.70%</b>	<b>27.20%</b>		
	<b>Minimum</b>	<b>(1.50%)</b>	<b>(4.60%)</b>		
	<b>Average</b>	<b>17.63%</b>	<b>8.48%</b>		
	<b>Median</b>	<b>21.15%</b>	<b>5.65%</b>		
<b>14 December 2011</b>	<b>the Company</b>	<b>31.4%</b>	<b>31.4%</b>		

Source: The relevant company's announcements and circulars

(\*Note The above table excludes the partial offers announced prior to 2005)

As we consider the above table relevant to our analysis, which shows that the 31.4% premium on the closing price of the Shares as commanded by the Offer Price on 14 December 2011 ranks the highest, when viewed against those offer prices under the other partial offer cases precedent as set out above.

### 7. Net assets of the Group

As at 30 September 2011, total unaudited consolidated net assets of the Group attributable to the Shareholders amounted to HK\$5,514 million, or approximately HK\$0.67 per Share. The Offer Price represents a discount of approximately 61.9% to such audited consolidated net asset value of the Group.

---

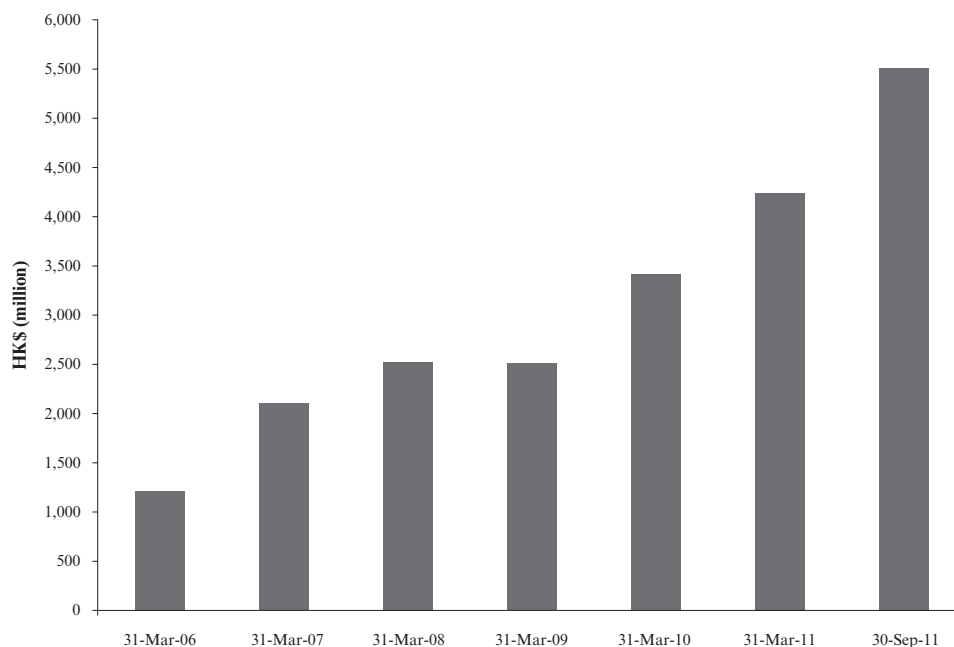
## LETTER FROM CENTURION

---

It should also be noted that as set out on page 4 of the Company's 2011 annual report, net assets attributable to the Shareholders was estimated to amount to approximately HK\$1.05 per Share, if the Group's properties held for sale and interests in jointly owned entities were stated at open market value as at 31 March 2011. On this basis, the Offer Price represents a discount of approximately 75.7% to such estimated net asset value of the Group.

The following chart shows the reported consolidated audited and unaudited net asset values of the Group since 2006.

**Chart VIII: Consolidated net asset values of the Group since 2006**



*Source: Company's presentation to analysts in November 2011 as posted on its website [www.csigroup.hk](http://www.csigroup.hk)*

As set out in Table G above, large discount to net asset values of comparable property companies is quite common and in fact, six out of eleven of these companies have a price-to-book ratio of less than one time, which means their share prices are trading at a discount to their respective net book values. Chart II also shows the market Share prices have never been traded at a level which would reasonably expect to reflect its underlying net asset value in recent years. We therefore come to the view that the market Share price does not appear to be driven by the Group's net asset value.

**8. Intentions of the Offeror**

As set out in the “Letter From Anglo Chinese”, following the successful completion of the Partial Offer, the Offeror intends to continue the existing businesses of the Group and does not intend to introduce any major changes to the existing business strategies and operations of the Group. The Offeror also intends that the employment of the employees of the Group will be continued and there will be no material change in the deployment of financial resources including, amongst others, fixed assets that are not in the course of normal ordinary business of the Group.

The Offeror intends to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer. As at the Latest Practicable Date, the Company has a public float of approximately 64.97% of the entire issued share capital of the Company. Assuming full acceptances of the Partial Offer by all the Qualifying Shareholders subject to any exercise of Share Options by any Optionholders, the Company will have a public float of not less than approximately 48.32% of the entire issued share capital of the Company immediately following the completion of the Offers and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules. The Offeror does not intend to avail itself of any powers of compulsory acquisition.

**9. Reasons for the Partial Offer**

As set out in the “Letter From Anglo Chinese”, Mr. Chung, the Offeror and parties acting in concert with any of them by virtue of the Partial Offer currently hold approximately 35.03% of the existing share capital of the Company, which under the Takeovers Code is considered to represent a sufficient percentage of the voting rights in the Company for Mr. Chung to be regarded as having control of the Company. Notwithstanding that Mr. Chung is deemed to have control of the Company, he wishes to increase his shareholding as he believes that an increase in the shareholding in the Company as a result of the Partial Offer would demonstrate the commitment and dedication of Mr. Chung to the Group and would further reinforce the alignment of his interest with those of the other Shareholders.

Further, Mr. Chung and the Offeror recognise that the Shares have been, in general, relatively thinly traded throughout the year 2011. Despite strong financial results of the Company in respect of the six months ended 30 September 2011, the prices of the Shares have not been performing in line with such results. Mr. Chung and the Offeror wish to offer Shareholders the opportunity to realise part of their investment at a significant premium to the current market price. In the circumstances, the Partial Offer would offer an opportunity to those Shareholders who wish to realise part of their investment to do so at a premium to the current Share price without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market, whilst retaining the balance of their equity interest in the Company to participate in the future growth of the Group.

---

## LETTER FROM CENTURION

---

Mr. Chung believes that the Partial Offer, if it becomes unconditional, would assist in relieving some of the selling pressure having a depressing effect on the Share price given the current turbulent and volatile market. Mr. Chung and persons acting in concert with him control between 30% and 50% of the voting rights of the Company and, under the Takeovers Code, he and persons acting in concert with him are restricted from increasing their interest in the Company by more than 2% of its issued share capital from their lowest percentage holding in the 12 months' period ending and inclusive of the date of the relevant acquisition. An increase of the interest of Mr. Chung and persons acting in concert with him beyond these restrictions would incur an obligation to make a general offer under the Takeovers Code. The Offer will enable him and the Offeror to acquire a more meaningful number of Shares over a defined period.

It is expected that through the Partial Offer, subject to exercise of Share Options by any Optionholders and conversion of convertible notes by Mr. Chung, the interests of the Offeror and Mr. Chung in the voting rights of the Company will increase from approximately 34.45% to 51.15%. The Offeror and Mr. Chung have no intention to privatise the Company and therefore have decided to proceed with the Partial Offer instead of a general offer.

---

**LETTER FROM CENTURION**

---

**10. Effects of the Partial Offer on the shareholding structure of the Company**

The table below shows the shareholding structure as at the Latest Practicable Date and immediately after completion of the Offers on the assumptions that: (i) the Partial Offer has been accepted in full by the Qualifying Shareholders; (ii) no additional Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the date of completion of the Offers; and (iii) none of the Directors accepts the Partial Offer:

**Table I: The effects of the Partial Offer on the shareholding structure of the Company**

	<b>As at the Latest Practicable Date</b>		<b>Immediately after completion of the Partial Offer and the Option Offer</b>	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Mr. Chung and the Offeror <i>(Note 1)</i>	2,836,362,062	34.45%	4,211,362,062	51.15%
<b>Parties acting in concert with Mr. Chung and/or the Offeror (by virtue of the Partial Offer only):</b>				
Mr. Kan Sze Man	24,534,562	0.30%	24,534,562	0.30%
Mr. Chow Hou Man	5,302,631	0.06%	5,302,631	0.06%
The Anglo Chinese Investment Company, Limited	<u>17,860,000</u>	<u>0.22%</u>	<u>13,284,274</u>	<u>0.16%</u>
<b>Subtotal for Mr. Chung, the Offeror and parties acting in concert with any of them (by virtue of the Partial Offer only):</b>	2,884,059,255	35.03%	4,254,483,529	51.68%
Public Shareholders	<u>5,349,048,171</u>	<u>64.97%</u>	<u>3,978,623,897</u>	<u>48.32%</u>
<b>Total no. of shares in issue</b>	<u><u>8,233,107,426</u></u>	<u><u>100.00</u></u>	<u><u>8,233,107,426</u></u>	<u><u>100.00</u></u>

*Notes:*

- Mr. Chung is the beneficial owner of 2,836,362,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by the Offeror of 2,833,317,062) and 18,648,018 shares relate to the derivative interests held by the Offeror in convertible notes. The Offeror is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and the Offeror are corporations wholly-owned and controlled by him.

---

## LETTER FROM CENTURION

---

As set out in the “Letter From The Board”, Mr. Kan Sze Man and Mr. Chow Hou Man, who are Qualifying Shareholders, do not intend to tender any Shares to the Offeror under the Partial Offer. In considering the acceptance of the Partial Offer, Mr. Kan and Mr. Chow have taken into account the fact that unlike the public Shareholders, they, being parties acting in concert with the Offeror by virtue of the Partial Offer, may not acquire voting rights in the Company during the 12 month period immediately following the end of the Offer Period pursuant to Rule 28.3 of the Takeovers Code.

As Mr. Chung and persons acting in concert with him control between 30% and 50% of the voting rights of the Company and, under the Takeovers Code, he and persons acting in concert with him are restricted from increasing their interest in the Company by more than 2% (i.e. the 2% creeper rule) of its issued share capital from their lowest percentage holding in the 12 months’ period ending and inclusive of the date of the relevant acquisition. An increase of the interest of Mr. Chung and persons acting in concert with him beyond these restrictions would incur an obligation to make a general offer under the Takeovers Code. The Partial Offer, if it becomes unconditional, will enable Mr. Chung and the Offeror to exceed the aforesaid 50% limit and thus, would not be subject to such 2% creeper rule. This in the longer term, should afford Mr. Chung more flexibility in his future purchases of the Shares (or repurchases of the Shares by the Company), in response to certain market conditions when the Share price might be depressed to a level that in Mr. Chung’s view, would be undervalued.

It should be noted that if the Partial Offer is completed, neither Mr. Chung, the Offeror nor parties acting in concert with any of them may, during the 12-month period immediately following the end of the Offer Period, acquire any voting rights in the Company under the relevant Takeovers Code requirement. However, as the expiry dates of all the outstanding Share Options of the Company fall within the prescribed 12 month period under Rule 28.3, the Executive has given consent to the Company to permit Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, who are parties acting in concert with the Offeror by virtue of the Partial Offer, to exercise their outstanding Share Options which are not successfully tendered and accepted under the Option Offer such that they will be given an equal opportunity as the other Qualifying Optionholders, namely the employees and consultants of the Company, to exercise outstanding Share Options due to expiry in the prescribed 12 month period under Rule 28.3.

### **11. Dividends**

For the year ended 31 March 2011, a final dividend of HK\$0.01 per Share amounting to HK\$82,331,000 has been declared and approved, which represents a dividend yield of 3.9%, based on the Offer Price. This dividend yield is in line with the dividend yields of the market comparable companies summarised in Table G above. For the years ended 31 March 2010 and 2009, final dividends were HK\$0.005 and HK\$0.0022 respectively. We therefore consider the Company has a steady dividend policy.

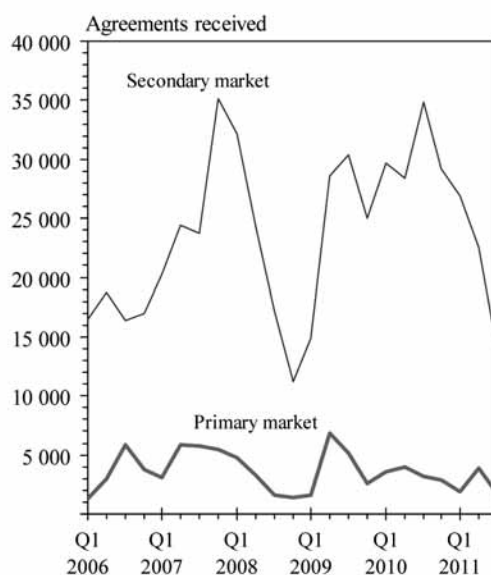
## 12. Property market conditions in Hong Kong and Shanghai

The outlook of the Group is best described on page 35 of the Company's 2011 interim report dated 22 November 2011. The recent volatility of the global financial market due to the European sovereign debt crisis, coupled with the property market cooling measures introduced by each of the Hong Kong and the PRC governments, have been described by the Company to result in a level of uncertainty, as well as fluctuations in the property market, going forward. We have reviewed these factors as follows.

### *Hong Kong*

According to the Third Quarter Economic Report 2011 ("Economic Report") released by the Hong Kong Government, the Hong Kong property market showed some consolidation in the third quarter for 2011, following an almost uninterrupted boom over the past two years or so. Apart from the aforesaid government's measures to cool the property market and the European sovereign debt crisis, the hikes in mortgage rates by banks in Hong Kong is also cited as a reason for the cooling down of the property market. The number of sale and purchase agreements for residential property received by the Land Registry plunged by 41% over the preceding quarter or 59% over a year earlier, to 15,516 in the third quarter for 2011, the lowest level since the fourth quarter of 2008. The following chart shows such decline in sales and purchase agreements.

**Chart IX: Trading in the residential property contracted further in first quarter of 2011**

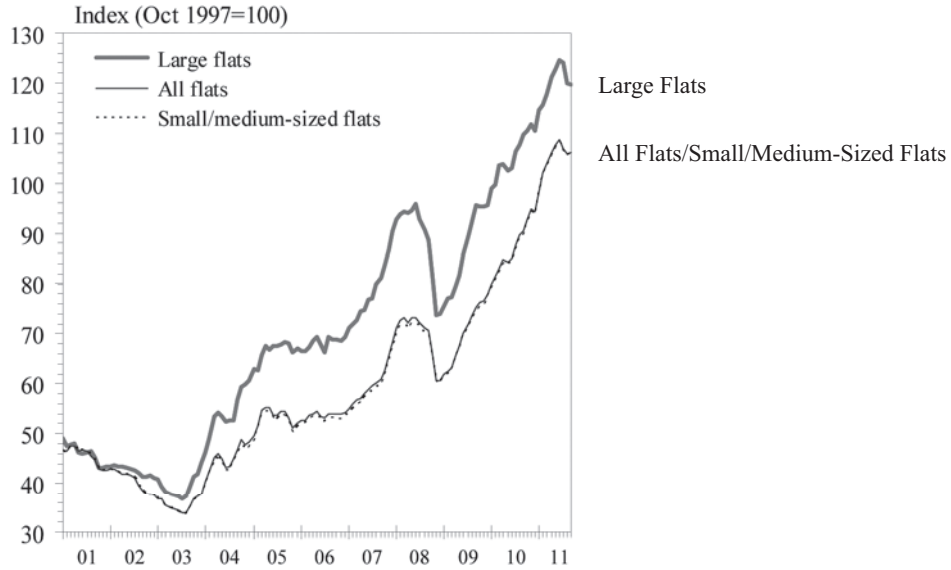


*Source: Third Quarter Economic Report 2011 by Economic Analysis Division, Financial Secretary's Office, HK SAR Government*

According to the Economic Report, the cooling measures of the Hong Kong Government were introduced along these four directions: (i) raise flat supply through increased land supply; (ii) curb speculative activities; (iii) prevent

excessive growth of mortgage lending; and (iv) increase transparency of the property market. To curb speculative activities, the Special Stamp Duty measure was announced by the Hong Kong Government in November 2010 and as a result, confirmor transactions plunged by 89% over a year earlier in the third quarter of 2011. The following chart shows flat prices in Hong Kong began to retreat in October and November 2011.

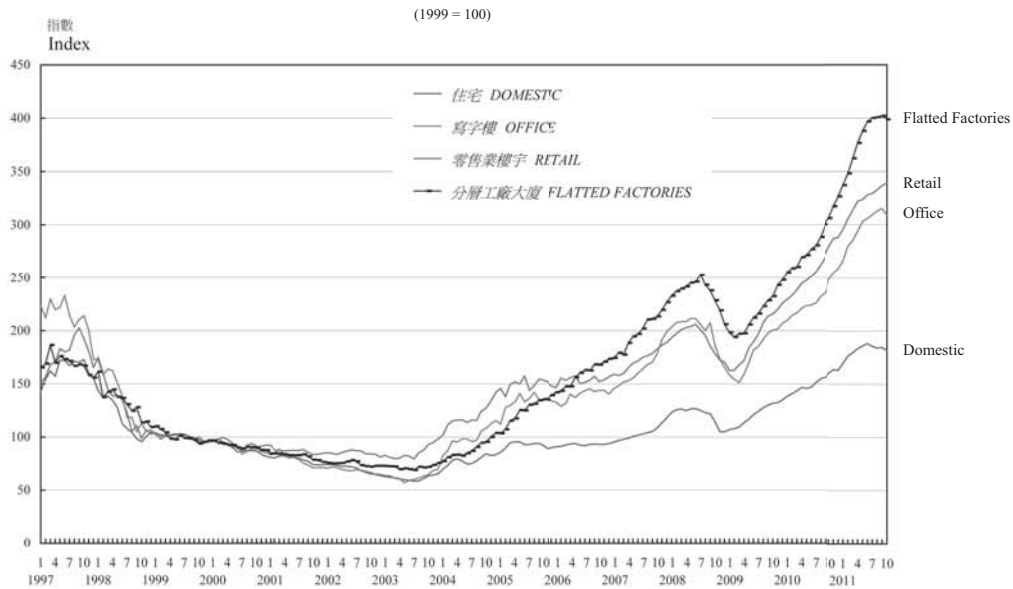
**Chart X: Residential flat prices retreated in recent months**



Source: *Third quarter economic report 2011* by Economic Analysis Division, Financial Secretary's Office, HK SAR Government



Chart XI: Price indices for Hong Kong property market



Source: Rating and Valuation Department, HK SAR Government

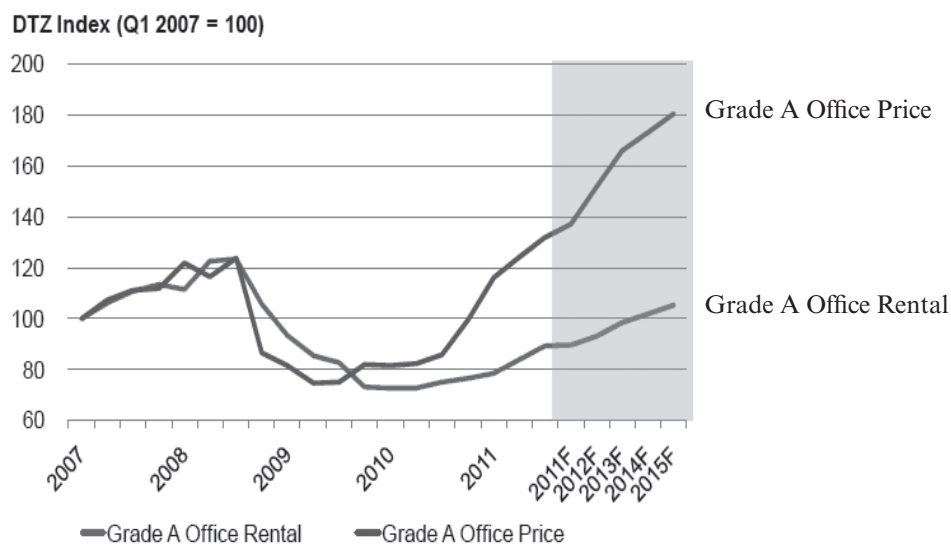
**Shanghai**

According to a press report by South China Morning Post on the front page of its business section on 22 December 2011, the Shanghai municipal government said that it would continue in 2012 with measures that restrict the number of homes purchased, in an attempt to slow down housing development in Shanghai. Currently, the housing market prices in Shanghai (and other major cities in the PRC) have retreated, as a result of these measures and possibly other factors such as the ongoing the European sovereign debt crisis and the resulting volatile global equity markets.

As published by the Shanghai Municipal Statistics Bureau (at its website [www.stats-sh.gov.cn](http://www.stats-sh.gov.cn)), for the period January to October 2011, sales of properties in terms of square metres continued to decline to 14.18 million square metres, a drop of 14.1% from the same period of last year. In which, residential properties totalled 11.45 million square metres, a decrease of 15.4%. On a month-to-month basis, sales of properties in terms of square metres for October 2011 was 1.11 million square metres, in which residential properties totalled 0.82 million square metres, a drop of 8.6% and 10.8% respectively from those recorded in September 2011. A sign that the various measures to clamp down on housing prices are having its intended effect.

The Group’s property portfolio in Shanghai is mainly of commercial and retail spaces. The following chart is extracted from DTZ Research report dated 14 October 2011 titled “Property Times, Shanghai Q3 2011”, which shows the rate of increases in Grade A office rent and price are beginning to level off.

**Chart XII: DTZ Grade A office index (2007-2015F)**



Source: DTZ Research report dated 14 October 2011 titled “Property Times, Shanghai Q3 2011”

The above chart only covers up to the third quarter of 2011, the South China Morning Post on 29 December 2011 in its business section published a more updated report on the mainland property market titled “Property Market In Crisis”. Citing tightening bank credit, restrictive policy on buying more than two flats by residents in Shanghai (and 45 other cities in the PRC), and other austerity measures introduced by the various municipal governments and Beijing, the mainland property market is said to be significantly weakened.

We believe the market condition in Hong Kong and Shanghai is an important factor to be considered, given the business model of the Company as set out above. While the Group’s unaudited bank balances and cash (including cash held by securities brokers) amounted to HK\$2,218.4 million as at 30 September 2011, which implies the Group would be in a good position to replenish its property portfolio, should the property prices decline somewhat in a “soft landing” of each of the property market in Hong Kong and Shanghai. The Group’s considerable property holdings, and the way in which its business model operates, also mean it is exposed to the risk arising from a sharp decline in property prices. Having considered the aforesaid property market conditions, the ongoing European debt crisis, the current macro economic outlooks in the PRC and in the U.S., we are of the view that the Group’s business model in 2012 is likely to face more challenging market conditions.

---

## LETTER FROM CENTURION

---

### SUMMARY AND CONCLUSION

Having considered the abovementioned principal factors and reasons, we are of the opinion that the terms of the Partial Offer and the Option Offer are fair and reasonable. Our bases to arrive at such conclusion are summarised below:

- While the Offer Price does represent a large discount to the carrying value and estimated market value of the Group's net assets as set out above, the Offer Price is nevertheless, higher than the recent market prices of the Shares, which for the periods under review, had not traded at a level which would reasonably reflect the Group's net asset value in recent years (see Chart II above).
- The closing prices per Share was last traded at the Offer Price on 4 August 2011 and have not traded at such level since. The latest upward rally of the Share price up to the Latest Practicable Date is likely supported by the presence of the Partial Offer only, thus in our view, the upward rally of the Share price may not be sustainable should the Partial Offer be declared lapsed.
- The prevailing market valuations of the comparable companies set out in Table G above suggest on a price to book and price-earnings multiples basis, the recent market Share price is in line with these comparable companies. The Offer Price represents a premium of 31.4% over the closing price per Share on the Last Trading Day which in our view, could not have been provided by the open market under current market conditions, in the absence of the Partial Offer.
- The Offer Price is also in line with past premia paid in other partial offers as set out in Table H above.
- The Offers is an opportunity for Qualifying Shareholders and Qualifying Optionholders to partially exit their shareholding position at a price and market liquidity condition that would otherwise not exist. This opportunity is particularly useful for those Qualifying Shareholders who were contemplating selling down their holding in the Shares anyway prior to the announcement of the Offers. On this note, we refer to Mr. Chung's belief as set out above that the Partial Offer, if it becomes unconditional, would assist in relieving some of the selling pressure having a depressing effect on the Share price given the current turbulent and volatile market. Having reviewed the milestone events and the "overhang" factor on the Share price arising from the relevant price and volume formation of the Shares as set out in Tables A and C above, we are in concurrence with such belief of Mr. Chung.
- Mr. Chung and persons acting in concert with him are currently restricted from increasing their interest in the Company by more than 2% of its issued share capital from their lowest percentage holding in any of the 12 months' period going forward under the Takeovers Code. The Partial Offer, if it becomes unconditional, will enable Mr. Chung and the Offeror to be relieved from such 2% "creeper rule" restriction and as a result, they would be able to acquire a more meaningful number of Shares over a defined period (subject to the relevant

---

## LETTER FROM CENTURION

---

Takeovers Code requirement and consent as set out in the section headed “Effects of the Partial Offer on the shareholding structure of the Company” above). This we believe, will afford Mr. Chung more flexibility in his future purchases of Shares (or repurchase of Shares by the Company), in response to certain market conditions when the Share price might be depressed to a level which in Mr. Chung’s view, would be undervalued.

- As we are in concurrence with the reasons for the Partial Offer and we have concluded that the terms of the Offers are fair and reasonable, we are of the opinion that Qualifying Shareholders, regardless whether or not they intend to accept the Partial Offer, they should approve the Partial Offer by specifying the number of the Shares in respect of which they approve the Partial Offer in the Form of Approval and Acceptance, in order to increase the chance of the Partial Offer to becoming unconditional.
- The current property market conditions and cooling measures introduced by local governments in Hong Kong and in Shanghai would suggest that the business prospects of the Group in 2012 are likely to be affected by more volatile market conditions and Qualifying Shareholders and Qualifying Optionholders who do not necessarily share the same level of commitment and dedication that Mr. Chung has to the Group (or are less confident in the property market conditions) should look at the Offers as an opportunity to sell down part of their investment and to do so at a premium to the current Share price without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market, whilst retaining the balance of their equity interest in the Company to participate in the future growth of the Group.

As we have also concluded that the Offer Price is fair and reasonable, and the Option Offer Price is a “comparable offer” (i.e. Offer Price less the exercise price of the relevant in-the-money Share Option), Qualifying Optionholders whose Share Options are in-the-money should refer to the table on page 20 in the Composite Offer Document, which sets out the Option Offer Price, after taking into account the relevant exercise price(s) of the Share Option(s). Qualifying Optionholders whose Share Options are out-of-the-money should continue to hold on to their Share Options rather than accepting the Option Offer as they will only receive a nominal HK\$0.001 for each of the underlying Shares under their out-of-the-money Share Options tendered and taken up by the Offeror. In this regard, the maximum number of Shares underlying the out-of-the-money Share Options in such Option Class to be taken up by the Offeror (i.e. the “Maximum Grant Acceptance”) amounted to 24,198,993, which means a total of HK\$24,198.99 only would have been the combined consideration if all such out-of-the-money Share Options were to be tendered in acceptance of the Option Offer.

Qualifying Shareholders who wish to sell more than the 25.62% of their holdings which may be taken up under the terms of the Partial Offer should consider (i) selling on the open market, in particular if the market Share price is the same as or exceeds the Offer Price; and (ii) if market condition does not permit such disposal, tendering more than 25.62% of their

---

## LETTER FROM CENTURION

---

total holding in the Shares, if such Qualifying Shareholders believe that the Share price and/or trading volume may fall back to the levels seen prior to the announcement of the Offers, after the close of the Offers.

Qualifying Shareholders and Qualified Optionholders should also note that all the Directors who are also Qualified Shareholders and/or Qualified Optionholders have stated their intention not to accept the Offers. This suggests that these executive Directors also share the same level of commitment and dedication that Mr. Chung has to the Group.

Our recommendation as set out below notwithstanding, Qualifying Shareholders and Qualifying Optionholders who do share the same level of confidence that Mr. Chung has in the Group, and that their circumstances permit them to do so, they may of course elect to continue to hold their Shares and Share Options respectively as investments.

### **RECOMMENDATION**

Having considered the principal factors and reasons set out above, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and Qualifying Optionholders are concerned. We therefore, advise the Independent Board Committee to recommend the (i) Qualifying Shareholders to accept the Partial Offer; and (ii) Qualifying Optionholders whose Share Options are in-the-money to accept the Option Offer.

We further advise the Independent Board Committee to recommend to the Qualifying Shareholders (other than Mr. Chung, the Offeror, and parties acting in concert with any of them including the Directors), regardless whether or not they intend to accept the Partial Offer, to approve the Partial Offer by specifying the number of the Shares in respect of which they approve the Partial Offer in the Form of Approval and Acceptance, in order to increase the chance of the Partial Offer to becoming unconditional.

Yours faithfully,  
for and on behalf of  
**Centurion Corporate Finance Limited**  
**Baldwin LEE**  
*Managing Director*

PROCEDURE FOR APPROVAL, ACCEPTANCE AND SETTLEMENT

1. General Procedure for Approval and Acceptance

- 1.1 **Whether or not the Qualifying Shareholders accept the Partial Offer, they may approve the Partial Offer AND specify the number of Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Share, fully paid up, shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Only ONE Form of Approval and Acceptance will be accepted from each Qualifying Shareholder by the Share Registrar and only ONE vote for each Share may be cast. If a Qualifying Shareholder has put a tick “√” to indicate his/her approval of the Partial Offer on the Form of Approval and Acceptance but no number of Shares in respect of such approval is specified or any other information in the Form of Approval and Acceptance is missing, incomplete or erroneous, the approval and the acceptance of the Partial Offer by such Shareholder will not be considered as valid until such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Qualifying Shareholders may vote in respect of the total number of Shares held by him/her even though he/she does not intend to accept the Partial Offer and/or the number of Shares voted may be more than the number of Shares tendered for acceptance.**
- 1.2 If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) (if applicable) in respect of the Shares is/are in the name of the Qualifying Shareholder(s), and he/she wishes to accept the Partial Offer whether in full or in respect of part of his/her holding of Shares, he/she should complete and return the accompanying Form of Approval and Acceptance in accordance with the instructions printed in this Composite Offer Document and the instructions printed on the Form of Approval and Acceptance. The instructions in the Composite Offer Document should be read together with the instructions on the Form of Approval and Acceptance (which instructions form part of the terms of the Partial Offer).
- 1.3 In order to be valid, the completed Form of Approval and Acceptance should be forwarded, together with the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for the exact number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, in an envelope marked “**CSI Properties Limited — Partial Offer**” as soon as possible after receipt of the Form of Approval and Acceptance but in any event by no later than 4:00 p.m. (Hong Kong time) on Thursday, 9 February 2012, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. In accordance with Rule 15.1 and Rule 15.3 of the

---

## APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

---

Takeovers Code, when the Partial Offer is declared unconditional in all respects, the Partial Offer will be open for acceptance for 14 days after the date on which the Partial Offer is declared unconditional in all respects. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

- 1.4 Unless the Partial Offer is extended or revised in accordance with the Takeovers Code, no Form of Approval and Acceptance received after the Final Closing Date will be accepted.
- 1.5 If the Form of Approval and Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be delivered to the Share Registrar with the completed Form of Approval and Acceptance.
- 1.6 No acknowledgement of receipt of any Form of Approval and Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) (if applicable) will be given.
- 1.7 In relation to any acceptance(s) of the Partial Offer in respect of Shares held in CCASS, the Company reserves the right to make such alterations, additions or modifications to the terms of the Partial Offer as may be necessary or desirable to give effect to any purported acceptance of the Partial Offer, whether to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.
- 1.8 To accept the Option Offer, Qualifying Optionholders should complete and sign the accompanying Form of Option Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.
- 1.9 Only one Form of Option Offer Acceptance will be accepted from each Qualifying Optionholder by the Company Secretary.
- 1.10 The completed and signed Form of Option Offer Acceptance should then be forwarded, together with all the relevant certificate(s) or letter(s) of grant, as the case may be, of the Share Options under the Option Class the Qualifying Optionholder intends to tender, stating the number of Shares underlying the Share Options in respect of which the Qualifying Optionholder intends to accept the Option Offer for those Share Options in respect of the same Option Class, by post or by hand to the Company Secretary at 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong in an envelope marked "**CSI Properties Limited — Option Offer**", as soon as possible after receipt of this Composite Offer Document and in any event no later than 4:00 p.m. on the Final Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive. If the number of Shares underlying the Share Options as

## APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

evidenced in the relevant certificate(s) or letter(s) of grant, as the case may be, of the Share Options tendered is less than the number of Shares underlying the Share Options stated in the Form of Option Offer Acceptance, or the Qualifying Optionholder fails to submit all the certificate(s) or letter(s) of grant, as the case may be, of the Share Options tendered for acceptance within the same Option Class, his/her acceptance would be invalid. Acceptance will only be valid if the Share Options tendered by the Qualifying Optionholder have not lapsed as at the Final Closing Date.

- 1.11 Qualifying Optionholders may accept the Option Offer in respect of some or all of the Share Options held by them. The Share Options will be categorised in different categories (each an “Option Class”) by virtue of the date of grant of the Share Options. The maximum number of Shares underlying the Share Options to be taken up by the Offeror in each Option Class (“Maximum Grant Acceptance”) (“X”) will be determined in accordance with the following formula:

$$X = \frac{D}{E} \times F$$

D: Total number of Shares underlying the Share Options held by all the Qualifying Optionholders under the Option Class

E: Total number of Shares underlying the Share Options held by all the Qualifying Optionholders

F: 75,420,195, being the maximum number of Shares underlying the Share Options to be taken up for cancellation by the Offeror under the Option Offer

Set out below is a table on the outstanding Share Options as at the Latest Practicable Date and the Maximum Grant Acceptance applicable to each Option Class:

Option Class (categorised by the date of grant of the Share Options)	Period during which Share Options outstanding are exercisable	Exercise price per Share (HK\$)	Number of new Shares issuable upon exercise of Share Options by all Optionholders	Number of new Shares issuable upon exercise of Share Options by all Qualifying Optionholders	Maximum Grant Acceptance	Option Offer Price per Share underlying the Share Options (HK\$)
23 September 2002	23 September 2002 to 25 August 2012	0.0884	129,795,751	129,795,751	33,071,957	0.1666
8 January 2004	8 January 2004 to 25 August 2012	0.0884	47,486,250	47,486,250	12,099,497	0.1666
9 January 2004	9 January 2004 to 25 August 2012	0.0948	23,743,125	23,743,125	6,049,748	0.1602
3 October 2007	3 October 2007 to 25 August 2012	0.3198	94,972,500	94,972,500	24,198,993	0.001
Total			<u>295,997,626</u>	<u>295,997,626</u>	<u>75,420,195</u>	



---

**APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER**

---

Further details of the outstanding Share Options, including the exercise periods of the Share Options are set out in “Appendix IV — General Information” in this Composite Offer Document. In respect of each Option Class, if valid acceptances are received for no more than the Maximum Grant Acceptance applicable to that Option Class, all Share Options tendered in respect of that Option Class will be taken up by the Offeror and cancelled on the Final Closing Date. In respect of each Option class, if valid acceptances are received for more than the relevant Maximum Grant Acceptance, the total number of Shares underlying the Share Options tendered by the relevant individual Qualifying Optionholder to be taken up by the Offeror and cancelled on the Final Closing Date in respect of the relevant Option Class (“V”) will be determined in accordance with the following formula:

$$V = \frac{X}{Y} \times Z$$

X: Maximum Grant Acceptance for the relevant Option Class

Y: Total number of Shares underlying the Share Options of the relevant Option Class tendered by all Qualifying Optionholders

Z: Number of Shares underlying the Share Options of the relevant Option Class tendered by the relevant individual Qualifying Optionholder

Qualifying Optionholders will have the right to elect how many Shares underlying the Share Options under each Option Class to tender for acceptance under the Option Offer. In the Form of Option Offer Acceptance, Qualifying Optionholders will be requested to indicate the date of grant of the Share Option(s) and the number of Shares underlying the Share Options they wish to tender under that Option Class. If a Qualifying Optionholder accepts the Option Offer in respect of a particular Option Class, the Qualifying Optionholder will be deemed to have tendered such Share Options proportional to the Share Options he/she holds for each exercise period within that Option Class, if applicable.

If a Qualifying Optionholder wants to tender any or all of his/her Share Options under any given Option Class, he/she must enclose all the relevant certificates or letters of grant, as the case may be, for the Share Options for all exercise periods, if applicable, under that Option Class. Failure to attach all the corresponding certificates or letters of grant, as the case may be, for the Share Options under the same Option Class so tendered would render the acceptance of the Option Offer null and void.

**2. Nominee Holdings**

2.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of a Qualifying Shareholder's Share(s) is/are in the name of a nominee company or some name other than his/her own, and such Qualifying Shareholder wishes to approve and/or accept the Partial Offer (either in full or in respect of part of his/her holding(s) of Shares), he/she must either:

- (i) lodge the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) with the nominee company, or other nominee, with instructions authorising it to approve and/or accept the Partial Offer on his/her behalf and requesting it to deliver the Form of Approval and Acceptance duly completed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar, within such deadline (which may be earlier than the deadline specified under the Partial Offer) as may be stipulated by the nominee; or
- (ii) arrange for the Shares to be registered in his/her name by the Company through the Share Registrar, and send the Form of Approval and Acceptance duly completed and signed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar before 4:00 p.m. on 9 February 2012, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce; or
- (iii) where his/her Shares are deposited in CCASS via his/her licensed securities dealer/broker/custodian bank, instruct his/her licensed securities dealer/broker/custodian bank to authorise HKSCC Nominees Limited to approve and/or accept the Partial Offer on his/her behalf on or before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Qualifying Shareholder should check with his/her licensed securities dealer/broker/custodian bank for the timing on processing his/her instruction, and submit such instruction to his/her licensed securities dealer/broker/custodian bank as required by them; or
- (iv) if the Shares have been lodged with his/her Investor Participant Account with CCASS, authorise his/her instruction via the CCASS Phone System or CCASS Internet System no later than one Business Day before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited.

- 2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly to allow their nominee(s) sufficient time to complete the acceptance procedure on his/her behalf before the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce.

### **3. Recent Transfers**

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her name and has not yet received the Share certificate(s) and wishes to approve and/or accept the Partial Offer, he/she should nevertheless complete and sign the Form of Approval and Acceptance and deliver it to the Share Registrar together with the transfer receipt(s) duly signed by him/her. Such action will be deemed to be an irrevocable authority to the Offeror and/or Anglo Chinese and/or any of their respective agent(s) or such other person(s) as any of them may direct for the purpose of collecting from the Company or the Share Registrar on his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Partial Offer, as if it was/they were delivered to the Share Registrar with the Form of Approval and Acceptance.

### **4. Lost or Unavailable Share Certificates**

- 4.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to approve and/or accept the Partial Offer, the Form of Approval and Acceptance should nevertheless be completed, signed and delivered, together with a letter stating that he/she has lost one or more of his/her Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available, to the Share Registrar so as to reach the Share Registrar no later than 4:00 p.m. on 9 February 2012, being the First Closing Date. If the Qualifying Shareholder finds such document(s) or if it/they become available, the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) should be forwarded to the Share Registrar as soon as possible thereafter and in any event no later than 4:00 p.m. on 9 February 2012, being the First Closing Date.
- 4.2 If a Qualifying Shareholder has lost his/her Share certificate(s), transfer receipt(s) and/or any other document(s) of title, he/she should write to the Share Registrar and request a letter of indemnity in respect of the lost Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Approval and Acceptance and any Share certificate(s), transfer receipt(s) and/or any other document(s) of title which are available, to the Share Registrar either by post or by hand, so as to arrive not later than 4:00 p.m. on the

First Closing Date. In such cases, the Qualifying Shareholder will be informed of the fees and/or expenses payable to the Share Registrar for which he/she will be responsible.

## **5. Additional Forms of Approval and Acceptance**

If a Qualifying Shareholder has lost the accompanying Form of Approval and Acceptance or such original has become unusable, and requires a replacement of such form, he/she should write to the Share Registrar or visit the Share Registrar at its office and request an additional Form of Approval and Acceptance for completion by such Qualifying Shareholder. Alternatively, he/she could download it from the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or the website of the Company at [www.csigroup.hk](http://www.csigroup.hk).

## **6. Settlement**

- 6.1 Provided that the Partial Offer becomes unconditional in all respects and a duly completed Form of Approval and Acceptance, accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) are received by the Share Registrar by no later than 4:00 p.m. on 23 February 2012, being the Final Closing Date (or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce) and are in order in all respects and in accordance with the Takeovers Code, the Share Registrar will send to the relevant Accepting Shareholder by ordinary post, at his/her own risks, a remittance for the amount due to him/her under the Partial Offer and (if applicable) any Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) (if applicable) for Shares not taken up or, if applicable, Share certificate(s) in respect of the balance of such Shares (taking account of any scaling down of his/her acceptance, stamp duty and the fees payable to the Share Registrar in respect of lost or unavailable Share certificates) in accordance with the authority and provisions contained in the Form of Approval and Acceptance as soon as possible but in any event within 10 days following the Final Closing Date. Settlement of the consideration to which any Accepting Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.
- 6.2 If the Partial Offer does not become unconditional in all respects, the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) as soon as possible but in any event within 10 days of the lapse of the Partial Offer. Where such Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or

more Share certificate(s) has/have been collected on that Accepting Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

- 6.3 If the Shares tendered by an Accepting Shareholder have not been taken up by the Offeror in full, the Share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) in respect of the balance of such Shares or a replaced certificate therefore will be returned or sent to him/her by ordinary post at his/her own risk as soon as possible but in any event within 10 days following the Final Closing Date.
- 6.4 Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) or letter(s) of grant, as the case may be, of the Share Options are complete and in good order in all respects and have been received by the Company Secretary no later than the latest time for acceptance (i.e. the Final Closing Date, or such later time and/or date as the Offeror may announce with the consent of the Executive), a cheque for the amount due to each Qualifying Optionholder in respect of the Share Options surrendered by him/her under the Option Offer and the certificate(s) or letter(s) of grant, as the case may be, in relation to the Share Options which are not successfully tendered and/or accepted under the Option Offer will be despatched to the Qualifying Optionholder by ordinary post at his/her own risk as soon as possible but in any event within 10 days following the Final Closing Date. If the Partial Offer does not become unconditional in all respects, the certificate(s) in relation to the Share Option(s) tendered will be returned and/or sent to each Accepting Optionholder as soon as possible but in any event within 10 days following the lapse of the Partial Offer.
- 6.5 Settlement of the consideration to which any Accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Optionholder.

## **7. New Shareholders**

Any new Shareholder may collect a copy of the Composite Offer Document, together with a blank Form of Approval and Acceptance from the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during the period from the date of the Composite Offer Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays). Such Shareholder may also contact the Share Registrar (through the enquiry general telephone line at 2862 8666) and request a copy of the Composite Offer Document and a blank Form of Approval and Acceptance (as appropriate) to be sent to his/her registered address as recorded in the Register.

**8. Exercise of Share Options**

A Qualifying Optionholder who wishes to approve and/or accept the Partial Offer may exercise the Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates or letters of grant, as the case may be, for the Share Options to the Company Secretary at 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong 7 Business Days before the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. The Qualifying Optionholder should at the same time complete and sign the Form of Approval and Acceptance and deliver it to the Share Registrar together with a copy set of the documents delivered to the Company Secretary for exercising the Share Options. Exercise of the Share Options are subject to the terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed Form of Acceptance and Approval to the Share Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or Anglo Chinese and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Share Registrar on his/her behalf the relevant Share certificate(s) when issued on exercise of the Share Options as if it was/they were delivered to the Share Registrar with the Form of Approval and Acceptance. If a Qualifying Optionholder fails to exercise his/her Share Options as aforesaid, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her exercise of the Share Option(s) to such Qualifying Optionholder in time for him/her to approve and to accept the Partial Offer as a Qualifying Shareholder of such Shares under the terms of the Partial Offer.

**9. Lost certificates in respect of the Share Options**

If the certificate(s) or letter(s) of grant, as the case may be, of the Share Option(s) is/are not readily available and/or is/are lost, and a Qualifying Optionholder wishes to accept the Option Offer or exercise the Share Option and approve and/or accept the Partial Offer, he/she must:

- if he/she wishes to accept the Option Offer, complete, sign and deliver the Form of Option Offer Acceptance and deliver the same to the Company Secretary together with a letter stating he/she has lost one or more of his/her certificates(s) or letter(s) of grant, as the case may be, and an indemnity (a form which is available from the Company Secretary) on or before the Final Closing Date.
- if he/she wishes to approve and/or accept the Partial Offer, exercise the Share Options to the extent exercisable as indicated in paragraph 8 in this Appendix above, but so that the relevant exercise notice, cheque for the subscription monies and the Form of Approval and Acceptance must reach the Company Secretary and the Share Registrar (as the case may be) 7 Business Days before the First Closing Date. He/she should at the same time deliver to the Company Secretary, together with a copy set to the Share Registrar, a letter stating that he/she has lost one or more of his/her certificates(s) or letter(s) of grant, as the case may be, and an indemnity to the Company in a form available from the Company Secretary.

**10. Lapse of Share Options**

Nothing in this Composite Offer Document nor the Option Offer will serve to extend the life of any Share Option which lapses under the Share Option Scheme. No exercise of Share Options nor acceptance of the Option Offer may be made in relation to any Share Option that has lapsed.

**EFFECT OF ACCEPTANCE OF THE PARTIAL OFFER BY QUALIFYING SHAREHOLDERS AND THE OPTION OFFER BY QUALIFYING OPTIONHOLDERS**

By validly accepting the Partial Offer, the Qualifying Shareholders will sell their tendered Offer Shares which are finally taken up by the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by the Company to the Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Qualifying Optionholders will tender their Share Options for cancellation which are finally taken up by the Offeror and such tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

**A Qualifying Optionholder may exercise all or any part of the Share Options, to the extent exercisable, in accordance with the Share Option Scheme. Any Shares allotted as a result of the exercise of any Share Options will be subject to and be eligible to participate in**

**approving and accepting the Partial Offer. He or she who has no intention to, or is not yet able to exercise any of his/her Share Options that has not yet vested, may accept the Option Offer in respect of their Share Options in accordance with its terms as set out in this Appendix and in the Letter from Anglo Chinese in the Composite Offer Document. Qualifying Optionholders who do nothing will continue to hold the Share Options in accordance with the terms of the Share Option Scheme.**

Each Qualifying Shareholder or Qualifying Optionholder by whom, or on whose behalf, a Form of Approval and Acceptance or Form of Option Offer Acceptance (as the case may be) is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and Anglo Chinese (so as to bind him/her, his/her personal representatives, heirs, successors and assigns) to the effect:

### **1. Irrevocable Acceptances**

That the Form of Approval and Acceptance or Form of Option Offer Acceptance which has been duly completed and received by the Share Registrar or the Company Secretary respectively will constitute irrevocable acceptance of the Partial Offer or the Option Offer, except in the circumstances that the Executive requires that such Accepting Shareholder is granted a right to withdraw in accordance with Rule 19.2 of the Takeovers Code or in compliance with Rule 17 of the Takeovers Code. Rule 19.2 of the Takeovers Code relates to failure to announce the results of the Partial Offer as set out in the section headed “Announcements” in this Appendix and provides that the Executive may require that Accepting Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met. Rule 17 of the Takeovers Code relates to the right of the Accepting Shareholder or Accepting Optionholder to withdraw his/her acceptance of the Partial Offer or the Option Offer after 21 days from the First Closing Date, if the Partial Offer has not by then become unconditional as to acceptances. The Offeror will make an announcement in the event such situation arises to advise on the right of withdrawal.

If the Partial Offer or the Option Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the relevant Share certificate(s) or certificates or letters of grant, as the case may be, in respect the Share Options and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of such number of Shares or Share Options lodged with the Form of Approval and Acceptance or the Form of Option Offer Acceptance to the relevant Accepting Shareholder(s) or Accepting Optionholder(s) by ordinary post.

### **2. Execution**

That the execution of the Form of Approval and Acceptance, subject to Rule 19.2 of the Takeovers Code, shall constitute approval by the relevant Qualifying Shareholder of the Partial Offer in respect of the number of shares inserted in Box A and an acceptance by the relevant Qualifying Shareholder of the Partial Offer in respect of the number of the Shares inserted in Box B of the Form of Approval and Acceptance and subject to the terms and



conditions set out or referred to in this Composite Offer Document and the Form of Approval and Acceptance and that, once lodged, such acceptance shall be irrevocable, unless withdrawn in accordance with the Takeovers Code.

**3. Representations and Warranties**

- (a) That he/she has full power and authority to tender, sell, assign and transfer all the Shares or Share Options (together with all rights accruing or attaching thereto) specified in such Form of Approval and Acceptance under the Partial Offer or the Form of Option Offer Acceptance under the Option Offer and that the Shares and the Share Options are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date; and
- (b) That if he/she is a resident or a citizen of a jurisdiction outside Hong Kong, he/she has fully observed any applicable legal or other requirements and that the Partial Offer may be accepted by him/her lawfully under the laws of the relevant jurisdiction.

**4. Appointment and Authority**

That the execution of the Form of Approval and Acceptance constitutes:

- (a) the irrevocable appointment of the Offeror, Anglo Chinese, any director or officer of the Offeror or Anglo Chinese, or such other person as any of them may direct, as such Qualifying Shareholder's agent ("**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Approval and Acceptance and/or any other document at the Agent's discretion on behalf of the person accepting the Partial Offer and to do any other acts or things (such as, among others, due execution of instruments of transfer to effect transfers of Offer Shares accepted by the Offeror pursuant to the Partial Offer to the Offeror and to tender the relevant Share certificate(s) for cancellation) as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Offeror to acquire some or all of the Shares (as the Offeror may in its absolute discretion determine in accordance with the formula as set out in the paragraph headed "Other Terms of the Partial Offer and the Option Offer" in the Letter from Anglo Chinese in respect of which such person has accepted the Partial Offer).

**5. Undertakings**

That by executing the Form of Approval and Acceptance, he/she:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Offeror or any Agent in the proper exercise of its or his/her powers and/or authorities under the terms of the Partial Offer (such as, among others, acts or things effecting the transfer of Offer Shares accepted by the Offeror pursuant to the Partial Offer);
- (b) undertakes to deliver to the Share Registrar the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares for which the Partial Offer is accepted, or an indemnity or indemnities acceptable to the Offeror in lieu thereof, or to procure the delivery of such document(s) to the Share Registrar as soon as possible thereafter and, in any event, no later than 4:00 p.m. on 9 February 2012, being the First Closing Date (or such later date as the Offeror may, subject to the Takeovers Code, decide and announce);
- (c) accepts that the provisions of the Form of Approval and Acceptance and the other terms and conditions in the Composite Offer Document are deemed to be incorporated into the terms and conditions of the Partial Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her acceptance of the Partial Offer as the Offeror may consider to be necessary, expedient or desirable in accordance with the Takeovers Code, including, without limitation, to acquire any Shares in respect of which he/she has accepted the Partial Offer free from all liens, charges, options, claims, equities, adverse interests, third parties rights or encumbrances whatsoever and together with all rights accruing attaching thereto on or after the Final Closing Date and/or to perfect any of the authorities expressed to be given hereunder;
- (e) authorises the Offeror or the Agent to procure the despatch by post of the consideration to which he/she is entitled at his/her risk to the address of the registered Shareholder or the first-named of joint registered Shareholders on the Register or, if different, to the name and address of the person as specified on the Form of Approval and Acceptance; and
- (f) submits to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Partial Offer or the Form of Approval and Acceptance.

**6. General**

- (a) Acceptance of the Partial Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Anglo Chinese that the Shares acquired under the Partial Offer are fully paid and sold by any

---

## APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

---

such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date.

- (b) The Qualifying Shareholders may approve and/or accept the Partial Offer by completing the Form of Approval and Acceptance in accordance with the instructions set out in the Form of Approval and Acceptance (which constitute part of the terms of the Partial Offer). A Form of Approval and Acceptance may be rejected as invalid if the procedures contained in the Composite Offer Document and in the Form of Approval and Acceptance are not complied with.
- (c) The Partial Offer and all acceptances of it, the Form of Approval and Acceptance and all contracts made pursuant to the Partial Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Approval and Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (d) The failure of any person to receive the Composite Offer Document or the Form of Approval and Acceptance will not invalidate any aspect of the Partial Offer. Extra prints of these documents are available to any Qualifying Shareholder at the office of the Share Registrar during the period from the date of the Composite Offer Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays), and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.csigroup.com](http://www.csigroup.com).
- (e) The Offeror reserves the right, subject to any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the total number of Offer Shares), a supplemental document and new Form of Approval and Acceptance will be despatched to the Qualifying Shareholders. Any revised Partial Offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Partial Offer, the Offeror revises the terms of the Partial Offer, all Qualifying Shareholders, whether they have accepted the Partial Offer or not, will be entitled to the revised terms.
- (f) The right of acceptance of the Partial Offer is personal to the Qualifying Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.
- (g) All questions as to the number of Offer Shares to be taken by the Offeror, the Offer Price to be paid therefore, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Offeror in its sole discretion, which determination will be final and binding on all

---

## APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

---

of the parties (except as otherwise required under the applicable laws or by the Executive). The Offeror reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment for which may, in the opinion of the Offeror, be unlawful.

Any irregular acceptance failing to satisfy the requirements of Rule 30.2 and the notes thereto will not be counted towards fulfilling the acceptance condition of the Partial Offer and approval requirements under Rule 28.5. In the event of a waiver, the consideration under the Partial Offer will not be dispatched until after the Form of Approval and Acceptance is completed in all respects and the Share certificate(s), and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) have been received. None of the Offeror, the Company, Anglo Chinese, the Share Registrar or any of their respective directors or any other person involved in the Partial Offer is or will be obliged to give notice of any defects or irregularities in acceptances and none of them will incur any liability for failure to give any such notice.

- (h) All communications, notices, the Form(s) of Option Offer Acceptance, Form(s) of Approval and Acceptance, Share certificate(s), Share Option certificate(s) or letter(s) of grant, transfer receipt(s), other document(s) of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Shareholders and Optionholders will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Offeror, the Company, Anglo Chinese, the Share Registrar or any of their respective directors or any other person involved in the Partial Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

### ANNOUNCEMENTS

The announcement on the results of the Partial Offer and the Option Offer will be issued by the Offeror on the website of the Stock Exchange by 7:00 p.m. on the day when the Partial Offer and the Option Offer has become or been declared unconditional in all respects (if such date is prior to the First Closing Date) or on the First Closing Date, as the case may be, and on the Final Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer and the Option Offer, and details of the way in which each Accepting Shareholder's and Accepting Optionholder's pro-rata entitlement was determined. In any announcement of an extension of the Partial Offer and the Option Offer, either the next closing date must be stated or, if the Partial Offer and the Option Offer are unconditional in all respects, a statement may be made that the Partial Offer and the Option Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

---

## APPENDIX I FURTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

---

Each of the announcements shall specify the total number of Shares:

- (a) for which acceptances of the Partial Offer and the Option Offer have been received;
- (b) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.

Each of the announcements must include the level of acceptances or the number or percentage of Accepting Shareholders and Accepting Optionholders in compliance with Note 2 to Rule 19 of the Takeovers Code.

Each of the announcements must include the details of the way in which each of the Accepting Shareholder's and Accepting Optionholder's pro-rata entitlement was/is to be determined in compliance with Note 7 to Rule 19 of the Takeovers Code.

Each of the announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

Each of the announcements shall include the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights represented by these numbers.

As required under the Takeovers Code, all announcements in relation to the Partial Offer and the Option Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and the Company.

### INTERPRETATION

1. A reference in this Composite Offer Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares or by reason of an exercise of the Share Options is entitled to execute a Form of Approval and Acceptance and in the event of more than one person executing a Form of Approval and Acceptance, the provisions of this Composite Offer Document apply to them jointly and severally.
2. A reference in this Composite Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for the year ended 31 March 2011 has been set out in the annual report 2011 of the Company which was posted on 5 July 2011 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2011:

<http://www.hkexnews.hk/listedco/listconews/sehk/2011/0705/LTN20110705035.pdf>

The audited consolidated financial statements of the Group for the year ended 31 March 2010 has been set out in the annual report 2010 of the Company which was posted on 2 July 2010 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/2010/0702/LTN201007021455.pdf>

The audited consolidated financial statements of the Group for the year ended 31 March 2009 has also been set out in the comparative column of the annual report 2010 of the Company. Please refer to quick link to the annual report 2010 as above for more details.

The following table summarises the results, and the assets and liabilities of the Group for each of three years ended 31 March 2011 and the six months ended 30 September 2010 and 2011:

### Results

	For the year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	669,426	1,447,907	2,745,292	394,833	2,510,827
Cost of sales	(459,933)	(1,178,959)	(1,773,100)	(229,783)	(1,147,415)
Gross profit	209,493	268,948	972,192	165,050	1,363,412
Income and gains/losses from investments	(27,101)	64,728	17,311	9,024	(41,931)
Other income	25,879	48,443	5,609	1,394	7,311
Other gains and losses	(53,416)	331,396	41,691	2,231	(3,495)
Administrative expenses	(49,800)	(81,106)	(98,625)	(41,174)	(99,019)
Finance costs	(113,321)	(54,951)	(79,953)	(44,902)	(25,710)
Share of results of jointly controlled entities	136,436	(6,509)	55,766	6,461	30,169
Share of results of associates	(47,186)	(4,199)	26,426	19,950	155,964
Profit before taxation	80,984	566,750	940,417	118,034	1,386,701
Taxation	(17,861)	(21,765)	(84,106)	(8,318)	(71,183)
<b>Profit for the year/period</b>	<b>63,123</b>	<b>544,985</b>	<b>856,311</b>	<b>109,716</b>	<b>1,315,518</b>
Attributable to:					
Owners of the Company	62,373	546,271	857,732	110,814	1,312,060
Non-controlling interests	750	(1,286)	(1,421)	(1,098)	3,458
	<b>63,123</b>	<b>544,985</b>	<b>856,311</b>	<b>109,716</b>	<b>1,315,578</b>
Earnings per Share (HK cents)					
Basic	1.00	7.32	10.51	1.40	16.00
Diluted	0.98	5.36	9.85	1.30	15.50

**Assets and Liabilities**

	As at 31 March			As at 30 September	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	274,287	294,974	823,108	828,005	1,728,965
Current assets	5,785,272	7,494,884	6,861,197	6,042,669	6,786,371
Current liabilities	(1,486,047)	(1,496,838)	(1,726,600)	(1,057,764)	(1,096,342)
Non-current liabilities	(2,064,978)	(2,879,411)	(1,720,891)	(2,301,424)	(1,902,251)
	<u>2,508,534</u>	<u>3,413,609</u>	<u>4,236,814</u>	<u>3,511,486</u>	<u>5,516,743</u>
Equity attributable to:					
Owners of the Company	2,469,771	3,413,435	4,237,535	3,511,884	5,514,006
Non-controlling interests	<u>38,763</u>	<u>174</u>	<u>(721)</u>	<u>(398)</u>	<u>2,737</u>
<b>TOTAL EQUITY</b>	<u>2,508,534</u>	<u>3,413,609</u>	<u>4,236,814</u>	<u>3,511,486</u>	<u>5,516,743</u>

The dividends paid for each of the three years ended 31 March 2009, 2010 and 2011 are approximately HK\$15,760,000, HK\$40,819,000 and HK\$82,331,000 respectively.

The dividend per share for each of the three years ended 31 March 2009, 2010 and 2011 is HK\$0.0022, HK\$0.005 and HK\$0.01 respectively.

There were no items which were exceptional because of size, nature or incidence for each of the three years ended 31 March 2009, 2010 and 2011.

The auditor's reports issued for each of the three years ended 31 March 2009, 2010 and 2011 are not qualified.

The unaudited interim financial information of the Group for the six months ended 30 September 2011 has been set out in the interim report 2011 of the Company posted on 30 November 2011 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the Interim Report 2011:

<http://www.hkexnews.hk/listedco/listconews/sehk/2011/1130/LTN20111130221.pdf>



**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2011**

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Revenue	5	2,745,292	1,447,907
Cost of sales		<u>(1,773,100)</u>	<u>(1,178,959)</u>
Gross profit		972,192	268,948
Income and gains/losses from investments	7	17,311	64,728
Other income	8	5,609	48,443
Other gains and losses	9	41,691	331,396
Administrative expenses		(98,625)	(81,106)
Finance costs	10	(79,953)	(54,951)
Share of results of jointly controlled entities		55,766	(6,509)
Share of results of associates		<u>26,426</u>	<u>(4,199)</u>
Profit before taxation		940,417	566,750
Taxation	11	<u>(84,106)</u>	<u>(21,765)</u>
Profit for the year	12	<u>856,311</u>	<u>544,985</u>
Attributable to:			
Owners of the Company		857,732	546,271
Non-controlling interests		<u>(1,421)</u>	<u>(1,286)</u>
		<u>856,311</u>	<u>544,985</u>
Earnings per share (HK cents)	16		
Basic		<u>10.51</u>	<u>7.32</u>
Diluted		<u>9.85</u>	<u>5.36</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	856,311	544,985
Other comprehensive income (expense)		
Exchange differences arising on translation	44,788	(372)
Reclassification of translation reserve upon disposal of subsidiaries	(39,156)	—
Share of exchange difference of associates	(1,704)	(2,586)
Change in fair value of available-for-sale investments	3,170	—
	7,098	(2,958)
Total comprehensive income for the year	863,409	542,027
Total comprehensive income (expense) attributable to:		
Owners of the Company	864,304	543,313
Non-controlling interests	(895)	(1,286)
	863,409	542,027

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

		31 March 2011	31 March 2010	1 April 2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i> (restated)
<b>Non-Current Assets</b>				
Property, plant and equipment	17	126,522	135,872	116,176
Deposit paid for acquisition of property, plant and equipment	18	—	—	5,742
Available-for-sale investments	19	5,005	29,142	24,669
Conversion options embedded in convertible notes	19	—	3,750	3,041
Club memberships	20	6,860	6,860	6,860
Interests in jointly controlled entities	21	182,671	5,508	31,204
Amounts due from jointly controlled entities	21	401,396	5,818	12,222
Interests in associates	22	11,294	8,151	7,937
Amounts due from associates	22	89,360	99,873	63,738
Deferred tax assets	23	—	—	2,698
		<u>823,108</u>	<u>294,974</u>	<u>274,287</u>
<b>Current Assets</b>				
Trade and other receivables	25	164,511	20,511	13,967
Deposit paid for acquisition of properties held for sale		245,430	48,000	—
Other deposit	26	—	1,820,495	—
Available-for-sale investments	19	21,504	—	—
Conversion options embedded in convertible notes	19	20	—	—
Investments held for trading	27	412,748	258,102	212,441
Properties held for sale	28	4,150,512	4,724,281	4,329,832
Taxation recoverable		7,093	6,542	4,750
Amounts due from jointly controlled entities	21	—	—	14,489
Amount due from a non-controlling shareholder of a subsidiary	24	25	25	3,440
Cash held by securities brokers	29	137,568	35,183	8,375
Bank balances and cash	29	1,721,786	581,745	1,197,978
		<u>6,861,197</u>	<u>7,494,884</u>	<u>5,785,272</u>

		<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i> (restated)
<b>Current Liabilities</b>				
Other payables and accruals	30	511,394	107,025	122,456
Taxation payable		104,696	25,050	24,903
Amounts due to jointly controlled entities	21	439	5,078	4,759
Amounts due to associates	22	12,201	2,000	2,000
Amounts due to non-controlling shareholders of subsidiaries	24	11,203	299,128	9,641
Convertible notes — due within one year	31	78,709	1,975	3,293
Bank and other borrowings — due within one year	32	<u>1,007,958</u>	<u>1,056,582</u>	<u>1,318,995</u>
		<u>1,726,600</u>	<u>1,496,838</u>	<u>1,486,047</u>
Net Current Assets		<u>5,134,597</u>	<u>5,998,046</u>	<u>4,299,225</u>
		<u><u>5,957,705</u></u>	<u><u>6,293,020</u></u>	<u><u>4,573,512</u></u>
<b>Capital and Reserves</b>				
Share capital	33	65,311	65,311	39,525
Reserves		<u>4,172,224</u>	<u>3,348,124</u>	<u>2,430,246</u>
Equity attributable to owners of the Company		4,237,535	3,413,435	2,469,771
Non-controlling interests		<u>(721)</u>	<u>174</u>	<u>38,763</u>
Total Equity		<u>4,236,814</u>	<u>3,413,609</u>	<u>2,508,534</u>
<b>Non-Current Liabilities</b>				
Convertible notes — due after one year	31	87,136	166,964	502,258
Bank and other borrowings — due after one year	32	1,614,007	2,682,546	1,545,100
Derivative financial instruments	34	10,415	9,194	6,657
Deferred tax liabilities	23	<u>9,333</u>	<u>20,707</u>	<u>10,963</u>
		<u>1,720,891</u>	<u>2,879,411</u>	<u>2,064,978</u>
		<u><u>5,957,705</u></u>	<u><u>6,293,020</u></u>	<u><u>4,573,512</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	Translation reserve	Investment revaluation reserve	Share option reserve	Convertible notes equity reserve	Accumulated profits	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
			(Note a)	(Note b)									
At 1 April 2009	39,525	841,269	371	1,698	276,058	21,030	—	5,294	55,811	1,228,715	2,469,771	38,763	2,508,534
Profit for the year	—	—	—	—	—	—	—	—	—	546,271	546,271	(1,286)	544,985
Exchange difference arising on translation	—	—	—	—	—	(372)	—	—	—	—	(372)	—	(372)
Share of other comprehensive expense of associates	—	—	—	—	—	(2,586)	—	—	—	—	(2,586)	—	(2,586)
Total comprehensive income and expense for the year	—	—	—	—	—	(2,958)	—	—	—	546,271	543,313	(1,286)	542,027
Issue of shares upon rights issue	17,786	155,628	—	—	—	—	—	—	—	—	173,414	—	173,414
Issue of shares upon private placement of shares	8,000	237,000	—	—	—	—	—	—	—	—	245,000	—	245,000
Transaction costs attributable to issue of shares	—	(12,438)	—	—	—	—	—	—	—	—	(12,438)	—	(12,438)
Realised on partial redemption of convertible notes (net of tax)	—	—	—	—	—	—	—	—	(45,306)	45,306	—	—	—
Recognition of equity component of convertible notes	—	—	—	—	—	—	—	—	10,668	—	10,668	—	10,668
Deferred taxation arising on recognition of equity component of convertible notes	—	—	—	—	—	—	—	—	(1,760)	—	(1,760)	—	(1,760)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	1,227	—	—	1,227	—	1,227
Dividend recognised as distribution (note 15)	—	—	—	—	—	—	—	—	—	(15,760)	(15,760)	—	(15,760)
Acquisition of additional interest in a subsidiary (note 38(ii))	—	—	—	—	—	—	—	—	—	—	—	(33,703)	(33,703)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,600)	(3,600)
At 31 March 2010	65,311	1,221,459	371	1,698	276,058	18,072	—	6,521	19,413	1,804,532	3,413,435	174	3,413,609
Profit for the year	—	—	—	—	—	—	—	—	—	857,732	857,732	(1,421)	856,311
Exchange difference arising on translation	—	—	—	—	—	44,117	—	—	—	—	44,117	671	44,788
Reclassified to profit or loss on disposal of subsidiaries (note 39)	—	—	—	—	—	(39,011)	—	—	—	—	(39,011)	(145)	(39,156)
Share of other comprehensive expense of associates	—	—	—	—	—	(1,704)	—	—	—	—	(1,704)	—	(1,704)
Increase in fair value of available-for-sale investments recognised directly in equity	—	—	—	—	—	—	3,170	—	—	—	3,170	—	3,170
Total comprehensive income and expense for the year	—	—	—	—	—	3,402	3,170	—	—	857,732	864,304	(895)	863,409
Realised on partial redemption of convertible notes (net of tax)	—	—	—	—	—	—	—	—	(1,625)	1,625	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	615	—	—	615	—	615
Dividend recognised as distribution (note 15)	—	—	—	—	—	—	—	—	—	(40,819)	(40,819)	—	(40,819)
At 31 March 2011	65,311	1,221,459	371	1,698	276,058	21,474	3,170	7,136	17,788	2,623,070	4,237,535	(721)	4,236,814

## Notes:

- (a) The capital reserve represents the Group's share of the deemed capital contribution arising from interest free loans granted to an associate by its shareholders.
- (b) The contributed surplus of the Group represents the amount arising from capital reorganisation carried out by the Company during the year ended 31 March 2003.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		940,417	566,750
Adjustments for:			
Finance costs		79,953	54,951
Interest income		(3,548)	(2,250)
Income from amortisation of financial guarantee contracts		(379)	(421)
Depreciation of property, plant and equipment		10,684	9,970
Gain on disposal of subsidiaries	39	(624,066)	—
Increase in fair value of financial instruments		(5,685)	(54,509)
Loss (gain) on partial redemption of convertible notes		1,112	(124,192)
Gain on redemption of other borrowing		—	(197,182)
Reversal of impairment loss on properties held for sale		—	(45,678)
Share-based payment expenses		615	1,227
Share of results of jointly controlled entities		(55,766)	6,509
Share of results of associates		(26,426)	4,199
Gain on disposal of property, plant and equipment		—	(7,628)
Operating cash flow before movements in working capital		316,911	211,746
Increase in trade and other receivables		(143,172)	(6,544)
Increase in deposit paid for acquisition of properties held for sale		(197,430)	(48,000)
Increase in other deposit		—	(1,820,495)
(Increase) decrease in investments held for trading		(137,538)	26,490
Increase in properties held for sale		(776,799)	(127,575)
Increase in other payables and accruals		427,747	64,137
Decrease in derivative financial instruments		(6,669)	(5,287)
Net cash used in operations		(516,950)	(1,705,528)
Hong Kong Profits Tax paid		(12,665)	(12,728)
Interest paid		(66,187)	(38,659)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(595,802)</b>	<b>(1,756,915)</b>

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Net cash inflow on disposals of subsidiaries (net of cash and cash equivalents disposed of)	39	1,474,699	—
Net cash inflow (outflow) on acquisition of subsidiaries	38	138,395	(37,680)
Repayments from associates		40,692	—
Repayments from jointly controlled entities		19,580	—
Dividend received from a jointly controlled entity		6,202	—
Proceeds from disposal of available-for-sale investments		6,000	—
Interest received		3,548	2,250
Dividend received from an associate		1,600	—
Purchases of property, plant and equipment		(1,609)	(25,096)
Advances to associates		(10,200)	(43,134)
Advances to jointly controlled entities		(39,455)	(16,461)
Increase in cash held by securities brokers		(102,385)	(26,808)
Proceeds on disposal of property, plant and equipment		—	8,800
Decrease in amount due from a non-controlling shareholder of a subsidiary		—	3,415
Increase in conversion options embedded in convertible notes		—	(3,750)
Purchases of available-for-sale investments		—	(11,250)
Acquisition of additional interest in a subsidiary	38	—	(13,950)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<u>1,537,067</u>	<u>(163,664)</u>

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised		917,488	1,529,228
Advance from associates		10,201	—
Advance from non-controlling shareholders of subsidiaries		4,465	289,487
(Repayments to) advance from jointly controlled entities		(4,639)	319
Partial redemption of convertible notes		(17,972)	(294,386)
Dividends paid		(40,819)	(15,760)
Repayments of bank borrowings		(669,948)	(448,418)
Proceeds on issue of shares and exercise of rights issue		—	418,414
Proceeds on issue of convertible notes		—	78,000
Dividends paid to a non-controlling shareholder of a subsidiary		—	(3,600)
Transactions costs paid for issue of shares		—	(12,438)
Redemption of other borrowings		—	(236,500)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>198,776</u>	<u>1,304,346</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,140,041	(616,233)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<u>581,745</u>	<u>1,197,978</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>		<u><u>1,721,786</u></u>	<u><u>581,745</u></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2011*

## 1. GENERAL

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

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

The Company is an investment holding company. The activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 46, 21 and 22 respectively.

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

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

HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

**Amendment to HKAS 17 “Leases”**

As part of Improvements to HKFRSs issue in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1 April 2010 based on information that existed at the inception of leases. Leasehold land that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a

reclassification of prepaid lease payment with carrying amount of HK\$105,137,000 and HK\$102,370,000 as at 1 April 2009 and 31 March 2010 respectively to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment was increased from HK\$11,039,000 and HK\$33,502,000 as at 1 April 2009 and 31 March 2010 to HK\$116,176,000 and HK\$135,872,000 respectively.

As at 31 March 2011, leasehold land that qualifies for finance lease classification with carrying amount of HK\$99,603,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

**HKAS 27 (Revised 2008) “Consolidated and Separate Financial Statements” and HKFRS 3 (Revised 2008) “Business Combinations”**

The requirements in HKAS 27 (Revised 2008) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are applied prospectively by the Group on or after 1 April 2010.

During the year, the Group disposed of 20% interest in Get Wisdom Limited (“Get Wisdom”), a subsidiary owned by the Group as to 70% immediately before the transaction. Get Wisdom became a jointly controlled entity following the disposal. In accordance with HKAS 27 (Revised 2008), when control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, the resulting difference is recognised as a gain or loss in profit or loss. The fair value of the investment retained in Get Wisdom, which approximated to 50% of the previous carrying amounts of assets and liabilities of Get Wisdom amounting to HK\$241,000, became the cost on initial recognition of an investment in a jointly controlled entity. There has been no material effect on the financial position and reported result of the Group for the year.

In addition, the impact of the adoption of HKAS 27 (Revised 2008) has been to allow allocation of total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. This change in accounting policy has resulted in an increase in profit attributable to owners of the Company by HK\$754,000 and an increase in loss for the year attributable to non-controlling interests by the same amount.

The Group also applies HKFRS 3 (Revised 2008) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. As there was no transaction during the year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**Hong Kong Interpretation 5 “Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” (“HK Int 5”)**

HK Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$159,893,000 and HK\$428,022,000 as at 31 March 2010 and 1 April 2009 respectively have been reclassified from non-current liabilities to current liabilities. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK\$321,846,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 37 for details).

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are summarised as follows:

	As at 1 April 2009 (originally stated) HK\$'000		As at 1 April 2009 (restated) HK\$'000		As at 31 March 2010 (originally stated) HK\$'000		As at 31 March 2010 (restated) HK\$'000	
		Adjustments HK\$'000			Adjustments HK\$'000			
Property, plant and equipment	11,039	105,137	116,176	33,502	102,370	135,872		
Prepaid lease payment	105,137	(105,137)	—	102,370	(102,370)	—		
Borrowings — current	(890,973)	(428,022)	(1,318,995)	(896,689)	(159,893)	(1,056,582)		
Borrowings — non-current	(1,973,122)	428,022	(1,545,100)	(2,842,439)	159,893	(2,682,546)		
Other assets and liabilities	5,256,453	—	5,256,453	7,016,865	—	7,016,865		
Net assets	<u>2,508,534</u>	<u>—</u>	<u>2,508,534</u>	<u>3,413,609</u>	<u>—</u>	<u>3,413,609</u>		
Total equity	<u>2,508,534</u>	<u>—</u>	<u>2,508,534</u>	<u>3,413,609</u>	<u>—</u>	<u>3,413,609</u>		

#### New and revised Standards and Interpretations issued but not yet effective

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

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>1</sup>
HKAS 24 (Revised 2009)	Related Party Disclosures <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>3</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>5</sup>
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>6</sup>
HKFRS 9 (Revised 2010)	Financial Instruments <sup>6</sup>
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>2</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2012
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2011
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised 2010) adds the requirements for the financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 April 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group’s financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

#### **Basis of consolidation**

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

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

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

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

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

***Allocation of total comprehensive income to non-controlling interests***

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

***Changes in the Group's ownership interests in existing subsidiaries***

*Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits, as appropriate). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**Jointly controlled entities**

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional shares are only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

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

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

#### **Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

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

#### **Revenue recognition**

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

Revenue from sale of completed properties in the ordinary course of business is recognised when the respective properties have been delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included as deposits received on sales of properties under current liabilities in the consolidated statement of financial position.

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

Management service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

#### **Property, plant and equipment**

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

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

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

#### **Properties held for sale**

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

#### **Properties under development under current assets**

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

Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into accounts the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated cost to completion.

**Leasing**

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

***The Group as lessee***

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

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

***Leasehold land and building***

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

Lease payments is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

**Club memberships**

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

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

**Financial instruments**

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



*Financial assets*

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

*Effective interest method*

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

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

*Financial assets at fair value through profit or loss*

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

A financial asset is classified as held for trading if:

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

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

#### *Impairment of financial assets*

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

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

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

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

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into convertible notes and other financial liabilities.

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Convertible notes issued by the Company*

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

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

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

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

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

#### *Other financial liabilities*

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

#### *Equity instruments*

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

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

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

#### *Embedded derivatives*

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

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

#### **Borrowing costs**

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

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

#### **Retirement benefit schemes**

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

#### **Taxation**

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### **Share-based payment transactions**

#### *Equity-settled share-based payment transactions*

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

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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

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

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

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

### **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in

equity in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

#### **Impairment loss**

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

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

Management reviews the recoverability of the Group's property interests held for sale and deposits paid for acquisition of such properties interests with aggregate carrying amount of approximately HK\$4,395,942,000 (31 March 2010: HK\$6,592,776,000, 1 April 2009: HK\$4,329,832,000) with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Impairment for estimated irrecoverable amounts is recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on the properties and the deposits is required, the Group takes into consideration the current market environment, the estimated market value of the properties held and to be acquired and/or the estimated net sale proceeds it expects to receive on disposals of the properties. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these property interests held and/or the deposits paid for acquisition of such properties, additional impairment loss may be required.

During the year ended 31 March 2010, the directors determined there is clear evidence of an increase in net realisable value of the Group's property interests held for sale that carried at net realisable value and still on hand at the end of the reporting period because of the booming of property markets in Hong Kong. Reversals of the impairments on properties held for sale amounted to approximately HK\$45,678,000 made in previous years have been recognised in the consolidated income statement for the year ended 31 March 2010. No impairments nor reversals of impairments were recognised during the year ended 31 March 2011.

**Fair value of derivative financial instruments**

Derivative financial instruments of approximately HK\$10,415,000 (31 March 2010: HK\$9,194,000, 1 April 2009: HK\$6,657,000) are carried in the consolidated statement of financial position at fair value, as disclosed in note 34. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the valuation provided by counterparty financial institution as the basis for fair value. The use of methodologies, models and assumptions in pricing and valuing these financial instruments is subjective and requires varying degrees of judgment by counterparty financial institutions, which may result in significantly different fair values and results.

**5. REVENUE**

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

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	277,558	189,602
Sales of properties held for sale	2,467,734	1,258,305
	<u>2,745,292</u>	<u>1,447,907</u>



## 6. SEGMENTAL INFORMATION

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

- (a) Property trading segment, which engages in the trading of properties;
- (b) Strategic investment segment, which engages in property investment through strategic alliances with the joint venture partners of the jointly controlled entities and associates; and
- (c) Securities investment segment, which engages in the securities trading and investment.

**Segment revenue and results**

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

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

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

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

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

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

**Segment assets and liabilities**

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

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i><b>Segment assets</b></i>		
Property trading	4,543,502	6,609,924
Strategic investment	681,297	109,545
Securities investment	450,690	297,189
	<hr/>	<hr/>
Total segment assets	5,675,489	7,016,658
Property, plant and equipment	126,522	135,872
Cash held by securities brokers	137,568	35,183
Bank balances and cash	1,721,786	581,745
Other unallocated assets	22,940	20,400
	<hr/>	<hr/>
Consolidated assets	<u>7,684,305</u>	<u>7,789,858</u>
<i><b>Segment liabilities</b></i>		
Property trading	547,719	401,074
Strategic investment	11,791	—
Securities investment	1,057	9,194
	<hr/>	<hr/>
Total segment liabilities	560,567	410,268
Convertible notes	165,845	168,939
Bank and other borrowings	2,621,965	3,739,128
Other unallocated liabilities	99,114	57,914
	<hr/>	<hr/>
Consolidated liabilities	<u>3,447,491</u>	<u>4,376,249</u>

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

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

**Other segment information***For the year ended 31 March 2011*

	<b>Property trading</b>	<b>Strategic investment</b>	<b>Securities investment</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets and liabilities:						
Interests in associates	—	11,294	—	11,294	—	11,294
Interests in jointly controlled entities	—	182,671	—	182,671	—	182,671
Fair value increase of investment held for trading	—	—	17,108	17,108	—	17,108
	<u>—</u>	<u>—</u>	<u>17,108</u>	<u>17,108</u>	<u>—</u>	<u>17,108</u>

*For the year ended 31 March 2010*

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

**Geographical information**

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

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

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

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

	Revenue from external customers		Non-current assets (Note)	
	Year ended 31 March		31 March	31 March
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,297,060	1,415,831	185,172	145,495
PRC	1,448,232	32,076	291	350
Singapore	—	—	6,828	3,686
	<u>2,745,292</u>	<u>1,447,907</u>	<u>192,291</u>	<u>149,531</u>

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

#### Information about major tenants and buyers of properties

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

	2011	2010
	HK\$'000	HK\$'000
Buyer A	1,324,231	N/A <sup>1</sup>
Buyer B	413,742	N/A <sup>1</sup>
Buyer C	N/A <sup>1</sup>	350,000
Buyer D	N/A <sup>1</sup>	277,000
Buyer E	N/A <sup>1</sup>	149,000
	<u>1,737,973</u>	<u>776,000</u>

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

#### Revenue by type of income

The relevant information is set out in note 5.

## 7. INCOME AND GAINS/LOSSES FROM INVESTMENTS

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from:		
— investments held for trading	9,358	8,268
— available-for-sale investments	314	395
Dividend income from:		
— investments held for trading	713	727
— available-for-sale investments	1,241	829
Increase (decrease) in fair values of:		
— investments held for trading	17,108	62,151
— conversion options embedded in convertible notes	(3,730)	—
— derivative financial instruments	(7,890)	(7,824)
— others	197	182
	<u>17,311</u>	<u>64,728</u>

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

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
— investments held for trading	27,179	71,146
— available-for-sale investments and others	1,752	1,406
— conversion options embedded in convertible notes	(3,730)	—
— derivative financial instruments	(7,890)	(7,824)
	<u>17,311</u>	<u>64,728</u>

## 8. OTHER INCOME

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	3,548	2,250
Amortisation of financial guarantee contracts	379	421
Reversal of impairment loss on properties held for sale	—	45,678
Others	1,682	94
	<u>5,609</u>	<u>48,443</u>

## 9. OTHER GAINS AND LOSSES

Other gains (losses) comprise:

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain	3,888	2,394
(Loss) gain on partial redemption of convertible notes ( <i>Note i</i> )	(1,112)	124,192
Net gain on disposal of subsidiaries ( <i>note 39</i> )	38,915	—
Gain on redemption of other borrowings ( <i>Note ii</i> )	—	197,182
Gain on disposal of property, plant and equipment	—	7,628
	<u>41,691</u>	<u>331,396</u>

*Notes:*

- (i) During the year, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company redeemed certain of the convertible notes with an aggregate principal amount of HK\$15,600,000 (2010: HK\$428,900,000) and with an aggregate carrying amount of the liability component of HK\$16,860,000 (2010: HK\$418,578,000) for an aggregate consideration of HK\$17,972,000 (2010: HK\$294,386,000), resulting in a loss of HK\$1,112,000 (2010: a gain of HK\$124,192,000). The details are set out in note 31.
- (ii) Pursuant to a loan purchase agreement dated 22 May 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) (“Lehman Brothers”) with an aggregate principal outstanding balance plus accrued interest of HK\$433,682,000 for an aggregate consideration of HK\$236,500,000, resulting in a gain of HK\$197,182,000 during the year ended 31 March 2010. The details are set out in note 32.

## 10. FINANCE COSTS

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
Bank and other borrowings wholly repayable within five years	42,210	14,930
Bank and other borrowings not repayable within five years but contain a repayment on demand clause in the loan agreement	2,965	2,456
Bank and other borrowings not wholly repayable within five years	16,518	20,987
Convertible notes wholly repayable within five years	18,260	16,578
	<u>79,953</u>	<u>54,951</u>

## 11. TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
— Current year	44,529	8,127
— Underprovision in prior years	3,540	2,956
	<u>48,069</u>	<u>11,083</u>
PRC Enterprise Income Tax (“EIT”) — current year	47,411	—
	<u>95,480</u>	<u>11,083</u>
Deferred taxation ( <i>note 23</i> )	(11,374)	10,682
	<u>84,106</u>	<u>21,765</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for PRC EIT for the year ended 31 March 2010 has been made in the consolidated financial statements as all of the PRC subsidiaries had no assessable profits for the year then ended.

According to the Circular on the State Administration of Taxation on Strengthening the Management of EIT Collection of Proceeds from Equity Transfers by Non-Resident Enterprises (Guoshuihan [2009] No. 698) (“Circular No. 698”), a non-PRC Tax Resident Enterprise is subject to the PRC EIT on the gain arising from a sale or transfer of any intermediate offshore company directly or indirectly holds an interest, including any assets, subsidiaries, or other forms of business operations, in the PRC at a rate of 10%, or otherwise stipulated in an applicable tax treaty or arrangement. Circular No. 698 applies to all such transactions conducted on or after 1 January 2008.

Included in the PRC EIT for the year ended 31 March 2011 is an amount of HK\$41,800,000 for the gain on disposal of certain property interests in the PRC through disposal of an intermediate offshore company. As set out in note 39, the subsidiaries disposed of were principally engaged in the business of property trading and the consideration allocated to the properties is included in revenue of the Group.



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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Profit before taxation	940,417	566,750
Taxation at Hong Kong Profits Tax rate of 16.5%	155,169	93,514
Tax effect of expenses not deductible for tax purpose	16,485	14,273
Tax effect of income not taxable for tax purpose	(41,928)	(89,916)
Tax effect of share of results of jointly controlled entities	(9,201)	1,074
Tax effect of share of results of associates	(4,360)	693
Effect of different tax rates of subsidiaries operating in other jurisdictions	(26,833)	(1,896)
Tax effect of tax losses not recognised	241	4,130
Utilisation of tax loss previously not recognised	(9,007)	(3,063)
Underprovision in prior years	3,540	2,956
Tax charge for the year	<u>84,106</u>	<u>21,765</u>

## 12. PROFIT FOR THE YEAR

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration ( <i>note 13</i> ):		
Fees	300	300
Salaries and other benefits	12,332	10,316
Bonus	22,403	9,657
Contributions to retirement benefits schemes	453	371
Share-based payments	451	573
	<u>35,939</u>	<u>21,217</u>
Other staff costs:		
Salaries and other benefits	13,091	11,298
Bonus	4,400	2,879
Contributions to retirement benefits schemes	821	633
Share-based payments	164	654
	<u>18,476</u>	<u>15,464</u>
Total staff costs	<u>54,415</u>	<u>36,681</u>
Auditor's remuneration	930	870
Depreciation of property, plant and equipment	10,684	9,970
Cost of properties held for sale recognised as an expense	<u>1,697,466</u>	<u>1,136,400</u>

## 13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of eight (2010: seven) directors were as follows:

*For the year ended 31 March 2011*

	Mr. Chung Cho Yee, Mico HK\$'000 (Note i)	Mr. Kan Sze Man HK\$'000	Mr. Chow Hou Man HK\$'000	Mr. Wong Chung Kwong HK\$'000 (Note ii)	Mr. Hubert Chak HK\$'000 (Note iii)	Dr. Lam Lee G. HK\$'000	Dato' Wong Sin Just HK\$'000	Mr. Cheng Yuk Wo HK\$'000	Total HK\$'000
<b>Directors' remuneration</b>									
Fee	—	—	—	—	—	100	100	100	300
Salaries and other benefits	6,810	2,205	1,680	1,144	493	—	—	—	12,332
Bonus (Note iv)	18,000	1,835	1,650	918	—	—	—	—	22,403
Contributions to retirement benefits schemes	—	158	167	103	25	—	—	—	453
Share-based payments	—	—	—	164	287	—	—	—	451
	<u>24,810</u>	<u>4,198</u>	<u>3,497</u>	<u>2,329</u>	<u>805</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>35,939</u>

*For the year ended 31 March 2010*

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

*Notes:*

- (i) Mr. Chung Cho Yee, Mico has been re-designated from a non-executive director to an executive director on 6 July 2010.
- (ii) Mr. Wong Chung Kwong has been appointed as executive director on 1 April 2010.
- (iii) Mr. Hubert Chak resigned as an executive director on 31 May 2010.
- (iv) Bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the Group's operating results, individual performance and comparable market statistics.

No directors waived any emoluments during both years.

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

**14. EMPLOYEES' REMUNERATION**

The five individuals with the highest emoluments in the Group included four (2010: four) directors of the Company whose emoluments are set out in note 13. The emoluments of the remaining one (2010: one) individual were as follows:

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Salaries and other benefits	955	1,300
Bonus ( <i>Note</i> )	420	408
Contribution to retirement benefits schemes	69	70
	<u>1,444</u>	<u>1,778</u>

Their emoluments were within the following bands:

	<b>2011</b> <i>Number of employees</i>	<b>2010</b> <i>Number of employees</i>
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	—	1
	<u>1</u>	<u>1</u>

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

**15. DIVIDENDS**

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Dividend recognised as distribution during the year		
— Final dividend of HK0.5 cent per share in respect of financial year ended 31 March 2010 (2010: Final dividend of HK0.22 cent per share in respect of financial year ended 31 March 2009)	40,819	15,760
	<u>40,819</u>	<u>15,760</u>

A final dividend of HK1 cent per share amounting to approximately HK\$82,331,000 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 16. EARNINGS PER SHARE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	857,732	546,271
Effects of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	17,148	15,900
Loss (gain) on partial redemption of convertible notes (net of tax)	1,112	(123,947)
	<u>875,992</u>	<u>438,224</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	8,163,817	7,463,869
Effects of dilutive potential ordinary shares (in thousands):		
Share options	142,409	139,162
Convertible notes	582,986	571,398
	<u>8,889,212</u>	<u>8,174,429</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<u>8,889,212</u>	<u>8,174,429</u>

For both years ended 31 March 2011 and 2010, the computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise price of those options was higher than the average market price of the shares for both years.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000 (restated)	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Vessel HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2009	116,295	3,459	1,013	4,007	13,997	138,771
Additions	—	—	124	570	30,144	30,838
Disposals	—	—	—	(79)	(13,797)	(13,876)
At 31 March 2010	116,295	3,459	1,137	4,498	30,344	155,733
Additions	970	—	284	355	—	1,609
Disposal of subsidiaries	—	—	(352)	—	—	(352)
At 31 March 2011	117,265	3,459	1,069	4,853	30,344	156,990
<b>DEPRECIATION</b>						
At 1 April 2009	6,579	1,329	489	2,500	11,698	22,595
Provided for the year	2,961	692	37	1,111	5,169	9,970
Eliminated on disposals	—	—	—	(57)	(12,647)	(12,704)
At 31 March 2010	9,540	2,021	526	3,554	4,220	19,861
Provided for the year	3,001	692	74	888	6,029	10,684
Eliminated on disposals of subsidiaries	—	—	(77)	—	—	(77)
At 31 March 2011	12,541	2,713	523	4,442	10,249	30,468
<b>CARRYING VALUES</b>						
At 31 March 2011	<u>104,724</u>	<u>746</u>	<u>546</u>	<u>411</u>	<u>20,095</u>	<u>126,522</u>
At 31 March 2010 (restated)	<u>106,755</u>	<u>1,438</u>	<u>611</u>	<u>944</u>	<u>26,124</u>	<u>135,872</u>
At 1 April 2009 (restated)	<u>109,716</u>	<u>2,130</u>	<u>524</u>	<u>1,507</u>	<u>2,299</u>	<u>116,176</u>

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

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

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

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

**18. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

The relevant property, plant and equipment has been received by the Group during the year ended 31 March 2010.

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

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale investments comprises:			
Unlisted equity securities, at cost ( <i>Note i</i> )	5,005	5,005	5,005
Unlisted debt securities, at fair value ( <i>Note ii</i> )	21,504	24,137	19,664
	<u>26,509</u>	<u>29,142</u>	<u>24,669</u>
Analysed for reporting purposes as:			
Non-current asset	5,005	29,142	24,669
Current asset	21,504	—	—
	<u>26,509</u>	<u>29,142</u>	<u>24,669</u>
Convertible options embedded in convertible notes, at fair value and analysed for reporting purpose as ( <i>Note ii</i> ):			
Non-current asset	—	3,750	3,041
Current asset	20	—	—
	<u>20</u>	<u>3,750</u>	<u>3,041</u>

*Notes:*

**(i) Unlisted equity securities**

The carrying value of unlisted equity securities represents a 8.27% (2010: 8.27%) interest in MC Founder Limited (“MC Founder”). MC Founder is incorporated in Hong Kong and engaged in the trading of mobile phones. The Group’s interest in MC Founder is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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

The unlisted debt securities as at 31 March 2011 represent the fair value of debt elements of the convertible notes issued by following companies that are independent third parties of the Group, whose shares are listed on the Stock Exchange:

- ITC Properties Group Limited (“ITCP”) with a principal amount of HK\$24,000,000 carries interest at 1% per annum with maturity on 15 June 2011 at redemption amount of 110% of the principal amount.

During the year ended 31 March 2011, the board of directors of ITCP proposed to extend the maturity of the convertible notes by a period of 30 months upon acceptance by the noteholders for the proposal. The proposed offer is conditional upon, among other conditions, the passing of the relevant ordinary resolutions at a special general meeting of ITCP. The Company resolved to accept the offer during the year. The fair value of the convertible notes as at 31 March 2011 is determined taking into account the effects of the revised maturity date. All condition precedents on the part of ITCP have been satisfied subsequent to 31 March 2011. The new notes carry interest at 3.25% per annum during the extension period and will be redeemable at the redemption amount of 105% of the principal amount on the revised maturity date.

- ITC Corporation Limited with a principal amount of HK\$9,000,000 carried interest at 5% per annum with maturity on 2 November 2011 at redemption amount of 100% of the principal amount.
- Hanny Holdings Limited with a principal amount of HK\$2,781,000 carries interest at 2% per annum with maturity on 15 June 2011 at redemption amount of 100% of the principal amount.

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

At the end of the reporting period, the fair value of debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible note issuers and remaining time to maturity. No fair value gain or loss has been recognised in profit or loss during the year.

Conversion options embedded in convertible notes at the end of the reporting period was measured at fair value using the binomial option pricing model.

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

**20. CLUB MEMBERSHIPS**

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Club memberships, at cost	<u>6,860</u>	<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 less cost to sell are higher than its carrying value.

## 21. INTERESTS IN JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	31 March 2011 <i>HK\$'000</i>	31 March 2010 <i>HK\$'000</i>	1 April 2009 <i>HK\$'000</i>
Cost of unlisted investments in jointly controlled entities	241	—	11,226
Share of post-acquisition profits, net of dividend received	41,285	5,508	19,886
Exchange difference arising on translation	10,901	—	—
Deemed capital contribution — interest-free loans ( <i>Note i</i> )	128,196	—	—
Deemed capital contribution — financial guarantee contracts	2,048	—	92
	<u>182,671</u>	<u>5,508</u>	<u>31,204</u>
Amounts due from jointly controlled entities included in			
— non-current assets ( <i>Note i</i> )	401,396	5,818	12,222
— current assets ( <i>Note ii</i> )	—	—	14,489
	<u>401,396</u>	<u>5,818</u>	<u>26,711</u>
Amounts due to jointly controlled entities included in current liabilities ( <i>Note iii</i> )	<u>439</u>	<u>5,078</u>	<u>4,759</u>

*Notes:*

- (i) The amounts with principal amount of HK\$529,592,000 are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors consider that the amounts form part of the net investments in the jointly controlled entities. Accordingly, the amounts were classified as non-current. The carrying amounts as at 31 March 2011 is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7%. The corresponding adjustment is recognised against the interest in the jointly controlled entities. In addition, included in the amounts is share of loss of a jointly controlled entity of HK\$4,744,000 (31 March 2010: HK\$18,531,000; 1 April 2009: HK\$12,000,000) recognised in excess of the cost of investment.
- (ii) The amounts are unsecured, non-interest bearing and are expected to be recovered within one year from the end of the reporting period.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand.



**21. INTERESTS IN JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES (CONTINUED)**

As at 31 March 2010 and 2011, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group ( <i>Note i</i> )		Principal activity
					2011	2010	
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%	50%	Inactive
Get Wisdom Limited ("Get Wisdom")	Incorporated	British Virgin Islands	PRC	Ordinary	50% ( <i>Note ii</i> )	—	Property investment
GI Plus Space Limited ("GI Plus")	Incorporated	Hong Kong	Hong Kong	Ordinary	50% ( <i>Note iii</i> )	—	Marketing and management
Singon Holdings Limited	Incorporated	Hong Kong	Macau	Ordinary	50%	50%	Property investment
Vast Faith Limited ("Vast Faith")	Incorporated	British Virgin Islands	PRC	Ordinary	— ( <i>Note iv</i> )	50%	Property investment

*Notes:*

- (i) The Group directly held the interest in Vast Faith. All other interests shown are held indirectly by the Group.
- (ii) During the year, the Group disposed of 20% interest in Get Wisdom and its subsidiaries to the non-controlling shareholder of Get Wisdom while the Group previously had 70% interest immediately before the transaction. Get Wisdom then became a jointly controlled entity of the Company following the transaction. Under the relevant shareholders' agreement, decisions on operating and financing activities of Get Wisdom require unanimous consent from all joint venture partner. Accordingly, neither the Group nor the other venture partner has the ability to control Get Wisdom unilaterally and it is considered as jointly controlled by the Group and the joint venture partner. Therefore, Get Wisdom is classified as a jointly controlled entity of the Group. Details are set out in note 39.
- (iii) This company is acquired by the Group during the year.
- (iv) This company has been deregistered during the year.

The summarised financial information, extracted from relevant management accounts of jointly controlled entities for the year ended 31 March 2011 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2010), in respect of the Group's interests in the jointly controlled entities, is set out below:

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,098,818	—	116,839
Current assets	114,126	30,179	54,866
Current liabilities	(654,159)	(24,671)	(12,261)
Non-current liabilities	(506,358)	—	(128,332)
	<u>52,427</u>	<u>5,508</u>	<u>31,112</u>
Income/gains recognised in profit or loss	<u>105,686</u>	<u>22</u>	
Expenses recognised in profit or loss	<u>49,920</u>	<u>6,531</u>	

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

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrecognised share of losses of jointly controlled entities for the year	<u>2</u>	<u>2</u>	
Accumulated unrecognised share of losses of jointly controlled entities	<u>582</u>	<u>580</u>	<u>578</u>

## 22. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
Costs of unlisted investment in associates	33,552	33,552	33,552
Share of post-acquisition losses and other comprehensive income, net of dividend received	(26,275)	(29,418)	(29,632)
Deemed capital contribution — Financial guarantee contracts	4,017	4,017	4,017
	<u>11,294</u>	<u>8,151</u>	<u>7,937</u>
Amounts due from associates included in: — non-current assets ( <i>Note i</i> )	<u>89,360</u>	<u>99,873</u>	<u>63,738</u>
Amounts due to associates included in current liabilities ( <i>Notes ii and iii</i> )	<u>12,201</u>	<u>2,000</u>	<u>2,000</u>

*Notes:*

- (i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors considered that the amounts form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. The directors of the Company consider that the carrying amounts of these balances approximates to their fair values. Included in the amounts is share of losses of associates of HK\$7,500,000 (31 March 2010: HK\$27,479,000; 1 April 2009: HK\$20,480,000) recognised in excess of respective cost of investments.
- (ii) The amounts are unsecured, non-interest bearing and repayable on demand.
- (iii) Included in the amounts of HK\$411,000 (31 March 2010: HK\$2,000,000; 1 April 2009: HK\$2,000,000) are denominated in Singapore Dollars (“SGD”), which is different from the functional currency of the relevant group entity.

At 31 March 2010 and 2011, the Group had interests in the following associates:

Name of entity	Place of incorporation	Principal place of operation	Proportion of nominal value of issued share capital held indirectly by the Group		Principal activity
			2011	2010	
Clemenceau Mauritius Holdings	Mauritius	Singapore	25%	25%	Property investment
Expert Vision Investments Limited	British Virgin Islands	Hong Kong	25%	25%	Property investment
Femville Pte. Limited	Singapore	Singapore	20%	20%	Inactive
Maxland Management Limited	British Virgin Islands	Hong Kong	40%	—	Inactive
Trend Rainbow Limited	Hong Kong	Hong Kong	40%	40%	Property investment

The summarised combined financial information, extracted from relevant management accounts of associates for the year ended 31 March 2011 (which have been prepared based on the respective audited financial statements for the year ended 31 December 2010), in respect of the Group's associates, is set out below:

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,188,718	759,890	775,948
Total liabilities	(1,187,141)	(890,587)	(808,757)
Net assets	<u>1,577</u>	<u>(130,697)</u>	<u>(32,809)</u>
Group's share of net assets of associates	<u>7,277</u>	<u>4,134</u>	<u>3,920</u>
Revenue	<u>165,444</u>	<u>29,393</u>	
Other comprehensive expense	<u>(18,310)</u>	<u>(3,289)</u>	
Profit (loss) for the year	<u>147,134</u>	<u>(87,903)</u>	
Group's share of profit (loss) and other comprehensive expense of associates for the year	<u>26,426</u>	<u>(6,785)</u>	

For the year ended 31 March 2011, the Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of loss of the associate, both for the year and cumulatively, are as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrecognised share of loss of the associate for the year	<u>—</u>	<u>17,759</u>	
Accumulated unrecognised share of loss of the associate	<u>—</u>	<u>17,759</u>	<u>—</u>

## 23. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Convertible notes</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2009	11,512	1,335	(4,582)	8,265
Charge to equity for the year	—	1,760	—	1,760
Charge (credit) to consolidated income statement for the year	7,379	(923)	4,226	10,682
At 31 March 2010	18,891	2,172	(356)	20,707
Credit to consolidated income statement for the year	(10,204)	(1,113)	(57)	(11,374)
At 31 March 2011	<u>8,687</u>	<u>1,059</u>	<u>(413)</u>	<u>9,333</u>

As at 31 March 2011, the Group had unused tax losses of approximately HK\$109,960,000 (31 March 2010: HK\$162,738,000; 1 April 2009: HK\$181,881,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax loss of HK\$2,504,000 (31 March 2010: HK\$2,158,000; 1 April 2009: HK\$27,770,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$107,456,000 (31 March 2010: HK\$160,580,000; 1 April 2009: HK\$154,110,000) due to unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

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

	<b>31 March 2011</b> <i>HK\$'000</i>	<b>31 March 2010</b> <i>HK\$'000</i>	<b>1 April 2009</b> <i>HK\$'000</i>
Deferred tax assets	—	—	2,698
Deferred tax liabilities	(9,333)	(20,707)	(10,963)
	<u>(9,333)</u>	<u>(20,707)</u>	<u>(8,265)</u>

## 24. AMOUNT(S) DUE FROM (TO) NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a non-controlling shareholder of a subsidiary included in current assets ( <i>Note i</i> )	<u>25</u>	<u>25</u>	<u>3,440</u>
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities ( <i>Note ii</i> )	<u>11,203</u>	<u>299,128</u>	<u>9,641</u>

*Notes:*

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

## 25. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables, based on the invoice date, at the end of the reporting period are as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:			
0–30 days	1,690	1,583	1,270
31–90 days	<u>1,734</u>	<u>1,258</u>	<u>209</u>
	3,424	2,841	1,479
Consideration receivables for sales of properties held for sale ( <i>Note</i> )	124,000	—	—
Prepayments and deposits	20,027	10,136	7,919
Other receivables	<u>17,060</u>	<u>7,534</u>	<u>4,569</u>
	<u>164,511</u>	<u>20,511</u>	<u>13,967</u>

*Note:* The amount of consideration receivables for sale of properties held for sales was held under an escrow account, and has been fully settled after the reporting period.

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

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

**26. OTHER DEPOSIT**

The entire balance at 31 March 2010, represented a deposit paid by a non-wholly owned subsidiary of the Company for acquisition of the entire interest in an entity established in the PRC that owned properties held for sale situated in Shanghai, the PRC. As at 31 March 2010, the amount represents an initial deposit of HK\$326,917,000 paid to the vendor and the remaining balance of HK\$1,493,578,000 was stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate.

During the year, the transaction has been completed and accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination. Details are set out in note 38.

**27. INVESTMENTS HELD FOR TRADING**

Investments held for trading, at fair values, comprise:

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities ( <i>Note i</i> )	19,102	21,676	11,183
Unlisted equity securities ( <i>Note ii</i> )	128,862	161,220	11,794
	<u>147,964</u>	<u>182,896</u>	<u>22,977</u>
Listed debt securities ( <i>Note iii</i> )	264,784	75,206	189,464
	<u>412,748</u>	<u>258,102</u>	<u>212,441</u>
Total and reported as:			
Listed			
Hong Kong	19,102	36,214	61,505
Elsewhere	264,784	60,668	139,142
Unlisted	128,862	161,220	11,794
	<u>412,748</u>	<u>258,102</u>	<u>212,441</u>

*Notes:*

- (i) The fair value was based on the quoted prices of the respective securities in active markets for identical assets.
- (ii) Unlisted equity securities represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by government, central banks, banks and corporate entities in the Asia. The Group has the right to ask the funds to redeem such investment units at the redemption price provided by the investment fund managers on a regular basis. The fair value of the investment fund was determined based on redemption price provided by the investment fund managers, which was determined with reference to the value of the underlying assets of the funds. An increase in fair value of unlisted equity securities of HK\$20,553,000 (2010: HK\$19,230,000) was recognised in the consolidated income statement for the year ended 31 March 2011.
- (iii) The listed debt securities at 31 March 2011 represent non-interest bearing bonds and bonds with fixed interest of 4.9% to 13.00% (2010: 7.30% to 13.00%) per annum. The maturity dates of the listed debt securities range from 9 November 2012 to 31 December 2049 (2010: 26 April 2010 to 31 December 2049). Their fair values are determined based on quoted market bid prices available from the market.

## 28. PROPERTIES HELD FOR SALE

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

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's carrying amounts of properties held for sale comprise:			
Completed properties	3,781,321	4,169,435	3,988,458
Properties under development	369,191	554,846	341,374
	<u>4,150,512</u>	<u>4,724,281</u>	<u>4,329,832</u>
Properties held for sale in Hong Kong under:			
Long term lease	361,124	179,253	710,294
Medium term lease	2,807,968	2,821,544	2,466,254
Short term lease	369,191	302,650	374,494
	<u>3,538,283</u>	<u>3,303,447</u>	<u>3,551,042</u>
Properties held for sale outside Hong Kong under:			
Medium term lease	612,229	1,420,834	778,790
	<u>4,150,512</u>	<u>4,724,281</u>	<u>4,329,832</u>
Analysed as:			
At cost	4,150,512	4,724,281	3,377,832
At net realisable value	—	—	952,000
	<u>4,150,512</u>	<u>4,724,281</u>	<u>4,329,832</u>

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

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



**29. CASH HELD BY SECURITIES BROKERS/BANK BALANCES AND CASH**

Cash held by securities brokers are short term deposits which carry variable interest rate ranged from 0.14% to 0.8% per annum (2010: 0.01% to 3.80% per annum).

The amounts of Group's cash held by securities brokers denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	35,274	34,641

Bank balances and cash comprises bank balances and cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.001% to 1.25% (2010: 0.01% to 0.80%) per annum.

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

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	220,020	—
USD	67,407	120,205
Australian Dollar ("AUD")	4,345	3,148
SGD	2,696	755
	<u>294,468</u>	<u>124,108</u>

**30. OTHER PAYABLES AND ACCRUALS**

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

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Receipt in advance for sales of properties held for sale	437,936	22,000	—
Rental and related deposits received	50,367	62,298	34,767
Other tax payables	7,993	2,069	—
Other payables	1,762	92	509
Accruals	13,336	20,566	87,180
	<u>511,394</u>	<u>107,025</u>	<u>122,456</u>

**31. CONVERTIBLE NOTES****1.5% convertible notes due 2011 (2011 Convertible Notes)**

On 17 May 2008, the Company entered into nine subscription agreements with eight independent third parties and Earnest Equity Limited (“Earnest Equity”), a private limited company wholly-owned by a director of the Company, whereby each of which agreed to subscribe for an aggregate principal amount of HK\$133,000,000 unsecured 1.5% convertible notes due 2011 (“2011 Convertible Notes”) issued by the Company. The principal amounts subscribed by the independent third parties and Earnest Equity were HK\$118,000,000 and HK\$15,000,000, respectively.

The 2011 Convertible Notes bear interest at 1.5% per annum and will mature on 13 June 2011. The holders of the 2011 Convertible Notes have the right to convert their 2011 Convertible Notes into ordinary shares of the Company at a conversion price of HK\$0.313 per share (as adjusted to reflect the effect of Rights Issue as defined in note 33 and subject to anti-dilutive adjustments) at any time during the period from the 7th day after the date of the issue of 2011 Convertible Notes up to and including the date which is 7 days prior to 13 June 2011.

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

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

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

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

Upon full conversion of the 2011 Convertible Notes at the adjusted conversion price of HK\$0.313 per ordinary share of the Company, a total of 225,239,614 new ordinary shares, as at 31 March 2011, would be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes.

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

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

Lehman Brothers was a substantial shareholder of one of the Company’s non-wholly owned subsidiaries. As at 7 June 2007, Lehman Brothers and Stark Investments held 464,200,000 and 511,060,000 ordinary shares of HK0.8 cent each in the share capital of the Company, representing approximately 9.35% and 10.29% of the then total issued share capital of the Company, respectively.

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

At any time after the third anniversary of the 7 day after the issue date, the Company may redeem unexercised 2012 Convertible Notes I at an amount equal to outstanding principal amount of the 2012 Convertible Notes I plus a premium calculated to provide a yield of 5.5% per annum (inclusive of interest of 2% per annum) from the 7 day after the issue date to the date of redemption if the spot price was at least 140% of the conversion price of each convertible note for any 15 trading days out of the 20 consecutive trading days prior to the date of redemption notice.

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

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

During the year ended 31 March 2010, the Company has entered into agreements with certain independent third parties and pursuant to which the Company redeemed the 2012 Convertible Notes I with an aggregate carrying amount of HK\$355,577,000 of the 2012 Convertible Notes I at an aggregate consideration of HK\$250,636,000, representing a 33% discount to the outstanding principal amount (inclusive of interest) resulting in a gain on redemption of approximately HK\$104,941,000 included in other gains and losses for the year. As at 31 March 2010, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes I was HK\$23,600,000, which is convertible into 55,011,654 new shares at the adjusted conversion price of HK\$0.429.

During the year ended 31 March 2011, the Company has entered into another agreement with an independent third party and pursuant to which the Company redeemed the 2012 Convertible Notes I with an aggregate carrying amount of HK\$16,860,000 of the 2012 Convertible Notes I at an aggregate consideration of HK\$17,972,000, representing a 14% premium to the outstanding principal amount (inclusive of interest) resulting in a loss on redemption of approximately HK\$1,112,000 included in other gains and losses for the year. As at 31 March 2011, the remaining outstanding aggregate principal amount under the 2012 Convertible Notes I was HK\$8,000,000, which is convertible into 18,648,018 new shares at the adjusted conversion price of HK\$0.429.

During each of the two years ended 31 March 2011 and 2010, none of the 2012 convertible Notes I were converted.

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

On 16 November 2010, the Company entered into a subscription agreement with an independent third party whereby it agreed to subscribe for a principal amount of HK\$78,000,000 unsecured 4% convertible notes due 2012 (“2012 Convertible Notes II”) issued by the Company.

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

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

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

Upon full conversion of the 2012 Convertible Notes II at the conversion price of HK\$0.25 per ordinary share of the Company (subject to anti-dilutive adjustments), a total of 312,000,000 new ordinary shares, as at 31 March 2011, would be issued by the Company upon the exercise of the conversion rights attached to the 2012 Convertible Notes II.

None of the 2012 Convertible Notes II were converted nor redeemed from the date of issue to the end of each reporting period.

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

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at the beginning of the year	168,939	505,551
Redemption of 2011 Convertible Notes and 2012 Convertible Notes I	(16,860)	(418,578)
Issue of 2012 Convertible Notes II	—	67,332
Interest charge	18,260	16,578
Interest paid	(4,494)	(1,944)
	<u>165,845</u>	<u>168,939</u>
Carrying amount at the end of the year	<u>165,845</u>	<u>168,939</u>
Analysed for reporting purposes as:		
Current liability	78,709	1,975
Non-current liability	87,136	166,964
	<u>165,845</u>	<u>168,939</u>

## 32. BANK AND OTHER BORROWINGS

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>1 April 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowings	2,621,965	3,739,128	2,511,218
Secured other borrowings	—	—	352,877
	<u>2,621,965</u>	<u>3,739,128</u>	<u>2,864,095</u>
The Group's borrowings are repayable based on repayment schedules set out in the loan agreements, as follows:			
within one year	686,112	896,689	890,973
More than one year, but not exceeding two years	102,807	202,010	94,900
More than two years, but not exceeding three years	124,527	271,713	105,575
More than three years, but not exceeding four years	356,242	294,008	160,175
More than four years, but not exceeding five years	136,505	1,101,391	240,400
More than five years	893,926	813,424	944,050
	<u>2,300,119</u>	<u>3,579,235</u>	<u>2,436,073</u>
The Group's borrowings are not repayable within one year from the end of the reporting period but contain a repayment on demand clause in the loan agreements			
	<u>321,846</u>	<u>159,893</u>	<u>428,022</u>
	2,621,965	3,739,128	2,864,095
Less: Amount due within one year shown under current liabilities	<u>(1,007,958)</u>	<u>(1,056,582)</u>	<u>(1,318,995)</u>
	<u>1,614,007</u>	<u>2,682,546</u>	<u>1,545,100</u>

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

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

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	<u>—</u>	<u>117,000</u>

The bank borrowings carried floating rate interest at HIBOR plus 0.5% to 1.4% (2010: HIBOR plus 0.6% to 6.5%) per annum and quoted lending rate of People's Bank of China, as appropriate. At 31 March 2011, the effective interest rates ranged from 0.6% to 5.9% (2010: 0.6% to 5.9%) per annum, which are also equal to contracted interest rates for bank borrowings. Interest is repriced every six months.

As at 1 April 2009, the entire amount of the other borrowings was advanced from Lehman Brothers which was in liquidation. The loan was originally repayable in April 2010. Pursuant to a loan purchase agreement dated 22 May 2009 and a resolution passed at a special general meeting on 2 July 2009, the Company had bought back the loan with accrued interest from Lehman Brothers at an aggregate consideration of HK\$236,500,000 during the year ended 31 March 2010.

## 33. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK0.8 cent each</b>		
Authorised:		
At 1 April 2009, 31 March 2010 and 2011	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2009	4,940,563,500	39,525
Issue of shares pursuant to rights issue ( <i>Note i</i> )	2,223,253,574	17,786
Issue of shares ( <i>Note ii</i> )	1,000,000,000	8,000
At 31 March 2010 and 2011	8,163,817,074	65,311

*Notes:*

- (i) In July 2009, the Company issued and allotted 2,223,253,574 ordinary shares of HK0.8 cent each to the then existing qualifying shareholders on the basis of 9 rights shares for every 20 shares held (the "Rights Issue") at a subscription price of HK\$0.078 per rights share. The net proceeds of approximately HK\$165,540,000 will be used by the Company mainly for the repayment of debt and/or as general working capital of the Company. The new shares issued rank *pari passu* in all respects with the existing shares. Details of the Rights Issue are set out in a prospectus of the Company dated 18 June 2009.
- (ii) On 27 August 2009, a placing agreement was entered into with an independent placing agent ("Placing Agent"), pursuant to which the Company has appointed the Placing Agent to place 1,000,000,000 ordinary shares of HK0.8 cent each ("Placing Shares") in the Company at a price of HK\$0.245 per Placing Share. The net proceeds of approximately HK\$240,436,000 were used for working capital and possible investment opportunities.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities		
	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
Interest rate collar contract	10,415	9,194	6,657

Major terms of the interest rate collar as at 31 March 2011, 31 March 2010 and 1 April 2009 are as follows:

Notional amount	Contract period	Cap rate	Floor rate
HK\$400,000,000	From 30 June 2010 to 31 May 2013	4.5% per annum	2.0% per annum

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

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

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

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

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

### **35. SHARE OPTION SCHEMES**

#### **2001 Scheme**

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

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

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

The 2001 Scheme was terminated on 26 August 2002.

#### **2002 Scheme**

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

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

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Subjected to the limits discussed below, options may be exercised at any time from the date of grant to the 25 August 2012. In each grant of options, the board of directors may at their discretion determine the specific

exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price, (ii) the average price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

There is limits on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

At each of 31 March 2011, 31 March 2010 and 1 April 2009, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and the 2002 Scheme were 69,290,352 and 295,997,626, representing 0.8% (31 March 2010: 0.8%, 1 April 2009: 1.1%) and 3.6% (31 March 2010: 3.6%, 1 April 2009: 4.7%) of the issued share capital of the Company at 31 March 2011.

The following tables disclose movements in the Company's share options during the two years ended 31 March 2011 whereas the exercise price and number of options have been adjusted to reflect the effect of Rights Issue (as defined in note 33):

	Option scheme type	Date of grant	Adjusted exercise price <i>HK\$</i>	Exercisable period	Number of options outstanding at 1.4.2009 and 31.3.2010	Granted/ exercised/ lapsed/ reclassified during the year	Number of options outstanding at 31.3.2011
<b>Directors</b>							
Kan Sze Man	2001	30.8.2001	0.1061	30.8.2001–12.6.2011	24,534,562	—	24,534,562
	2002	23.9.2002	0.0884	23.9.2002–25.8.2012	19,785,938	—	19,785,938
Chow Hou Man	2001	30.8.2001	0.1061	30.8.2001–12.6.2011	5,302,631	—	5,302,631
	2002	23.9.2002	0.0884	23.9.2002–25.8.2012	19,785,938	—	19,785,938
Hubert Chak ( <i>Note</i> )	2002	3.10.2007	0.3198	3.10.2007–25.8.2012	44,320,500	(44,320,500)	—
Wong Chung Kwong ( <i>Note</i> )	2002	3.10.2007	0.3198	3.10.2007–25.8.2012	—	25,326,000	25,326,000
Total for directors					113,729,569	(18,994,500)	94,735,069
<b>Employees and consultants</b>							
	2001	30.8.2001	0.1061	30.8.2001–12.6.2011	39,453,159	—	39,453,159
	2002	23.9.2002	0.0884	23.9.2002–25.8.2012	90,223,875	—	90,223,875
	2002	8.1.2004	0.0884	8.1.2004–25.8.2012	47,486,250	—	47,486,250
	2002	9.1.2004	0.0948	9.1.2004–25.8.2012	23,743,125	—	23,743,125
	2002	3.10.2007	0.3198	3.10.2007–25.8.2012	50,652,000	18,994,500	69,646,500
Total for employees and consultants					251,558,409	18,994,500	270,552,909
Grand total					365,287,978	—	365,287,978
Exercisable as at 31 March 2010 and 2011					365,287,978		365,287,978

*Note:* During the year, re-classification of participants were made according to their latest status with the Group. The total number of options re-classified is 18,994,500.



The Group recognised the total expense of HK\$615,000 for the year ended 31 March 2011 (2010: HK\$1,227,000) in relation to share option granted by the Company.

### 36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the convertible notes disclosed in note 31 and bank and other borrowings disclosed in note 32, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and accumulated profits.

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

### 37. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>		
<i>Financial assets at fair value through profit or loss</i>		
Investments held for trading	412,748	258,102
Conversion options embedded in convertible notes	20	3,750
	<u>412,768</u>	<u>261,852</u>
<i>Loans and receivables</i>		
Trade and other receivables	144,484	10,375
Amount due from a non-controlling shareholder of a subsidiary	25	25
Amounts due from jointly controlled entities	401,396	5,818
Amounts due from associates	89,360	99,873
Cash held by securities brokers	137,568	35,183
Bank balances and cash	1,721,786	581,745
	<u>2,494,619</u>	<u>733,019</u>
<i>Available-for-sale financial assets</i>		
Available-for-sale investments	26,509	29,142
	<u>26,509</u>	<u>29,142</u>
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
Other payables	47,622	57,296
Amounts due to non-controlling shareholders of subsidiaries	11,203	299,128
Amounts due to jointly controlled entities	439	5,078
Amounts due to associates	12,201	2,000
Convertible notes	165,845	168,939
Bank and other borrowings	2,621,965	3,739,128
	<u>2,859,275</u>	<u>4,271,569</u>
Derivative financial instruments	10,415	9,194
	<u>10,415</u>	<u>9,194</u>

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

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

***Market risks******(i) Currency risk***

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

The Group is mainly exposed to currency risk in relation to RMB, USD, AUD, SGD and Hong Kong dollars arising from foreign currency bank balances and cash, cash held by securities brokers, amount due to an associate and bank and other borrowings as set out in notes 22, 29 and 32.

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

	Assets		Liabilities	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
RMB	220,020	—	—	—
USD	102,681	154,846	—	—
AUD	4,345	3,148	—	—
SGD	2,696	755	(411)	(2,000)
Hong Kong dollars	—	—	—	(117,000)

## Sensitivity analyses for currency risk

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in the functional currency of each group entity against the above foreign currencies. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD, and adjusts their translation at the year end for a 5% (2010: 5%) change in foreign currency rate. A positive number below indicates an increase in profit where the above foreign currencies strengthen 5% (2010: 5%) against the functional currency of each group entity. For a 5% (2010: 5%) weakening of the above foreign currencies against the functional currency of each group entity, there would be an equal and opposite impact on the profit and the balance below would be opposite.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	<u>9,463</u>	<u>(4,805)</u>

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

*(ii) Interest rate risk*

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

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

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

## Sensitivity analyses for cash flow interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. For variable rate cash held by securities brokers, bank balances and bank and other borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. An increase or decrease of 10 basis points (2010: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2010: 50 basis points) for bank and other borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For financial assets carried at amortised cost, if interest rates had been 10 (2010: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would increase/decrease by HK\$1,553,000 (2010: HK\$515,000).

For financial liabilities carried at amortised cost, if interest rates had been 50 (2010: 50) basis points higher/lower and all variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would decrease/increase by HK\$10,947,000 (2010: HK\$15,611,000).

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

The Group's sensitivity to interest rate has decreased during the year mainly due to decrease in the balances of variable rate bank borrowings as at 31 March 2011. In management's opinion, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

*(iii) Equity and other price risks*

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

Sensitivity analyses

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

If the prices of the respective equity securities had been 5% (2010: 5%) higher/lower, profit for the year ended 31 March 2011 would increase/decrease by HK\$6,177,000 (2010: increase/decrease by HK\$7,636,000) as a result of the changes in fair value of equity securities held by the Group directly or through the investment funds and derivative financial instruments.

If the prices of the respective debt securities had been 5% (2010: 5%) higher/lower, profit for the year ended 31 March 2011 would increase/decrease by HK\$11,055,000 (2010: increase/decrease by HK\$3,140,000) as a result of the changes in fair value of debt securities.

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

*Credit risk*

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to corporate guarantee issued by the Group as disclosed in note 40.

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

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputations.

The credit risk on investments in listed debt securities is limited because majority of the counterparties are corporations with good reputations.

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

	<b>2011</b>	<b>2010</b>
	%	%
Aa2 to A3	10.8	9.0
Baa1	19.9	11.4
Baa2	1.2	3.5
Ba3	12.1	44.0
Unrated	56.0	32.1
	<u>100.0</u>	<u>100.0</u>

*Significant concentration of credit risk*

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

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

The Group has concentration of credit risk as 100% (2010: 100%) of the amounts due from jointly controlled entities are due from two (2010: one) jointly controlled entity and 100% (2010: 100%) of the amounts due from associates are due from one (2010: two) associates. The jointly controlled entities and associates are private companies and mainly located in Hong Kong. In order to minimize the credit risk, the management of the Group has monitored the repayment ability of

the jointly controlled entities and associates continuously. The counterparties of the entire amounts due from jointly controlled entities and associates that are repayable on demand had no default record based on historical information.

The Group's geographical concentration of credit risk is mainly in the Hong Kong, which accounted for over 90% of the Group's total recognised financial assets as at 31 March 2011 and 2010.

### Liquidity risk

The Group has sufficient funds to finance its current working capital requirements. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures the compliance with loan covenants.

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on the interest rate at the end of the reporting period.

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

	Weighted average interest rate	On demand	1-3 months	3 months to 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount at 31 March 2011
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2011</b>									
Other payables	—	47,622	—	—	—	—	—	47,622	47,622
Amounts due to non-controlling shareholders of subsidiaries	—	11,203	—	—	—	—	—	11,203	11,203
Amounts due to jointly controlled entities	—	439	—	—	—	—	—	439	439
Amounts due to associates	—	12,201	—	—	—	—	—	12,201	12,201
Convertible notes — liability component (Note i)	1.5/2.0/4.0	—	80,163	1,724	108,794	—	—	190,681	165,845
Bank borrowings	1.77	321,846	—	706,468	131,375	697,518	909,749	2,766,956	2,621,965
		<u>393,311</u>	<u>80,163</u>	<u>708,192</u>	<u>240,169</u>	<u>697,518</u>	<u>909,749</u>	<u>3,029,102</u>	<u>2,859,275</u>
Financial guarantee contracts (Note ii)	—	—	—	145,900	48,000	304,000	—	497,900	1,712
Derivative financial instruments — net settled	—	—	—	—	—	10,415	—	10,415	10,415

	Weighted average interest rate	On demand	1-3 months	3 months to 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount at 31 March 2011
	%	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>31 March 2010</b>									
Other payables	—	57,296	—	—	—	—	—	57,296	57,296
Amounts due to non-controlling shareholders of subsidiaries	—	299,128	—	—	—	—	—	299,128	299,128
Amounts due to jointly controlled entities	—	5,078	—	—	—	—	—	5,078	5,078
Amount due to an associate	—	2,000	—	—	—	—	—	2,000	2,000
Convertible notes — liability component ( <i>Note i</i> )	1.5/2.0/4.0	—	—	4,650	82,200	127,573	—	214,423	168,939
Bank borrowings	1.06	159,893	—	901,442	204,150	1,684,783	822,046	3,772,314	3,739,128
		<u>523,395</u>	<u>—</u>	<u>906,092</u>	<u>286,350</u>	<u>1,812,356</u>	<u>822,046</u>	<u>4,350,239</u>	<u>4,271,569</u>
Financial guarantee contracts ( <i>Note ii</i> )	—	—	—	—	59,050	—	—	59,050	43
Derivative financial instruments — net settled	—	—	—	—	—	9,194	—	9,194	9,194

*Notes:*

- (i) This is categorised based on contractual term of redemption obligation at maturity on the assumption that there are no redemption or conversion of convertible notes.
- (ii) The amount is categorised based on contractual term of repayment at maturity for the guaranteed amounts underlying the financial guarantee contracts.

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

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

**(c) Fair value**

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

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

- for option-based derivatives, the fair value is estimated using option pricing model (binomial option pricing model).

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

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

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

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

	<b>31 March 2011</b>			<b>Total</b> <i>HK\$'000</i>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>measurements</b> <i>HK\$'000</i>	<b>measurements</b> <i>HK\$'000</i>	<b>measurements</b> <i>HK\$'000</i>	
<b>Financial assets</b>				
<i>Investments held for trading</i>				
— Listed equity securities	19,102	—	—	19,102
— Unlisted equity securities	—	—	128,862	128,862
— Listed debt securities	264,784	—	—	264,784
	<u>283,886</u>	<u>—</u>	<u>128,862</u>	<u>412,748</u>
<i>Available-for-sale investments/ conversion options in convertible notes</i>				
— Unlisted debt securities	—	21,504	—	21,504
— Conversion options embedded in convertible notes	—	—	20	20
	<u>283,886</u>	<u>21,504</u>	<u>128,882</u>	<u>434,272</u>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>	—	10,415	—	10,415



	31 March 2010			Total HK\$'000
	Level 1	Level 2	Level 3	
	measurements HK\$'000	measurements HK\$'000	measurements HK\$'000	
<b>Financial assets</b>				
<i>Investments held for trading</i>				
— Listed equity securities	21,676	—	—	21,676
— Unlisted equity securities	—	—	161,220	161,220
— Listed debt securities	75,206	—	—	75,206
	<u>96,882</u>	<u>—</u>	<u>161,220</u>	<u>258,102</u>
<i>Available-for-sale investments/ conversion options in convertible notes</i>				
— Unlisted debt securities	—	24,137	—	24,137
— Conversion options embedded in convertible notes	—	—	3,750	3,750
	<u>96,882</u>	<u>24,137</u>	<u>164,970</u>	<u>285,989</u>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>	<u>—</u>	<u>9,194</u>	<u>—</u>	<u>9,194</u>

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

(e) **Reconciliation of Level 3 measurements of financial assets**

	Unlisted equity securities HK\$'000	Conversion options embedded in convertible notes HK\$'000	Total HK\$'000
At 1 April 2009	13,708	3,014	16,722
Disposal	(5,855)	(3,014)	(8,869)
Addition	134,127	3,750	137,877
Increase in fair value recognised in profit or loss	19,240	—	19,240
At 31 March 2010	161,220	3,750	164,970
Disposal	(60,827)	—	(60,827)
Addition	7,917	—	7,917
Increase (decrease) in fair value recognised in profit or loss	20,552	(3,730)	16,822
At 31 March 2011	<u>128,862</u>	<u>20</u>	<u>128,882</u>

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

*For the year ended 31 March 2011*

On 1 April 2010, the Group completed the acquisition of the entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly owned subsidiary for a consideration of HK\$1,820,495,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Properties held for sale	2,105,295
Bank balances and cash	138,395
Other receivables	7,732
Other payables and accruals	(60,990)
Taxation payable	(5,953)
Bank borrowings	(363,984)
	<u>1,820,495</u>
Total consideration satisfied by:	
Cash paid during the year ended 31 March 2010 (included in other deposit in the consolidated statement of financial position as at 31 March 2010)	<u>1,820,495</u>
Net cash inflow arising on acquisition during the year ended 31 March 2011:	
Bank balances and cash acquired	<u>138,395</u>

*For the year ended 31 March 2010*

**(i) Acquisition of assets**

On 28 October 2009, the Group acquired the remaining 50% interest in the issued share capital of Winner Ever Limited and its wholly-owned subsidiary, Sky Dragon Limited, for a net cash consideration of HK\$38,318,000. This transaction has been accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Properties held for sale	241,321
Bank balances and cash	638
Amount due to immediate holding company	(30,823)
Bank and other borrowings	(147,100)
	<u>64,036</u>
Less: Interest in a jointly controlled entity — previously interest held before acquisition	(25,718)
	<u>38,318</u>
Total consideration satisfied by:	
Cash	<u>38,318</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(38,318)
Bank balances and cash acquired	638
	<u>(37,680)</u>

**(ii) Acquisition of additional interests in a subsidiary**

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

**39. DISPOSAL OF SUBSIDIARIES**

During the year, the Group disposed of its 20% interest in Get Wisdom, a subsidiary owned by the Group as to 70% immediately before the transaction, to the non-controlling shareholder of Get Wisdom. Get Wisdom and its subsidiaries (“Get Wisdom Group”) became jointly controlled entities of the Group following the transaction.

In addition, the Group also disposed of, to independent third parties, the entire interests in (i) Ocean Plaza Investments Limited and its subsidiaries; (ii) Stand Success Limited and its subsidiaries; (iii) Favor Rise Group Limited and its subsidiaries; and (iv) Made Success Limited and its subsidiary (collectively referred to as the “Other Disposals Group”) for a cash consideration of HK\$1,480,071,000. Since all of the subsidiaries of the Other Disposals Group were principally engaged in the business of property trading and the respective properties held for sale represented the single predominant asset of the relevant subsidiaries, the Group is principally selling, and the buyers are principally acquiring, the respective properties held for sale. Accordingly, the Group has accounted for the disposal of the Other Disposals Group in the consolidated profit or loss account as disposal of the underlying properties held for sale. The revenue recognised by the Group therefore consist of the consideration allocated to the sale of properties.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	<b>Get Wisdom Group</b>	<b>Other Disposals Group</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:			
Property, plant and equipment	—	275	275
Trade and other receivables	5,229	1,675	6,904
Properties held for sale	2,121,633	1,388,953	3,510,586
Bank balances and cash	169,431	31,118	200,549
Other payables and accruals	(53,363)	(32,674)	(86,037)
Taxation payable	(9,673)	—	(9,673)
Amounts due to group entities	(685,289)	(915,996)	(1,601,285)
Amount due to non-controlling shareholder of a subsidiary	(292,390)	—	(292,390)
Bank borrowings	(1,255,096)	(494,427)	(1,749,523)
	482	(21,076)	(20,594)
Non-controlling interests	(145)	—	(145)
Translation reserve reclassified to profit or loss	—	(39,011)	(39,011)
Assignment of shareholders' loans ( <i>Note i</i> )	195,177	915,996	1,111,173
Interest in a jointly controlled entity ( <i>Note ii</i> )	(241)	—	(241)
Gain (loss) on disposal of subsidiaries	(96)	624,162	624,066
	<u>195,177</u>	<u>1,480,071</u>	<u>1,675,248</u>
Total consideration satisfied by:			
Cash	<u>195,177</u>	<u>1,480,071</u>	<u>1,675,248</u>
Net cash inflow (outflow) arising on disposal:			
Cash received	195,177	1,480,071	1,675,248
Bank balances and cash disposed of	(169,431)	(31,118)	(200,549)
	<u>25,746</u>	<u>1,448,953</u>	<u>1,474,699</u>
Gain (loss) on disposals of subsidiaries is included in the consolidated income statement as follows:			
Revenue	—	1,974,104	1,974,104
Cost of sales	—	(1,388,953)	(1,388,953)
Other gains and losses	(96)	39,011	38,915
	<u>(96)</u>	<u>624,162</u>	<u>624,066</u>

*Notes:*

- (i) As part of the disposal arrangements, the Group received an aggregate cash amount of HK\$1,111,173,000 from the buyers as consideration for the assignment to the purchasers of 20% of the shareholders' loans to Get Wisdom Group and 100% of the shareholders' loans to each of the subsidiaries disposed of within the other Disposals Group.
- (ii) The carrying amounts of the assets and liabilities held by Get Wisdom at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom.

Net cash inflow (outflow) contributed by the subsidiaries disposed of during the year up to the respective dates of disposals:

	<b>Get Wisdom Group</b> <i>HK\$'000</i>	<b>Other Disposals Group</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net cash outflows from operating activities	(10,548)	(295,310)	(305,858)
Net cash inflows from financing activities	11,544	272,204	283,748
	<u>996</u>	<u>(23,106)</u>	<u>(22,110)</u>

#### 40. CONTINGENT LIABILITIES

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Corporate guarantee given by the Group for banking facilities granted to a/an:		
Jointly controlled entity	447,500	—
Associate	84,800	84,800
	<u>532,300</u>	<u>84,800</u>
and utilised by a/an:		
Jointly controlled entity	413,100	—
Associate	84,800	59,050
	<u>497,900</u>	<u>59,050</u>

The directors assess the risk of default of the jointly controlled entities and associates at the end of each reporting period and consider the risk to be insignificant and it is less likely that any guaranteed amount will be claimed by the counterparties.

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to a/an:		
Jointly controlled entity	1,712	—
Associate	—	43
	<u>1,712</u>	<u>43</u>

**41. PLEDGE OF ASSETS**

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Property, plant and equipment	87,751	90,226
Properties held for sale	3,755,566	4,622,741
	<u>3,843,317</u>	<u>4,712,967</u>

**42. OPERATING LEASE COMMITMENTS****The Group as lessee**

During the year, the Group incurred HK\$422,000 (2010: nil) minimum lease payments in respect of office premises. Leases are negotiated for a term of three months and rentals are fixed for less than one year.

For the year ended 31 March 2010 and 31 March 2011, the Group had no commitment for future minimum lease payments under non-cancellable operating leases.

**The Group as lessor**

Property rental income earned during the year was HK\$277,558,000 (2010: HK\$189,602,000). Certain of the properties have committed tenants for the next two to three years.

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

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Within one year	127,770	139,311
In the second to fifth years inclusive	142,800	157,933
Over five years	12,068	24,536
	<u>282,638</u>	<u>321,780</u>

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

**43. RETIREMENT BENEFIT SCHEMES**

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

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

The retirement benefit scheme contributions relating to the MPF Scheme and stated-managed retirement benefit schemes charged to the consolidated income statement of HK\$1,274,000 (2010: HK\$1,004,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

**44. RELATED PARTY DISCLOSURES**

- (a) The directors are not aware of any significant transactions with related parties during each of the two years ended 31 March 2011.
- (b) The remuneration of directors and other members of key management during the year is as follows:

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	38,177	21,681
Post-employment benefits	624	441
Share-based payments	615	1,227
	<u>39,416</u>	<u>23,349</u>

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

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

Information of the statement of financial position of the Company as at 31 March 2011 and 2010:

	2011 HK\$'000	2010 HK\$'000
Non-current assets	3,505,121	3,249,689
Current assets	176,744	96,530
Current liabilities	(92,920)	(24,512)
Non-current liabilities	(87,780)	(169,037)
	<u>3,501,165</u>	<u>3,152,670</u>
Share capital	65,311	65,311
Reserves (Note)	3,435,854	3,087,359
	<u>3,501,165</u>	<u>3,152,670</u>

Note:

**Reserves**

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible notes equity reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2009	841,269	371	55,811	338,410	5,294	1,182,592	2,423,747
Profit and other comprehensive income for the year	—	—	—	—	—	289,047	289,047
Issue of shares upon rights issue	155,628	—	—	—	—	—	155,628
Issue of shares	237,000	—	—	—	—	—	237,000
Transaction costs attributable to issue of shares	(12,438)	—	—	—	—	—	(12,438)
Realised on partial redemption of convertible notes	—	—	(45,306)	—	—	45,306	—
Recognition of equity component of convertible notes	—	—	10,668	—	—	—	10,668
Deferred taxation arising on recognition of equity component of convertible notes	—	—	(1,760)	—	—	—	(1,760)
Recognition of equity-settled share based payment	—	—	—	—	1,227	—	1,227
Dividend recognised as distribution	—	—	—	—	—	(15,760)	(15,760)
At 31 March 2010	1,221,459	371	19,413	338,410	6,521	1,501,185	3,087,359
Profit and other comprehensive income for the year	—	—	—	—	—	388,699	388,699
Realised on partial redemption of convertible notes	—	—	(1,625)	—	—	1,625	—
Recognition of equity-settled share based payment	—	—	—	—	615	—	615
Dividend recognised as distribution	—	—	—	—	—	(40,819)	(40,819)
At 31 March 2011	<u>1,221,459</u>	<u>371</u>	<u>17,788</u>	<u>338,410</u>	<u>7,136</u>	<u>1,850,690</u>	<u>3,435,854</u>



## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31 March 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2011 %	2010 %	2011 %	2010 %	
Able Market Limited	Hong Kong	HK\$1	—	—	100	—	Property holding
Absolute Keen Limited	Hong Kong	HK\$1	—	—	100	—	Property holding
Ahead Lucky Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Base Mark Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Capital Strategic Property (Shanghai) Limited (Note i)	PRC	Registered and paid-up capital RMB300,000,000	—	—	100	100	Property holding
City Plan Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
CSI Financial Holdings Limited	Hong Kong	HK\$100	100	100	—	—	Sales of securities and investment holding
CSI Property Services Limited	Hong Kong	HK\$2	100	100	—	—	Provision of property management service
Earn Centre Limited	Hong Kong	HK\$2	—	—	100	100	Property holding and leasing of property
Far Beyond Limited	Hong Kong	HK\$10,000	—	—	90	90	Property holding
Golden United Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Great Level Investments Limited	Hong Kong	HK\$1	—	—	100	—	Property holding
Lei Fu Real Estate (Shanghai) Co. Ltd. (Notes i and ii)	PRC	Registered and paid-up capital US\$46,138,000	—	—	—	100	Property holding
Mark Well Investment Limited	Hong Kong	HK\$100	100	100	—	—	Sale of securities and investment holding
Noble Rays Holdings Limited (Note ii)	Hong Kong	HK\$1	—	—	—	100	Property holding and leasing of property
Plan View Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Shine Wise Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Sky Dragon Limited	Hong Kong	HK\$2	—	—	100	100	Property holding and leasing of property

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		
			2011 %	2010 %	2011 %	2010 %	
The Hampton Management Limited	Hong Kong	HK\$1	—	—	100	—	Management services
True Advance Limited	Hong Kong	HK\$1	—	—	100	—	Property holding
Upper City Limited	British Virgin Islands	US\$1	—	—	100	100	Property holding and leasing of property
Vast Asset Limited	Hong Kong	HK\$1	—	—	100	100	Property holding and leasing of property
Well Clever International Limited	British Virgin Islands	US\$1	—	—	100	100	Sale of securities and investment holding

*Notes:*

- (i) Capital Strategic Property (Shanghai) Limited and Lei Fu Real Estate (Shanghai) Co. Ltd. are wholly foreign owned enterprise established in the PRC.
- (ii) These Companies have been disposed of during the year by the Group.

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

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

#### 47. EVENTS AFTER THE END OF REPORTING PERIOD

##### Redemption of 2012 Convertible Notes II

Subsequent to the end of the reporting period, the Company entered into an agreement with an independent third party and completed the redemption of all of the then outstanding 2012 Convertible Notes II at a consideration of HK\$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on redemption of HK\$9,992,000.

### 3. UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the “Board”) of CSI Properties Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu and the Company’s Audit Committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 September 2011

	Notes	Six months ended	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Revenue		2,510,827	394,833
Cost of sales		(1,147,415)	(229,783)
Gross profit		1,363,412	165,050
Income and gains (losses) from investments	4	(41,931)	9,024
Other gains and losses	5	(3,495)	2,231
Other income		7,311	1,394
Administrative expenses		(99,019)	(41,174)
Finance costs	6	(25,710)	(44,902)
Share of results of jointly controlled entities		30,169	6,461
Share of results of associates		155,964	19,950
Profit before taxation		1,386,701	118,034
Taxation	7	(71,183)	(8,318)
Profit for the period	8	<u>1,315,518</u>	<u>109,716</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		1,312,060	110,814
Non-controlling interests		3,458	(1,098)
		<u>1,315,518</u>	<u>109,716</u>
<b>Earnings per share (HK cents)</b>	10		
— Basic		<u>16.0</u>	<u>1.4</u>
— Diluted		<u>15.5</u>	<u>1.3</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Profit for the period</b>	1,315,518	109,716
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations for the period	33,580	25,526
Released on disposal of an associate	4,737	—
Change in fair value of available-for-sale investments	890	3,170
	39,207	28,696
Total comprehensive income for the period	<u>1,354,725</u>	<u>138,412</u>
<b>Total comprehensive income attributable to:</b>		
— Owners of the Company	1,351,267	138,839
— Non-controlling interests	3,458	(427)
	<u>1,354,725</u>	<u>138,412</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	<i>Notes</i>	<b>30 September 2011</b> <i>HK\$'000</i> (unaudited)	<b>31 March 2011</b> <i>HK\$'000</i> (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment	11	122,996	126,522
Available-for-sale investments		28,505	5,005
Conversion options embedded in convertible notes		3,800	—
Club memberships		6,860	6,860
Interests in jointly controlled entities	12	786,362	182,671
Amounts due from jointly controlled entities	13	488,497	401,396
Deposit paid for acquisition of interest in a jointly controlled entity	14	250,000	—
Interests in associates		40,345	11,294
Amount due from an associate	13	1,600	89,360
		1,728,965	823,108
<b>Current Assets</b>			
Trade and other receivables	15	57,849	164,511
Deposit paid for acquisition of properties held for sale		38,227	245,430
Available-for-sale investments		9,130	21,504
Conversion options embedded in convertible notes		—	20
Investments held for trading		383,896	412,748
Properties held for sale	16	4,078,099	4,150,512
Taxation recoverable		811	7,093
Amount due from a non-controlling shareholder of a subsidiary	13	—	25
Cash held by securities brokers		25,312	137,568
Bank balances and cash		2,193,047	1,721,786
		6,786,371	6,861,197

	<i>Notes</i>	<b>30 September 2011</b> <i>HK\$'000</i> (unaudited)	<b>31 March 2011</b> <i>HK\$'000</i> (audited)
<b>Current Liabilities</b>			
Other payables and accruals	17	183,970	511,394
Taxation payable		171,419	104,696
Amounts due to non-controlling shareholders of subsidiaries	13	13,900	11,203
Amounts due to jointly controlled entities	13	460	439
Amounts due to associates	13	12,244	12,201
Convertible notes-due within one year	18	9,074	78,709
Bank borrowings — due within one year	19	705,275	1,007,958
		<u>1,096,342</u>	<u>1,726,600</u>
<b>Net Current Assets</b>		<u>5,690,029</u>	<u>5,134,597</u>
		<u><u>7,418,994</u></u>	<u><u>5,957,705</u></u>
<b>Capital and Reserves</b>			
Share capital	20	65,865	65,311
Reserves		5,448,141	4,172,224
Equity attributable to owners of the Company		5,514,006	4,237,535
Non-controlling interests		2,737	(721)
Total Equity		<u>5,516,743</u>	<u>4,236,814</u>
<b>Non-Current Liabilities</b>			
Convertible notes — due after one year	18	—	87,136
Bank borrowings — due after one year	19	1,885,240	1,614,007
Derivative financial instrument		9,911	10,415
Deferred tax liabilities	21	7,100	9,333
		<u>1,902,251</u>	<u>1,720,891</u>
		<u><u>7,418,994</u></u>	<u><u>5,957,705</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 September 2011

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Convertible note equity reserve HK\$'000 (Note b)	Contributed surplus HK\$'000 (Note b)	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2011 (audited)	65,311	1,221,459	371	1,698	17,788	276,058	21,474	7,136	3,170	2,623,070	4,237,535	(721)	4,236,814
Profit for the period	—	—	—	—	—	—	—	—	—	1,312,060	1,312,060	3,458	1,315,518
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	33,580	—	—	—	33,580	—	33,580
Released on disposal of an associate	—	—	—	—	—	—	4,737	—	—	—	4,737	—	4,737
Increase in fair value of available-for-sale investments recognised directly in equity	—	—	—	—	—	—	—	—	890	—	890	—	890
Total comprehensive income for the period	—	—	—	—	—	—	38,317	—	890	1,312,060	1,351,267	3,458	1,354,725
Issue of shares upon exercise of share options	554	6,797	—	—	—	—	—	—	—	—	7,351	—	7,351
Transfer on redemption of convertible notes upon maturity	—	—	—	—	(8,046)	—	—	—	—	8,046	—	—	—
Transfer on early redemption of convertible notes	—	—	—	—	(8,908)	—	—	—	—	8,908	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	184	—	—	184	—	184
Dividends recognised as distribution (note 9)	—	—	—	—	—	—	—	—	—	(82,331)	(82,331)	—	(82,331)
At 30 September 2011 (unaudited)	65,865	1,228,256	371	1,698	834	276,058	59,791	7,320	4,060	3,869,753	5,514,006	2,737	5,516,743
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Convertible note equity reserve HK\$'000 (Note b)	Contributed surplus HK\$'000 (Note b)	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2010 (audited)	65,311	1,221,459	371	1,698	19,413	276,058	18,072	6,521	—	1,804,532	3,413,435	174	3,413,609
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	110,814	110,814	(1,098)	109,716
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	25,082	—	—	—	25,082	671	25,753
Share of other comprehensive income of an associate	—	—	—	—	—	—	(227)	—	—	—	(227)	—	(227)
Increase in fair value of available-for-sale investments recognised directly in equity	—	—	—	—	—	—	—	—	3,170	—	3,170	—	3,170
Total comprehensive income and expenses for the period	—	—	—	—	—	—	24,855	—	3,170	110,814	138,839	(427)	138,412
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	429	—	—	429	—	429
Released on disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(145)	(145)
Dividends recognised as distribution (note 9)	—	—	—	—	—	—	—	—	—	(40,819)	(40,819)	—	(40,819)
At 30 September 2010 (unaudited)	65,311	1,221,459	371	1,698	19,413	276,058	42,927	6,950	3,170	1,874,527	3,511,884	(398)	3,511,486

## Notes:

- (a) The capital reserve represents the Group's share of the deemed capital contribution arising from interest free loans granted to an associate by its shareholders.
- (b) The contributed surplus of the Group represents the amount arising from capital reorganisation carried out by the Company during the year ended 31 March 2003.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 September 2011

	<i>Notes</i>	Six months ended	
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
<b>Net cash from (used in) operating activities:</b>			
Increase in deposit paid for acquisition of properties held for sales		(34,947)	(78,090)
Increase in properties held for sales		(185,305)	(357,209)
Net cash inflows from other operating activities		1,361,070	100,383
		<u>1,140,818</u>	<u>(334,916)</u>
<b>Net cash (used in) from investing activities:</b>			
Investment in a jointly controlled entity		(500,000)	—
Deposit paid for acquisition of interest in a jointly controlled entity		(250,000)	—
Advances to an associate and a jointly controlled entity		(138,836)	(17,218)
Purchase of property, plant and equipment		(1,949)	(1,364)
Proceed from disposal of an associate		22,000	—
Repayment from an associate		89,360	—
Decrease (increase) in cash held by securities brokers		112,256	(640)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	23	113,904	259,482
Dividend received from an associate and a jointly controlled entity		122,398	7,802
Acquisition of assets through acquisition of a subsidiary	22	—	138,395
Net cash inflows from other investing activities		9,263	3,312
		<u>(421,604)</u>	<u>389,769</u>



	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Net cash (used in) from financing activities:</b>		
Repayments of borrowings	(639,150)	(122,972)
Redemption of convertible notes	(174,350)	—
Dividends paid	(82,331)	(40,819)
New borrowings raised	641,600	293,040
Net cash inflows (outflows) from other financing activities	6,278	(9,075)
	<u>(247,953)</u>	<u>120,174</u>
<b>Net increase in cash and cash equivalents</b>	471,261	175,027
<b>Cash and cash equivalents at beginning of the period</b>	<u>1,721,786</u>	<u>581,745</u>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<u><u>2,193,047</u></u>	<u><u>756,772</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 September 2011

## 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 “Stock Exchange”) 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 certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011.

**Adoption of new and revised HKFRSs effective in the current period**

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA:

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

The application of the above new or revised HKFRSs has had no material effect on the amounts in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

**New and revised HKFRSs that are not yet effective**

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>1</sup>
HKFRS 9 (Revised 2010)	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>4</sup>
HKAS 19 (Revised)	Employee Benefits <sup>2</sup>
HKAS 27 (Revised)	Separate Financial Statements <sup>2</sup>
HKAS 28 (Revised)	Investments in Associates and Joint Ventures <sup>2</sup>
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012

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

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

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

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

HKFRS 12 "Disclosures of Interests in Other Entities" is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

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

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

**Change in presentation regarding disposal of subsidiaries holding properties held for sale**

During the year ended 31 March 2011, the directors of the Company have determined the disposal of subsidiaries whose single predominated asset was the properties held for sale in their principal business of property trading were in effect disposals of the underlying properties held for sale by the Group. As set out in note 23, the consideration allocated to the sale of the properties held for sale is regarded as revenue generated from sales of properties held for sale by the Group.

The comparatives in respect of the period ended 30 September 2010 have accordingly been restated. The effects of the change in presentation by line items presented in the condensed consolidated income statement are as follows:

	<b>Six months ended 30 September 2010</b> <i>HK\$'000</i>
Increase in revenue	236,131
Increase in cost of sales	(179,252)
Decrease in other gains	(56,879)
	<hr/>
Increase (decrease) in profit for the period	<hr/> <hr/>

**3. SEGMENT INFORMATION**

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

- (a) Property trading segment, which engages in the trading of properties;
- (b) Strategic investment segment, which engages in property investment through strategic alliances with joint venture partners of the jointly controlled entities and associates; and
- (c) Securities investment segment, which engages in the securities trading and investment.

**Segment revenue and results**

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

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

*Notes:*

- (i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.
- (ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

	Property trading HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>				
<i>30 September 2010 (unaudited and restated)</i>				
<b>Gross proceeds</b>	<u>394,833</u>	<u>—</u>	<u>105,532</u>	<u>500,365</u>
<b>Revenue</b>				
Rental income	158,702	—	—	158,702
Sales of properties held for sale	<u>236,131</u>	<u>—</u>	<u>—</u>	<u>236,131</u>
	394,833	—	—	394,833
Interest income and dividend income	—	—	2,855	2,855
Share of results of jointly controlled entities	—	6,461	—	6,461
Share of results of associates	<u>—</u>	<u>19,950</u>	<u>—</u>	<u>19,950</u>
Segment revenue	<u>394,833</u>	<u>26,411</u>	<u>2,855</u>	<u>424,099</u>
<b>Segment profit</b>	<u>143,705</u>	<u>26,411</u>	<u>7,638</u>	177,754
Other gains				2,327
Unallocated other income				1,394
Central administrative costs				(18,539)
Finance costs				<u>(44,902)</u>
<b>Profit before taxation</b>				<u>118,034</u>

*Note:* The directors of the Company are not aware of any transactions between the operating segments during the period under review.

Segment profit (loss) represents profit (loss) earned/incurred by each segment, including interest income, dividend income, fair value change of investments, gain on disposal of an associate and share of results of jointly controlled entities and associates, without allocation of other income (primarily bank interest income), other gains and losses, central administrative costs, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

**Segment assets**

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

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Property trading	4,152,011	4,543,502
Strategic investment	1,566,804	681,297
Securities investment	438,009	450,690
	<hr/>	<hr/>
Total segment assets	6,156,824	5,675,489
Property, plant and equipment	122,996	126,522
Cash held by securities brokers	25,312	137,568
Bank balances and cash	2,193,047	1,721,786
Other unallocated assets	17,157	22,940
	<hr/>	<hr/>
Consolidated assets	<u>8,515,336</u>	<u>7,684,305</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than property, plant and equipment, deferred tax assets, taxation recoverable, certain other receivables, cash held by securities brokers and bank balances and cash.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income from		
— investments held for trading	11,817	2,098
— available-for-sale investments	300	314
Dividend income from		
— investments held for trading	229	—
— available-for-sale investments	98	443
Increase (decrease) in fair values of		
— investments held for trading	(65,402)	17,204
— conversion options embedded in convertible notes	(1,500)	—
— derivative financial instruments	(2,986)	(7,305)
— others	—	(3,730)
Gain on derecognition of investments in convertible notes (included in a available-for-sale investments) ( <i>Note</i> )	15,513	—
	<hr/>	<hr/>
	<u>(41,931)</u>	<u>9,024</u>

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

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited and restated)
Other gains (losses) comprise:		
Gain on disposal of an associate	12,748	—
Exchange gain	454	2,327
Loss on early redemption of convertible notes ( <i>Note</i> )	(16,697)	—
Loss on disposal of subsidiaries ( <i>Note 23</i> )	—	(96)
	(3,495)	2,231
	(3,495)	2,231

*Note:* During the six months ended 30 September 2011, the Company exercised its early redemption rights by serving the notice to the noteholder, an independent third party, to redeem all of the then outstanding 2012 Convertible Notes II (as defined in note 18) at a consideration of HK\$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on early redemption of HK\$16,697,000.

## 6. FINANCE COSTS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	11,405	14,009
Bank borrowings not wholly repayable within five years but contain a repayment on demand clause in the loan agreement	2,085	1,376
Bank borrowings not wholly repayable within five years	10,200	20,376
Convertible notes wholly repayable within five years	2,020	9,141
	25,710	44,902
	25,710	44,902



## 7. TAXATION

	Six months ended 30 September	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax	73,416	3,888
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	—	5,611
	<u>73,416</u>	<u>9,499</u>
Deferred taxation ( <i>note 21</i> )	(2,233)	(1,181)
	<u>71,183</u>	<u>8,318</u>

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.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is calculated based on the statutory rate of 25%. No provision for PRC EIT for the six months ended 30 September 2011 has been made as all of the PRC subsidiaries had no assessable profits for the period.

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

	Six months ended 30 September	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited)
Profit before taxation	<u>1,386,701</u>	<u>118,034</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	228,806	19,476
Tax effect of expenses not deductible for tax purpose	18,485	6,987
Tax effect of income not taxable for tax purpose	(143,173)	(12,174)
Tax effect of share of results of jointly controlled entities	(4,978)	(1,066)
Tax effect of share of results of associates	(25,734)	(3,292)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	4,356
Tax effect of tax losses not recognised	162	853
Utilisation of tax loss previously not recognised	(2,385)	(6,822)
Tax charge for the year	<u>71,183</u>	<u>8,318</u>

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	—	—
Salaries and other benefits	7,770	4,817
Performance-related incentive bonus	51,000	—
Contributions to retirement benefits schemes	140	103
Share-based payments	49	200
	<u>58,959</u>	<u>5,120</u>
Other staff costs:		
Salaries and other benefits	8,629	6,670
Performance-related incentive bonus	12,000	—
Contributions to retirement benefits schemes	562	327
Share-based payments	135	229
	<u>21,326</u>	<u>7,226</u>
Total staff costs	<u>80,285</u>	<u>12,346</u>
Depreciation of property, plant and equipment	5,486	5,374
Cost of properties held for sales recognised as an expense and after crediting:	1,088,040	179,252
Bank interest income	<u>6,474</u>	<u>1,394</u>

## 9. DIVIDENDS

	Six months ended 30 September	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited)
Final dividend of HK1.0 cent (2010: HK0.5 cent) per share recognised as distribution for the year ended 31 March 2011 (2010: for the year ended 31 March 2010) and paid during the period	<u>82,331</u>	<u>40,819</u>

The directors do not recommend the payment of an interim dividend for the period (2010: nil).

**10. EARNINGS PER SHARE**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	1,312,060	110,814
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	1,340	2,255
	<u>1,313,400</u>	<u>113,069</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	8,221,643	8,163,817
Effects of dilutive potential ordinary shares (in thousands):		
Share options	137,553	130,896
Convertible notes	108,498	225,240
	<u>8,467,694</u>	<u>8,519,953</u>

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during both periods. In addition, it does not assume the conversion of certain of the Company's outstanding convertible notes since exercise of which would result in increase in earnings per share for the respective periods.

**11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group incurred HK\$1,949,000 (six months ended 30 September 2010: HK\$1,364,000) on additions of the property, plant and equipment.

**12. MOVEMENTS IN JOINTLY CONTROLLED ENTITIES**

During the period, the Group set up and injected an amount of HK\$500,000,000 into Chater Capital Limited (“Chater Capital”), an entity jointly controlled by the Group and the joint venture partner and owned as to 50% of the issued share capital by each of the Group and the joint venture partner. In addition, each of the group and the joint venture partner advanced an amount of HK\$48,342,000 to Chater Capital as additional capital resources. The amount advanced by the Group is included in amounts due from jointly controlled entities, as set out in note 13.

During the the period, Chater Capital acquired a piece of land in Shanghai, the PRC, through acquisition of the entire equity interest of an entity established in the PRC, which represents its principal asset held at the end of the reporting period.

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

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Amounts due from jointly controlled entities included in non-current assets ( <i>Note i</i> )	488,497	401,396
Amount due from an associate included in non-current assets ( <i>Note ii</i> )	1,600	89,360
Amount due from a non-controlling shareholder of a subsidiary included in current assets ( <i>Note iii</i> )	—	25
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities ( <i>Note iv</i> )	13,900	11,203
Amounts due to jointly controlled entities included in current liabilities ( <i>Note iv</i> )	460	439
Amounts due to associates included in current liabilities ( <i>Note iv</i> )	12,244	12,201

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

*Notes:*

- (i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. During the period, the Group advanced an aggregate amount of HK\$137,236,000 (six months ended 30 September 2010: HK\$19,500,000) to its jointly controlled entities. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Accordingly, the amounts were classified as non-current.

At the end of the reporting period, the carrying amount is determined based on present value of future cash flows of the principal amount of HK\$600,009,000 (31 March 2011: HK\$529,592,000) discounted using an effective interest rate of 6.9% (31 March 2011: 5.7%) per annum. The corresponding adjustment is recognised against the interest in the relevant jointly controlled entities.

In addition, included in the amounts is share of loss of a jointly controlled entity of HK\$12,988,000 (31 March 2011: HK\$4,744,000) allocated in excess of the cost of investment.

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

Included in balance as at 31 March 2011 was share of loss of an associate of HK\$7,500,000 allocated in excess of the cost of investment. Such amount was settled during the period by the buyer of the associate upon disposal.

- (iii) The amount as at 31 March 2011 was unsecured, non-interest bearing and expected to be recovered within one year from the end of the reporting period. During the period, the amount was settled in full.
- (iv) The amounts are unsecured, non-interest bearing and repayable on demand.

#### 14. DEPOSIT PAID FOR ACQUISITION OF INTEREST IN A JOINTLY CONTROLLED ENTITY

The entire balance at 30 September 2011 represented a deposit paid by the Group for the acquisition of 50% interest in the issued share capital of Vastness Investment Limited and its wholly-owned subsidiaries (the “Vastness Group”), which principally held certain properties held for sale situated in Hong Kong. Further details of the transaction is set out in the announcement of the Company dated 11 July 2011.

Subsequent to the end of the reporting period, the transaction has been completed. Details are set out in note 26.

#### 15. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivable, based on the invoice date, at the end of the reporting period is as follows:

	30 September 2011 <i>HK\$'000</i> (unaudited)	31 March 2011 <i>HK\$'000</i> (audited)
Trade receivables:		
0–30 days	1,862	1,690
31–90 days	2,099	1,734
	<u>3,961</u>	<u>3,424</u>
Consideration receivables for sales of properties held for sale	—	124,000
Prepayments and deposits	22,283	20,027
Other receivables	31,605	17,060
	<u>57,849</u>	<u>164,511</u>

**16. MOVEMENTS IN PROPERTIES HELD FOR SALE**

During the period, the Group incurred HK\$1,005,445,000 (six months ended 30 September 2010: HK\$2,510,504,000) on acquisition of properties held for sale.

**17. OTHER PAYABLES AND ACCRUALS**

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Receipt in advance for sales of properties held for sale	51,583	437,936
Rental and related deposits received	52,085	50,367
Other tax payables	5,076	7,993
Other payables	6,869	1,762
Accruals	68,357	13,336
	<u>183,970</u>	<u>511,394</u>

**18. CONVERTIBLE NOTES**

At 1 April 2010, the convertible notes issued by the Company included (i) an aggregate principal amount of HK\$70,500,000 unsecured 1.5% convertible notes due 2011 (“2011 Convertible Notes”), (ii) an aggregate principal amount of HK\$23,600,000 unsecured 2% convertible notes due 2012 (the “2012 Convertible Notes I”) and (iii) an aggregate principal amount of HK\$78,000,000 unsecured 4% convertible note due 2012 (“2012 Convertible Notes II”).

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

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

During the year ended 31 March 2011, the Company entered into an agreement with an independent third party and completed the redemption of part of the 2012 Convertible Note I with a principal amount of HK\$15,600,000.

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

At 30 September 2011, the remaining convertible notes comprised of 2012 Convertible Notes I, the aggregate amount of which was HK\$8,000,000 with a conversion price of HK\$0.429 per share. Upon conversion, a maximum of 18,648,018 shares could be issued.

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

	Six months ended 30 September 2011 <i>HK\$'000</i> (unaudited)	Year ended 31 March 2011 <i>HK\$'000</i> (audited)
Carrying amount at the beginning of the period/year	165,845	168,939
Redemption	(157,653)	(16,860)
Interest charge	2,020	18,260
Interest paid	(1,138)	(4,494)
	<u>9,074</u>	<u>165,845</u>
Carrying amount at the end of the period/year	<u>9,074</u>	<u>165,845</u>
Analysed for reporting purposes as:		
Current liability	9,074	78,709
Non-current liability	—	87,136
	<u>9,074</u>	<u>165,845</u>

## 19. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK\$641,600,000 (six months ended 30 September 2010: HK\$293,040,000) and repaid bank borrowings of approximately HK\$639,150,000 (six months ended 30 September 2010: HK\$122,972,000). The loans carry interest at market rates ranging from 0.7% to 5.2% (six months ended 30 September 2010: 0.8% to 5.9%) per annum and are repayable in instalments over more than five years. The proceeds were used for general working capital purposes and to finance the acquisition of properties held for sale.

The bank borrowings are secured by the Group's property, plant and equipment and properties held for sale. The carrying amounts of the assets pledged are disclosed in note 25.

## 20. SHARE CAPITAL

Ordinary shares of HK0.8 cent each

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 April 2010, 30 September 2010, 31 March 2011 and 30 September 2011	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2010, 30 September 2010 and 31 March 2011	8,163,817,074	65,311
Issue of shares upon exercise of share options	69,290,352	554
At 30 September 2011	<u>8,233,107,426</u>	<u>65,865</u>

**21. DEFERRED TAXATION**

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

	<b>Accelerated tax depreciation</b>	<b>Convertible notes</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2010 (audited)	18,891	2,172	(356)	20,707
Credit to consolidated income statement for the year	<u>(10,204)</u>	<u>(1,113)</u>	<u>(57)</u>	<u>(11,374)</u>
At 31 March 2011 (audited)	8,687	1,059	(413)	9,333
Credit to condensed consolidated income statement for the period	<u>(1,015)</u>	<u>(1,028)</u>	<u>(190)</u>	<u>(2,233)</u>
At 30 September 2011 (unaudited)	<u><u>7,672</u></u>	<u><u>31</u></u>	<u><u>(603)</u></u>	<u><u>7,100</u></u>

**22. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY****For the six months ended 30 September 2010**

On 1 April 2010, the Group completed the acquisition of the entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly owned subsidiary at a consideration of HK\$1,820,495,000. 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:	
Properties held for sale	2,105,295
Other receivables	7,732
Bank balances and cash	138,395
Other payables and accruals	(60,990)
Taxation payable	(5,953)
Bank borrowings	<u>(363,984)</u>
	<u><u>1,820,495</u></u>
Total consideration satisfied by:	
Cash paid during the year ended 31 March 2010	<u><u>1,820,495</u></u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u><u>138,395</u></u>



## 23. DISPOSAL OF SUBSIDIARIES

## For the six months ended 30 September 2011

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

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

	<i>HK\$'000</i>
Net assets disposed of:	
Trade and other receivables	361
Properties held for sale	72,114
Other payables and accruals	(1,209)
Amounts due to group entities	(32,909)
Bank borrowings	(33,900)
	<u>4,457</u>
Assignment of shareholders' loans (Note)	32,909
Gain on disposal of a subsidiary	76,538
	<u>113,904</u>
Total consideration satisfied by cash and cash inflow arising on disposal	<u>113,904</u>
	<i>HK\$'000</i>
Gain on disposal of a subsidiary is included in the condensed consolidated income statement as follows:	
Revenue	148,652
Cost of sales	(72,114)
	<u>76,538</u>

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

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

	<i>HK\$'000</i>
Net cash inflows from operating activities	107
Net cash inflows from financing activities	(1,580)
	<u>(1,473)</u>

**For the six months ended 30 September 2010**

During the period, the Group disposed of its 20% interest in Get Wisdom Limited, a subsidiary owned by the Group as to 70% immediately before the transaction, to the non-controlling shareholder of Get Wisdom Limited for a cash consideration of HK\$195,177,000. Get Wisdom Limited and its subsidiaries (“Get Wisdom Group”) became jointly controlled entities of the Group following the transaction.

In addition, the Group also disposed of, to independent third parties, the entire interests in (i) Ocean Plaza Investments Limited and its subsidiaries and (ii) Stand Success Limited and its subsidiaries (collectively referred to as the “Other Disposals Group”) for a cash consideration of HK\$236,186,000. As set out in note 2, since all of the subsidiaries of the Other Disposals Group were principally engaged in the business of property trading and the respective properties held for sale represented the single predominant asset of the relevant subsidiaries, the Group is principally selling, and the buyers are principally acquiring, the respective properties held for sale. Accordingly, the Group has accounted for the disposal of the Other Disposals Group in the condensed consolidated income statement as disposal of the underlying properties held for sale. The consideration allocated to the sale of properties is regarded as revenue generated from sales of properties held for sale by the Group.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	Get Wisdom Group <i>HK\$'000</i>	Other Disposals Group <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net assets disposed of:			
Trade and other receivables	5,229	173	5,402
Properties held for sale	2,121,633	179,252	2,300,885
Bank balances and cash	169,431	2,450	171,881
Other payables and accruals	(53,363)	(2,568)	(55,931)
Taxation payable	(9,673)	—	(9,673)
Amounts due to group entities	(685,289)	(146,990)	(832,279)
Amount due to non-controlling shareholder of a subsidiary	(292,390)	—	(292,390)
Bank borrowings	(1,255,096)	—	(1,255,096)
	482	32,317	32,799
Non-controlling interests	(145)	—	(145)
Assignment of shareholders' loans ( <i>Note i</i> )	195,177	146,990	342,167
Interest in a jointly controlled entity ( <i>Note ii</i> )	(241)	—	(241)
Gain (loss) on disposal of subsidiaries	(96)	56,879	56,783
	<u>195,177</u>	<u>236,186</u>	<u>431,363</u>
Total consideration satisfied by:			
Cash	<u>195,177</u>	<u>236,186</u>	<u>431,363</u>
Net cash inflows (outflows) arising on disposal:			
Cash received	195,177	236,186	431,363
Bank balances and cash disposed of	(169,431)	(2,450)	(171,881)
	<u>25,746</u>	<u>233,736</u>	<u>259,482</u>
Gain (loss) on disposals of subsidiaries is included in the condensed consolidated income statement as follows:			
Revenue	—	236,131	236,131
Cost of sales	—	(179,252)	(179,252)
Other gains and losses ( <i>note 5</i> )	(96)	—	(96)
	<u>(96)</u>	<u>56,879</u>	<u>56,783</u>

*Notes:*

- (i) As part of the disposal arrangements, the Group received an aggregate cash amount of HK\$342,167,000 from the buyers as consideration for the assignment to the purchasers of 20% of the shareholders' loans to Get Wisdom Group and 100% of the shareholders' loans to each of the subsidiaries disposed of within the other Disposals Group.
- (ii) The carrying amounts of the assets and liabilities held by Get Wisdom Group at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom Group.

Net cash inflows (outflows) contributed by the subsidiaries disposed of during the period up to the respective dates of disposals:

	<b>Get Wisdom Group</b> <i>HK\$'000</i>	<b>Other Disposals Group</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net cash inflows (outflows) from operating activities	(10,548)	14	(10,534)
Net cash inflows from financing activities	11,544	4	11,548
	<u>996</u>	<u>18</u>	<u>1,014</u>

#### 24. CONTINGENT LIABILITIES

	<b>30 September 2011</b> <i>HK\$'000</i> (unaudited)	<b>31 March 2011</b> <i>HK\$'000</i> (audited)
Guarantees given to banks in respect of banking facilities granted to a/an:		
Jointly controlled entity	447,500	447,500
Associate	84,800	84,800
	<u>532,300</u>	<u>532,300</u>
Utilised by a/an:		
Jointly controlled entity	397,100	413,100
Associate	84,800	84,800
	<u>481,900</u>	<u>497,900</u>

The directors assessed the risk of default of the jointly controlled entity and the associate at the end of the reporting period and considered the risk to be insignificant and it is not probable that any guaranteed amount will be claimed by the counterparties.

**25. PLEDGE OF ASSETS**

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

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Property, plant and equipment	86,514	87,751
Properties held for sale	3,792,702	3,755,566
	<u>3,879,216</u>	<u>3,843,317</u>

**26. EVENT AFTER THE END OF THE REPORTING PERIOD**

In October 2011, the Group completed the acquisition of the 50% of the Vastness Group at an aggregate consideration of approximately HK\$337,000,000. Pursuant to the relevant shareholders' agreement, the Group and the joint venture partner have the right to appoint equal number of directors in the boards of the companies comprising the Vastness Group and accordingly decisions on operating and financing activities of Vastness Group require unanimous consent from both joint venture partners. Accordingly, neither the Group nor the other joint venture partner has the ability to control Vastness Group unilaterally and it is considered as jointly controlled by the Group and the joint venture partner, and accounted for as a jointly controlled entity of the Group.

#### 4. INDEBTEDNESS

##### **Borrowings**

As at the close of business on 30 November 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$2,601.6 million. The total borrowings consisted of (i) secured bank borrowings of HK\$2,575.0 million, and (ii) unsecured borrowings of approximately HK\$26.6 million which included borrowing from an associate of approximately HK\$11.8 million, borrowings from jointly controlled entities of approximately HK\$0.5 million and borrowings from a non-controlling shareholder of a subsidiary of approximately HK\$14.3 million.

The secured bank borrowings were secured by certain of the Group's assets, including property, plant and equipment and properties held for sale with an aggregate carrying amount of approximately HK\$3,893.3 million at 30 November 2011.

All borrowings are unguaranteed on group basis.

##### **Debt securities**

As at the close of business on 30 November 2011, the Group had a carrying amount of debt component of convertible notes of approximately HK\$9.1 million with an aggregate outstanding principal amount of approximately HK\$8.0 million.

##### **Contingent liabilities**

As at the close of business on 30 November 2011, the Group had contingent liabilities in respect of guarantees given to banks for banking facilities granted to (i) a jointly controlled entity of approximately HK\$447.5 million and (ii) an associate of approximately HK\$84.8 million.

##### **Disclaimer**

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 November 2011, 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 30 November 2011.

#### 5. MATERIAL CHANGE

The Directors have confirmed that there has been no material change in terms of the Group's contingent liabilities and indebtedness during the period from 30 November 2011 to the Latest Practicable Date.

Save as disclosed publicly in, amongst others, (i) the announcement of the Company dated 11 July 2011 relating to a proposed formation of joint venture and possible discloseable transaction in relation to the provision of the shareholders' loan and counter-indemnity, (ii) the announcement of the Company dated 21 September 2011 relating to a discloseable transaction regarding disposal of a Hong Kong property of the Group, (iii) the announcement of the Company dated 31 October 2011 on estimated significant improvement in profit and (iv) the Group's 2011 interim report published on 30 November 2011, the Directors have confirmed that there has been no material change in the Group's financial or trading position or outlook since 31 March 2011, the date to which the latest published audited financial statements of the Group were made up to the Latest Practicable Date.

**1. PROPERTY VALUATION REPORT FROM DTZ DEBENHAM TIE LEUNG LIMITED**

*The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the properties held by the Group in Hong Kong and the PRC as at 30 November 2011.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

19 January 2012

The Directors  
CSI Properties Limited  
Room 3108, Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the properties held by CSI Properties Limited (the "Company") or its subsidiaries or its associated companies (together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of the properties as at 30 November 2011 (the "date of valuation").

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of each of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting sales.



In the valuation of the properties in Group I which are held for sale by the Group in Hong Kong, we have valued them by Investment Approach by capitalising the rental income derived from the existing tenancies with due provision for any revisionary income potential, or where appropriate by the Direct Comparison Method by making reference to comparable sales transactions as available in the relevant market. Further in the valuation of property No. 15 in Group I, we have valued it on the assumption that it will be developed in accordance with the proposal provided to us by the Group.

In respect of the property in Group II which is held for sale by the Group in the PRC, we have adopted the Direct Comparison Method assuming sale of the property on vacant possession by making reference to comparable sales transactions as available in the relevant market.

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Repurchases and as advised by the Group, the potential tax liabilities which may arise from the disposal of the properties held for sale in Hong Kong may include stamp duty on the amount or value of the consideration (maximum 4.25%) and special stamp duty on the amount or value of the consideration of residential properties acquired after 20 November 2010 and resold within 24 months (5%–15%), and profits tax (16.5% on profit amount). As at the time of this circular, the Group has confirmed that it may consider to sell any of the properties depending on the market condition. Hence, there would be possibility that such potential tax liabilities will be crystallized upon the sale of the properties.

As advised by the Group, the potential tax liabilities which may arise from the sale of the property in the PRC include business tax and related surcharge at 5.65%, enterprise income tax on the profit from the sale of the property at 25%, and land value appreciation tax at progressive tax rates ranging from 30%–60% on the taxable gains from the sale of the property assuming that the land use rights of the property can be freely transferred to third parties. As at the time of this circular, the Group has confirmed that it may consider to sell the property depending on the market condition. Hence, there would be possibility that such potential tax liabilities will be crystallized upon the sale of the property.

As advised by the Group, the estimated amount of potential tax liability in respect of the properties located in Hong Kong which are being put up for sale in the market at the Latest Practicable Date is approximately HKD106.7 million. The properties are assumed to be sold at the amounts of valuations and taxed on the profit above their total book costs at a rate of 16.5% before deduction, set-off or other tax allowances or reliefs are claimed. In the course of our valuation, we have not taken into account the tax liabilities mentioned above.

In valuing the properties, we have complied with the requirements set out in The Codes on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

We have not been provided with copies of the title documents relating to the properties in Hong Kong but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

In respect of the property in the PRC, we have relied on the advice given by the Group and the opinion of the Group's legal adviser, Fangda Partners (上海市方達律師事務所) as to PRC laws regarding the title to the property. We have been provided with extracts of documents in relation to the titles to the property. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies handed to us. The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided to us are set out in the notes in the valuation certificate.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the opinion of the legal adviser to the Group as to PRC laws. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, completion dates of buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, development proposals, construction costs, development time schedules, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Where applicable, our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are however, not able to report whether the properties are free from rot, infestation or any other structural defects. No test was carried out to any of the services. Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties.

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong dollars (“HK\$”) for the properties situated in Hong Kong and in Renminbi (“RMB”) for the property situated in the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K. B. Wong**  
*Registered Professional Surveyor*  
*(General Practice Division)*  
*Registered China Real Estate Appraiser*  
*M.R.I.C.S., M.H.K.I.S.*  
*Senior Director*

*Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 20 years' of experience in the valuation of properties in Hong Kong and the PRC.*

## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Capital value in existing state as at 30 November 2011 HK\$</b>	<b>Interest attributable to the Group %</b>	<b>Capital value in existing state attributable to the Group as at 30 November 2011 HK\$</b>
<b>Group I — Properties held by the Group for sale in Hong Kong</b>			
1. Portion A1, Portions A and B of A2, Office Unit 10 and Unit 6 of A3 on 32nd Floor, Car Park Spaces BA55, 4075, 4008 and 4112 on 4th Floor, Bank of America Tower (formerly known as Gammon House), No. 12 Harcourt Road, Admiralty, Hong Kong.	357,000,000	100	357,000,000
2. 31st Floor and 4 Car Park Spaces on 4th Floor, Bank of America Tower (formerly known as Gammon House), No. 12 Harcourt Road, Admiralty, Hong Kong.	340,000,000	100	340,000,000
3. Various Units, AXA Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.	2,045,000,000	100	2,045,000,000
4. Ashley Centre, Nos. 23 and 25 Ashley Road, Tsim Sha Tsui, Kowloon.	450,000,000	100	450,000,000
5. “Ashley 27”, No. 27 Ashley Road, Tsim Sha Tsui, Kowloon.	252,000,000	100	252,000,000
6. Ground Floor, No. 21 Ashley Road, Tsim Sha Tsui, Kowloon.	59,000,000	100	59,000,000

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 November 2011 <i>HK\$</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 November 2011 <i>HK\$</i>
7. Major Portion of The Hampton, No. 45 Blue Pool Road, Happy Valley, Hong Kong.	933,000,000	90.01	839,793,300
8. 5th Floor, No. 21A Ashley Road, Tsim Sha Tsui, Kowloon.	4,500,000	100	4,500,000
9. No. 8 Hau Fook Street, Tsim Sha Tsui, Kowloon.	500,000,000	100	500,000,000
10. No. 47 Barker Road, The Peak, Hong Kong.	204,000,000	100	204,000,000
11. Nos. 2–4 Shelly Street, Central, Hong Kong.	285,000,000	100	285,000,000
12. No. 1 Irving Street, Causeway Bay, Hong Kong.	575,000,000	100	575,000,000
13. No. 14 Pennington Street, Causeway Bay, Hong Kong.	130,000,000	100	130,000,000
14. Shop 4 on Ground Floor together with the Yard appurtenant thereto, Keswick Court, No. 3 Keswick Street, Causeway Bay, Hong Kong.	33,000,000	100	33,000,000
15. Nos. 19–21 Shelter Street and Nos. 33–39 Tung Lo Wan Road, Causeway Bay, Hong Kong.	1,000,000,000	50	500,000,000
<b>Total of Group I:</b>	<b><u>7,167,500,000</u></b>		<b><u>6,574,293,300</u></b>

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 November 2011 <i>RMB</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 November 2011 <i>RMB</i>
<b>Group II — Property held by the Group for sale in the PRC</b>			
16. Lot 24/6 and Lot 24/13, Guanglian Village, Xujing Town Land Plot at Qingpu District, Shanghai, The PRC. 中華人民共和國上海市青浦區徐涇鎮 光聯村24/13丘與24/6丘地塊	963,000,000	47.5	457,425,000
<b>Total of Group II:</b>	<b><u>963,000,000</u></b>		<b><u>457,425,000</u></b>

## VALUATION CERTIFICATE

## Group I — Properties held by the Group for sale in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
1. Portion A1, Portions A and B of A2, Office Unit 10 and Unit 6 of A3 on 32nd Floor, Car Park Spaces BA55, 4075, 4008 and 4112 on 4th Floor, Bank of America Tower (formerly known as Gammon House), No. 12 Harcourt Road, Admiralty, Hong Kong.  Part of Inland Lot No. 8294.	<p>The property comprises various office units on the 32nd floor and 4 car park spaces on 4th floor of a 42-storey commercial building completed in 1975.</p> <p>Based on measurements of the registered floor plan, the office portion of the property has a total saleable area of about 9,121 sq.ft. (847.36 sq.m.).</p> <p>The property is held from the Government under Conditions of Sale No. UB10225 for a term of 75 years from 29 September 1972 renewable for a further term of 75 years. The current Government Rent payable for the whole lot is HK\$8,306 per annum.</p>	As at the date of valuation, Office Unit 6 of A3 is owner-occupied. The remaining portions are vacant.	HK\$357,000,000

*Notes:*

- (1) The registered owners of the property are South View Limited (Re: Portion A1, Office Unit 6 of A3 and 4 car park spaces on 4th floor), Great Level Investments Limited (Re: Portions A and B of A2) and True Advance Limited (Re: Office Unit 10 of A3) all of which are wholly owned subsidiaries of the Company.
- (2) Office Unit 6 of A3 is subject to a Legal Charge/Mortgage to secure all moneys in respect of general banking facilities and interest thereon in favour of The Bank of East Asia, Limited vide Memorial No. 07090502400469 dated 10 August 2007.
- (3) Portion A1 is subject to a Mortgage to secure all moneys in respect of general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 07110802280034 dated 23 October 2007.
- (4) Portion A1 is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 07110802280040 dated 23 October 2007.

- (5) Unit 10 of A3 is subject to a Mortgage in favour of Dah Sing Bank, Limited vide Memorial No. 10061702360059 dated 27 May 2010.
- (6) Unit 10 of A3 is subject to a Rental Assignment in favour of Dah Sing Bank, Limited vide Memorial No. 10061702360065 dated 27 May 2010.
- (7) Portion A1 and Office Unit 6 of A3 are subject to a Provisional Agreement for Sale and Purchase in favour of Well Kent International Investment Co., Ltd. vide Memorial No. 11101901760017 dated 20 September 2011 for a consideration of HK\$217,925,000. In the course of our valuation, we have taken into account such consideration.
- (8) Portions A and B of A2 are subject to an Agreement for Sale and Purchase in favour of Investwell (HK) Limited vide Memorial No. 11091202480098 dated 2 September 2011 for a consideration of HK\$100,282,000. In the course of our valuation, we have taken into account such consideration.
- (9) Portions A and B of A2 are subject to a Supplemental Agreement in favour of Investwell (HK) Limited vide Memorial No. 11091202480105 dated 2 September 2011.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
2. 31st Floor and 4 Car Park Spaces on 4th Floor, Bank of America Tower (formerly known as Gammon House), No. 12 Harcourt Road, Admiralty, Hong Kong.  144/10000th shares of and in Inland Lot No. 8294.	<p>The property comprises the whole office floor on the 31st floor and 4 car park spaces on the 4th floor of a 42-storey commercial building completed in 1975.</p> <p>The gross floor area of the office portion of the property is about 13,880 sq.ft. (1,289.48 sq.m.).</p> <p>The property is held from the Government under Conditions of Sale No. UB10225 for a term of 75 years from 29 September 1972 renewable for a further term of 75 years. The current Government Rent payable for the whole lot is HK\$8,306 per annum.</p>	<p>Unit 3101 is tenanted for a term from 14 June 2011 to 13 June 2013 at a monthly rent of HK\$407,000, exclusive of rates and management fee. Unit 3108 is owner-occupied.</p>	

*Notes:*

- (1) The registered owner of the property is Clear Luck Group Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 11071101950069 dated 13 June 2011.
- (3) The property is subject to an Assignment of Rentals in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 11071101950070 dated 13 June 2011.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
<p>3. Various Units, AXA Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.</p> <p>Part of the Remaining Portion of Section A and the Remaining Portion of Inland Lot No. 2755.</p>	<p>The property comprises the shop units on basement and ground floor, various office units on the upper floors, a sky-sign and 78 car parking spaces of a 25-storey plus a basement commercial building completed in 1982.</p> <p>According to the information provided by the Group, the property has a total gross floor area of about 153,409 sq.ft. (14,252.04 sq.m.), excluding the area of car parking spaces.</p> <p>The property is held from the Government under two Government Leases each for a term of 99 years from 14 April 1928 renewable for a further term of 99 years. The total current Government Rent payable for the subject lots is HK\$234 per annum.</p>	<p>As at the date of valuation, portions of the property, comprising a total gross floor area of about 29,894 sq.ft. are vacant. The remaining portions of the property are subject to various tenancies with the latest expiry on 30 November 2015 at a total monthly rent of about HK\$4,506,000, exclusive of management fees and air-conditioning charges.</p>	<p>HK\$2,045,000,000</p>

*Notes:*

- (1) The property comprises the following units of the subject building and the respective registered owners of the property are as follows:

<b>Floor</b>	<b>Unit</b>	<b>Registered</b>
Basement	Whole	City Plan Limited
Ground	Whole	City Plan Limited
15th	1506	City Plan Limited
15th	1507	Kin Route Limited
17th–24th	Whole	City Plan Limited
2nd–4th	78 Car Parking Spaces including:	
	Car Parking Spaces Nos. 305–306, 311–316, 319–326, 328 and 336 on 3rd Floor, Car Parking Spaces Nos. 201–207, 209–235 on 2nd Floor and Car Parking Spaces Nos. 403–406, 409–426, 434–436 on 4th Floor	City Plan Limited
	Car Parking Space No. 208 on 2nd Floor	King's Land Limited
	Sky Sign	City Plan Limited

All the owner companies are wholly owned subsidiaries of the Company.

- (2) Portion of the property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 06091601310427 dated 28 August 2006 (Re: Basement, Ground, 17th to 24th Floors, Sky-Sign and portions of the car parking spaces).
- (3) Portion of the property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 06091601310437 dated 28 August 2006 (Re: Basement, Ground, 17th to 24th Floors, Sky-Sign and portions of the car parking spaces).

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
<p>4. Ashley Centre, Nos. 23 and 25 Ashley Road, Tsim Sha Tsui, Kowloon.</p> <p>Kowloon Inland Lot Nos. 8081 and 8085.</p>	<p>The property comprises a 16-storey commercial building with its ground to 3rd floors devoted to general retail purposes whilst the upper floors accommodate office units. It was completed in 1988 and was erected on a site with a registered site area of 3,415 sq.ft. (317.26 sq.m.).</p> <p>According to the information provided by the Group, the property has a total gross floor area of about 41,310 sq.ft. (3,837.79 sq.m.).</p> <p>The property is held from the Government under Conditions of Regrant Nos. 6983 and 6928 for a term of 150 years from 24 June 1892. The total current Government Rent payable for the subject lot is HK\$392 per annum.</p>	<p>Portions of the property comprising a total gross floor area of about 4,632 sq.ft. are vacant and the remaining portions of the property are let for various terms with the latest tenancy due to expire on 21 September 2013 at a total monthly rent of about HK\$1,255,000, exclusive of management fees and air-conditioning charges.</p>	<p>HK\$450,000,000</p>

*Notes:*

- (1) The registered owner of the property is Golden United Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure all sums of money including general banking facilities granted in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 09072302140051 dated 25 June 2009.
- (3) The property is subject to an Assignment of Rentals in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 09072302140060 dated 25 June 2009.
- (4) The property is subject to various building orders by the Building Authority under Section 24(1) of the Buildings Ordinance as below:

<b>Date of Instrument</b>	<b>Order No.</b>	<b>Memorial No.</b>
1 February 2011	UBZ/U17-02/001/10	11111500680294
1 February 2011	UBZ/U17-02/002/10	11111500680308
1 February 2011	UBZ/U17-02/003/10	11111500680318
1 February 2011	UBZ/U17-02/004/10	11111500680320
1 February 2011	UBZ/U17-02/005/10	11111500680338

In the course of our valuation, we have not taken into account the reinstatement cost that may be incurred for the compliance of such orders.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
5. "Ashley 27", No. 27 Ashley Road, Tsim Sha Tsui, Kowloon.  Kowloon Inland Lot No. 8453.	<p>The property comprises an 11-storey (plus mezzanine floor) commercial building with its ground and mezzanine floors devoted to general retail purposes whilst the upper floors accommodate office units. It was completed in 1965 and was erected on a site with a registered site area of 2,100 sq.ft. (195.09 sq.m.).</p> <p>According to the information provided by the Group, the property has a total gross floor area of about 20,218 sq.ft. (1,878.30 sq.m.).</p> <p>The property is held from the Government under a Government Lease for a term of 150 years from 24 June 1892. The current Government Rent payable for the lot is HK\$242 per annum.</p>	<p>Portions of the property comprising a total gross floor area of about 3,685 sq.ft. are vacant and the remaining portions of the property are let for various terms with the latest tenancy due to expire on 7 October 2013 at a total monthly rent of approximately HK\$638,000, exclusive of management fees and air-conditioning charges.</p>	HK\$252,000,000

*Notes:*

- (1) The registered owner of the property is Earn Centre Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 06093001060046 dated 13 September 2006.
- (3) The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 06093001060058 dated 13 September 2006.
- (4) The property is subject to a Licence to permit five categories of offensive trades by District Lands Officer, Kowloon West vide Memorial No. 08042500490077 dated 9 April 2008.
- (5) The property is subject to various building orders by the Building Authority under Section 24(1) of the Buildings Ordinance as below:

<b>Date of Instrument</b>	<b>Order No.</b>	<b>Memorial No.</b>
18 February 2011	UBZ/U17-03/0003/10	11110200840022
18 February 2011	UBZ/U17-03/0004/10	11110200840030
18 February 2011	UBZ/U17-03/0005/10	11110200840044
18 February 2011	UBZ/U17-03/0009/10	11110200840057
18 February 2011	UBZ/U17-03/0012/10	11110200840061
26 March 2011	UBZ/U17-03/0001/10	11051901180443

In the course of our valuation, we have not taken into account the reinstatement cost that may be incurred for the compliance of such orders.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
6. Ground Floor, No. 21 Ashley Road, Tsim Sha Tsui, Kowloon.	The property comprises a shop unit on the ground floor of a 6-storey tenement building completed in 1958.	As at the date of valuation, the property is let for a term from	HK\$59,000,000
1/6th shares of and in Kowloon Inland Lot No. 9580.	According to the information provided by the Group, the property has a gross floor area of about 1,280 sq.ft. (118.91 sq.m.).	1 August 2010 to 31 July 2012 at a monthly rent of HK\$170,000, exclusive of management fees.	
	The property is held from the Government under Conditions of Regrant No. 9486 for a term of 150 years from 24 June 1892. The current Government Rent payable for the property is HK\$28 per annum.		

*Notes:*

- (1) The registered owner of the property is Fortress Jet Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited vide Memorial No. 07101802580274 dated 28 September 2007.
- (3) The property is subject to a Rent Assignment in favour of Hang Seng Bank Limited vide Memorial No. 07101802580285 dated 28 September 2007.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
7. Major Portion of The Hampton, No. 45 Blue Pool Road, Happy Valley, Hong Kong.  Part of Inland Lot No. 7097.	The subject property comprises the major portion (please refer to note no. (2) below) of a 7-storey residential building with car parking spaces provided on its ground floor completed in 2011.  According to information provided by the Group, the property has a total gross floor area of about 37,905 sq.ft. (3,521.46 sq.m.).  The property is held from the Government under a Government Lease for a term of 75 years renewable for 75 years commencing from 23 September 1940. The total Government Rent payable for the whole lot is \$282 per annum.	As at the date of valuation, the property is vacant.	HK\$933,000,000  (90.01% interest attributable to the Group: HK\$839,793,300)

*Notes:*

- (1) The registered owner of the property is Far Beyond Limited of which the Company owns 90.01%.
- (2) The property comprises the following portion of the subject building:

Floor	Unit
1st	A
2nd	A
2nd	B
3rd	A
3rd	B
5th	A
5th	B
6th	A
7th	A
7th	B
G	Car Parking Space Nos. 1-14
—	Garages

- (3) The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all moneys in respect of general banking facilities vide memorial no. 08060402770422 dated 14 May 2008.
- (4) The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide memorial no. 08060402770435 dated 14 May 2008.
- (5) According to the information provided by the Group, Unit A on 3th floor, Unit B on 5th floor, Unit A on 6th floor, Units A and B on 7th floor and 8 car park spaces were subject to various Provisional Agreements for Sale and Purchase for a total consideration of approximately HK\$553,000,000.

In the course of our valuation, we have taken into account such considerations.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
8. 5th Floor, No. 21A Ashley Road, Tsim Sha Tsui, Kowloon.	The property comprises a residential unit on the 5th floor of a 6-storey tenement building completed in 1958.	As at the date of valuation, the property is let out for a term of 1 year from 1 September 2011 to 31 August 2012 at a monthly rent of HK\$7,000, inclusive of rates.	HK\$4,500,000
1/6th share of and in Kowloon Inland Lot No. 9251.	The property has a saleable area of about 871 sq.ft. (80.90 sq.m.).  The property is held from the Government under Conditions of Regrant No. 9188 for a term of 150 years from 24 June 1892. The current Government Rent payable for the lot is \$150 per annum.		

*Note:* The registered owner of the property is Well Phase Group Limited which is a wholly owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
9. No. 8 Hau Fook Street, Tsim Sha Tsui, Kowloon.	The property comprises a 22-storey commercial building completed in 2011.	As at the date of valuation, except portions of the property comprising a gross floor area of approximately 4,292 sq.ft. (398.74 sq.m.) which are vacant, the remaining portions of the property are subject to various tenancies with the latest term due to expiry on 30 November 2014 at a total monthly rent of approximately HK\$1,356,000, exclusive of management fees, air-conditioning charges and rates.	HK\$500,000,000
The Remaining Portion of Kowloon Inland Lot No. 9201.	According to the information provided by the Group, the property has a total gross floor area of about 45,101 sq.ft. (4,189.99 sq.m.).  The property is held from the Government under Conditions of Regrant No. UB8528 for a term of 150 years from 25 December 1888. The Government Rent payable for the lot is HK\$425 per annum.		

*Notes:*

- (1) The registered owner of the property is Sky Dragon Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 08012902670082 dated 16 January 2008.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
10. No. 47 Barker Road, The Peak, Hong Kong.	The property comprises a 2-storey detached garden house completed in pre-1945.	As at the date of valuation, the property is vacant.	HK\$204,000,000
Rural Building Lot No. 544.	According to Rating and Valuation Department, the saleable area of the property is approximately 2,997 sq.ft. (278.43 sq.m.).  The property is held from the Government for a term of 75 years from 8 May 1899 renewed for a further term of 75 years. The Government Rent payable for the lot is HK\$900 per annum.		

*Notes:*

- (1) The registered owner of the property is Absolute Keen Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. UB8888456 dated 4 March 2003.
- (3) The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited for a consideration of all monies vide Memorial No. 11031100950244 dated 25 February 2011.
- (4) The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 11031100950252 dated 25 February 2011.
- (5) The subject property was declared as Grade 2 Historic Building on 20 September 2010 for the preservation of historic building. According to the Antiquities Advisory Board and the Antiquities and Monuments Office, the definition of the Grade 2 Historic Building is as follows:

“Buildings of special merit; efforts should be made to selectively preserve.”

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
11. Nos. 2-4 Shelly Street, Central, Hong Kong.  The Remaining Portion of Section H and the Remaining Portion of Inland Lot No. 116.	<p>The property comprises two 6-storey tenement buildings (plus one-storey cockloft) completed in 1970 (2 Shelly Street) and 1973 (4 Shelly Street) respectively.</p> <p>The property has a total site area of approximately 2,306 sq.ft. (214.24 sq.m.).</p> <p>As advised by the Group, the property has a total gross floor area of approximately 12,750 sq.ft. (1,184.50 sq.m.).</p> <p>The property is held from the Government for a term of 75 years extended to 999 years from 22 January 1844. The Government Rent payable for the lot is HK\$20 per annum.</p>	<p>Besides Units 3A, 3B, 4A and 4B of 2 Shelly Street which are vacant, the remaining portions of the property are subject to various tenancies with the latest expiring on 14 August 2014 at a total monthly rent of HK\$699,500, inclusive of rates.</p>	HK\$285,000,000

*Notes:*

- (1) The registered owner of the property is Able Market Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities and interest thereon vide Memorial No. 11042802830153 dated 7 April 2011.
- (3) The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 11042802830167 dated 7 April 2011.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
12. No. 1 Irving Street, Causeway Bay, Hong Kong.  Inland Lot No. 8578.	<p>The property comprises a 25-storey composite building completed in 1988. The ground floor and 1st floor are devoted for commercial uses, the 3rd to 24th floors are devoted for domestic uses and is currently operated as a hotel whilst the 2nd floor is the mechanical floor.</p> <p>The property has a total number of 56 guest rooms and a total gross floor area of approximately 44,678 sq.ft. (4,150.66 sq.m.).</p> <p>The property is held from the Government under Conditions of Exchange No. 11752 for a term of 75 years renewable for 75 years commencing from 4 May 1951. The current Government rent payable for the lot is HK\$1,000 per annum.</p>	<p>Except the portion which is operated as a hotel, the retail portions are subject to various tenancies with the latest tenancy due to expire on 6 November 2014 at a total monthly rent of HK\$333,220, exclusive of rates and management fees.</p>	HK\$575,000,000

*Notes:*

- (1) The registered owner of the property is Smart Charm Holdings Limited which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Notice No. WNZ/U07-13/0001/09 under Section 24C(1) of the Building Ordinance by the Building Authority vide Memorial No. 11031100390178 dated 6 August 2010. In the course of our valuation, we have not take into account the reinstatement cost that may be incurred for the compliance of such notice.
- (3) The property is subject to a Mortgage to secure all moneys in respect of general banking facilities in favour of the Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 11062102990463 dated 31 May 2011.
- (4) The property is subject to a Rent Assignment in favour of the Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 11062102990471 dated 31 May 2011.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
13. No. 14 Pennington Street, Causeway Bay, Hong Kong.  All the shares of and in Inland Lot No. 7228.	<p>The property comprises all 4 portions on the ground floor and the mezzanine floor and 3 domestic units on upper floors of a 4-storey tenement completed in 1951.</p> <p>The property has a total saleable area of approximately 2,754 sq.ft. (255.85 sq.m.).</p> <p>The property is held from the Government for a term of 75 years from 4 May 1951 with a right of renewal for a further term of 75 years. The current Government rent payable for the lot is HK\$62 per annum.</p>	<p>Except a portion of 1,251 sq.ft. (116.22 sq.m.) that is vacant, the property is subject to various tenancies with the latest tenancy due to expire on 31 December 2014 at a monthly rent of HK\$24,200, exclusive of government rates and management fees.</p>	HK\$130,000,000

*Note:* The registered owners of the property are Digital Option Limited (Re: Portion A on Ground Floor and Portion A on Mezzanine Floor), High Supreme Limited (Re: Portion B, C & D on Ground Floor including the Yard at rear) and Portion B & C on Mezzanine Floor), Capital Delight Limited (Re: 1st Floor, 2nd Floor and 3rd Floor & Roof) all of which are wholly owned subsidiaries of the Company.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
14. Shop 4 on Ground Floor together with the Yard appurtenant thereto, Keswick Court, No. 3 Keswick Street, Causeway Bay, Hong Kong.  262/5580th shares of and in Inland Lot Nos. 7224, 7225, 7226 and 7227.	<p>The property comprises a shop unit on the ground floor of a 24-storey composite building with its ground and 1st floors devoted to retail purposes whilst the upper floors accommodate domestic units completed in 1988.</p> <p>The property has a saleable area of approximately 640 sq.ft. (59.46 sq.m.) with a yard of approximately 36 sq.ft. (3.34 sq.m.).</p> <p>The property is held from the Government for a term of 75 years commencing from 4 May 1951 renewable for 75 years. The total current Government rent payable for the lot is HK\$320 per annum.</p>	<p>The property is subject to a tenancy for a term of 5 years from 11 December 2009 to 10 December 2014 at a monthly rent of HK\$55,000, exclusive of rates and management fees.</p>	HK\$33,000,000

*Note:* The registered owner of the property is Smart Kept Limited which is a wholly owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011
15. Nos. 19–21 Shelter Street and Nos. 33–39 Tung Lo Wan Road, Causeway Bay, Hong Kong.	The property is a site comprising of 6 lots. The total registered site area of subject lots are approximately 9,488 sq.ft. (881.46 sq.m.).	The subject site is currently vacant.	HK\$1,000,000,000  (50% interest attributable to the Group: HK\$500,000,000)
The Remaining Portion of Sub-section 2 of Section A, the Remaining Portion of Sub-section 1 of Section A, Sub-section 1 of Section C of Sub-section 1 of Section A, the Remaining Portion of Section C of Sub-section 1 of Section A, the Remaining Portion of Section B of Sub-section 2 of Section A and Sub-section 1 of Section B of Sub-section 2 of Section A of Inland Lot No. 1580.	A high rise composite building with 2 levels of retail space, 23 levels of residential floors and 2 basement levels of car parks is proposed to be redeveloped. Upon completion, the total gross floor area will be approximately 87,383 sq.ft. (8,118.11 sq.m.).  The subject lots are held from the Government for a term of 75 years renewable for 75 years commencing from 29 January 1900. The total current Government rent payable for the lots is HK\$21,868 per annum.		

*Notes:*

- (1) The registered owners of the property are Pine Cheer Limited, Sino Able Investments Limited and Fortress Jet International Limited all of which the Company indirectly owns 50%.
- (2) The property is subject to a Debenture and Mortgage in favour of The Bank of East Asia, Limited vide Memorial No. 11050503110067 dated 13 April 2011.
- (3) The property falls within “Residential (Group A)” zone on the Causeway Bay Outline Zoning Plan No. S/H6/15 dated 17 September 2010.
- (4) The property has been valued on the basis that it will be developed and completed in accordance with the Group’s latest development proposal provided to us. We have assumed that approvals for the proposal have been or will be obtained.

## VALUATION CERTIFICATE

## Group II — Property held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2011								
16. Lot 24/6 and Lot 24/13 Guanglian Village Xujing Town Land Plot at Qingpu District Shanghai The PRC  中華人民共和國上海市 青浦區徐涇鎮光聯村 24/13丘與24/6丘地塊	<p>The property comprises 2 parcels of land with a total site area of 144,657 sq.m. (1,557,088 sq.ft.)</p> <p>The property is planned for a development comprising villas and townhouses with a planned total gross floor area of 81,765.77 sq.m. (880,127 sq.ft.) which is scheduled for completion in 2013.</p> <p>The details of the gross floor area are shown as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Aboveground</td> <td style="text-align: right;">57,042.58</td> </tr> <tr> <td>Underground</td> <td style="text-align: right;"><u>24,723.19</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>81,765.77</u></u></td> </tr> </tbody> </table> <p>The land use rights have been granted under 2 Certificates of Real Estate Ownership for respective terms due to expire on 20 March 2073 and 30 January 2077 for residential use.</p>	Portion	Gross Floor Area (sq.m.)	Aboveground	57,042.58	Underground	<u>24,723.19</u>	Total	<u><u>81,765.77</u></u>	The property is a land pending for future development as at the date of valuation.	<p>RMB963,000,000</p> <p>(47.5% interest attributable to the Group: RMB457,425,000)</p>
Portion	Gross Floor Area (sq.m.)										
Aboveground	57,042.58										
Underground	<u>24,723.19</u>										
Total	<u><u>81,765.77</u></u>										

*Notes:*

- (1) According to Shanghai Certificate of Real Estate Ownership HFDQZ No. (2008) 010831 dated 27 October 2008 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of the property interest has been vested in Shanghai Guangnan Real Estate Development Co., Ltd. as follows:

Owner : Shanghai Guangnan Real Estate Development Co., Ltd.  
 Location : Lot 24/6, Guanglian Village, Xujing Town, Qingpu District  
 Land area : 21,484 sq.m.  
 Land use : Residential  
 Land use term : From 31 January 2007 to 30 January 2077

According to Shanghai Certificate of Real Estate Ownership HFDQZ No. (2008) 011733 dated 28 November 2008 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of the property interest has been vested in Shanghai Guangnan Real Estate Development Co., Ltd. as follows:

Owner : Shanghai Guangnan Real Estate Development Co., Ltd.  
 Location : Lot 24/13, Guanglian Village, Xujing Town, Qingpu District  
 Land area : 123,173 sq.m.  
 Land use : Residential  
 Land use term : From 21 March 2003 to 20 March 2073

- (2) According to 3 Contract for Grant of State-owned Land Use Rights Nos. 2011 (35), 2011 (37) and 2011 (39), the land use rights of 3 plots of land with total site area of 144,657.4 sq.m. have been vested in Shanghai Guangnan Real Estate Development Co., Ltd. on 21 June 2011, 21 June 2011 and 23 June 2011 respectively with details as follows:

Contract No.	:	2011 (35)	2011 (37)	2011 (39)
Lot No.	:	Xujing Town 0008 Jiefang Lot P1	Qingpu District 2007 Land No.45	Qingpu District Tender No.37 Land
Land area (sq.m.)	:	2,725.70	101,537.70	40,394.00
Land Grant Fee (RMB)	:	5,440,000	19,099,241	4,872,116
Land use	:	Commodity Housing	Residential	Residential
Land use term	:	70 years	70 years	70 years
Plot Ratio	:	< = 1.0	N/A	< = 0.3
Height Restrictions	:	< = 5 storey and < = 15 metres	N/A	N/A
Building Covenants	:	To commence construction on or before 30 June 2012 and complete construction on or before 30 June 2013	To commence construction on or before 30 June 2012 and complete construction on or before 31 August 2015	To commence construction on or before 30 June 2012 and complete construction on or before 9 October 2014

- (3) According to Planning Permit for Construction Use of Land No. (2010)EA31011820100161 issued by Urban Planning Administrative Bureau of Qingpu District on 24 February 2010, the construction project of Guangnan Xujing on the land parcel situated at Guanglian Village, Xujing Town, with a site area of 2,725.7 sq.m. and construction scale of 94,146 sq.m. is in compliance with the urban planning requirements.
- (4) According to Business Licence No. 310000400209582 dated 17 December 2008, Shanghai Guangnan Real Estate Development Co., Ltd. was established with a registered capital of USD35,000,000 for an operating period from 7 January 1999 to 6 January 2024.
- (5) Shanghai Guangnan Real Estate Development Co., Ltd. is a subsidiary of the Group, all of which the Group indirectly owns 47.5%.
- (6) We have been provided with a legal opinion on the property interest prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) Shanghai Guangnan Real Estate Development Co., Ltd. has properly obtained the land use rights of the property for residential use;
  - (ii) Shanghai Guangnan Real Estate Development Co., Ltd. has duly settled all the land premium payable for the property;
  - (iii) The property is not subject to any mortgage; and
  - (iv) Shanghai Guangnan Real Estate Development Co., Ltd. is entitled to transfer, mortgage and lease the land use rights of property within the residual term of its land use rights with no extra land premium payable to the government according to the relevant PRC legal requirements and procedures.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarized as follows:
- |   |              |
|---|--------------|
| Shanghai Certificate of Real Estate Ownership     | Yes          |
| Contract for Grant of State-owned Land Use Rights | Yes          |
| Planning Permit for Construction Use of Land      | Yes (Partly) |
| Business Licence                                  | Yes          |

## 2. PROPERTY VALUATION REPORT FROM JONES LANG LASALLE LIMITED



JONES LANG  
LASALLE®

仲  
量  
聯  
行

Jones Lang LaSalle Limited  
Valuation Advisory Services  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2968 0078  
Company Licence No.: C-003464

仲量聯行有限公司  
物業估價部  
香港皇后大道東1號太古廣場三期6樓  
電話 +852 2846 5000 傳真 +852 2968 0078  
牌照號碼 C-003464



ISO 9001 : 2008  
Certificate No.: CC 568

19 January 2012

The Directors  
CSI Properties Limited  
Unit 3108, Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

Dear Sirs

- Re: 1) In Point, 169 Wujiang Road and No. 1 of 333, Shimenyi Road, Jing'an District, Shanghai, The People's Republic of China**
- 2) Platinum, 233 Taicang Road, Luwan District, Shanghai, The People's Republic of China**

#### **Instruction and Date of Valuation**

In accordance with the instruction from CSI Properties Limited (the "Company") for us to carry out valuation for the captioned properties (the "Properties") held by the Company and its subsidiaries (collectively known as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 November 2011 ("the date of valuation").

#### **Basis of Valuation**

Our valuation for each of the properties is made on the basis of the market value adopted by the Hong Kong Institute of Surveyors as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases published by Securities and Futures Commission, and in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

**Valuation Assumptions**

Our valuation has been made on the assumption that the owner sells the Properties on the market without any special arrangement such as deferred terms contracts, leasebacks, joint venture, management agreements which could serve to affect the value of the Properties. The market value of a property is also estimated without regard to costs of sale and purchase and without offset for any associated taxes.

No allowance has been made in our valuation for any unpaid land use fee/premium, compensation, charges, mortgages or amounts owing on the Properties nor for any expenses or taxation that may be incurred in effecting a sale.

In forming our opinion of values of the Properties, we have relied on the legal opinion provided by the Company's PRC legal adviser, Fangda Partners, that the grantee or the user of the Properties have free and uninterrupted rights to use and transfer the property interests for the whole of the unexpired term as granted. We have also carried out our valuation on the condition that the Properties are free from encumbrances, restrictions and outgoings of onerous nature.

**Valuation Methodology**

In the course of our valuation, we have made reference to the comparable market sale transactions as available in the market and where appropriate, to capitalise the rental incomes as shown on the tenancy schedule provided to us with due considerations for reversionary income potential of the Properties.

**Title Investigation**

We have been provided with copies of certain title documents relating to the Properties. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies provided to us.

For the title matters of the Properties, we have relied on the legal opinion provided by Fangda Partners and no responsibility is assumed for any matters concerning the legal title of the subject property interests.

**Source of Information**

In the course of our valuation, we have relied to a very considerable extent on the information provided to us by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupancy status, ownership details, identification of property interests, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this report are based on information contained in copies of documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us and have been advised by the Company that no material facts have been omitted from the information supplied and no material information has been withheld.

We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied. Should these prove to be incorrect or inadequate, the accuracy of our valuation may be affected.

**Property Inspection**

We have inspected the exterior and where possible the representative parts of the interior of the Properties on 21 December 2011. We have not conducted formal site and structural surveys and, as such, we cannot report that the Properties are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the Properties, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the building services.

We were not instructed to arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Properties, or has since been incorporated, and therefore unable to report that the Properties are free from risk in this respect.

**Site Investigation**

We have not carried out site measurements to verify the correctness of the site area of the Properties. We were not instructed to carry out investigations on site to determine the suitability of the ground conditions and the services etc for any future development, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters.



**Remarks**

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Repurchases and as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties include Business Tax and related surcharge at 5.65%, Enterprise Income Tax on the taxable income from the sale of the properties at 25%, and Land Value Appreciation Tax at progressive tax rates ranging from 30%–60% on the taxable gains from the sale of the properties.

As at the date of this circular, the company advised that it may consider to sell any of the Properties depending on the market condition. Hence, there would be possibility that such potential tax liabilities will be crystallized upon the sale of the Properties.

While we understand that the Properties are classified as properties held for sale by the Company, we are advised by the Company that it has not yet intended to place the Properties for sale on the market. As such, no potential tax liabilities in respect of the Properties have crystallized and therefore for the purpose of our valuation, we have not taken into account any such potential tax liabilities.

Unless otherwise stated, all currency stated herein this report is in Renminbi (RMB).

We enclose herewith the summary of values and valuation certificates.

Yours faithfully

For and on behalf of

**Jones Lang LaSalle Limited**

**Chris Chan** *BSc(Hons), MHKIS, MRICS, RPS(GP)*

*Local Director*

*Mr. Chan is a member of the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors. He has over 10 years experience in valuation of properties in Hong Kong and the PRC.*

## SUMMARY OF VALUES

No.	Property	Market Value in its existing state as at 30 November 2011	Interest attribute to the Group	Market Value attribute to the Group as at 30 November 2011
1.	In Point, 169 Wujiang Road and No. 1 of 333, Shimenyi Road, Jing'an District, Shanghai, The PRC	RMB715,000,000	100%	RMB715,000,000
2.	Platinum, 233 Taicang Road, Luwan District, Shanghai, The PRC	RMB2,450,000,000	50%	RMB1,225,000,000
	<b>Total</b>	<b><u>RMB3,165,000,000</u></b>		<b><u>RMB1,940,000,000</u></b>

## VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 30 November 2011										
1. In Point, No. 169 Wujiang Road and No. 1 of 333, Shimenyi Road, Jing'an District, Shanghai, The PRC	<p>In Point is the retail portion of a residential development known as Jing'an Four Seasons ("the Development") completed in 2007.</p> <p>It comprises a 3-storey retail podium (Level 1–2 and basement level 1) together with a commercial unit at Level 7 of the Development.</p> <p>According to the provided 3 copies of the Shanghai Certificate of Real Estate Ownership, the subject property has a gross floor area of about 11,375.28m<sup>2</sup> with floor area breakdown as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Floor Level</th> <th style="text-align: right;">Approx. Gross Floor Area (m<sup>2</sup>)</th> </tr> </thead> <tbody> <tr> <td>Unit at Level 7</td> <td style="text-align: right;">596.42</td> </tr> <tr> <td>Level 1 &amp; 2</td> <td style="text-align: right;">9,634.93</td> </tr> <tr> <td>Basement 1</td> <td style="text-align: right;"><u>1,143.93</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u><u>11,375.28</u></u></td> </tr> </tbody> </table> <p>The subject site has a total site area of about 13,844m<sup>2</sup>. The land use rights of In Point has been granted for residential use with land use rights term of 70 years for residential use and 40 years for commercial use commencing from 19 July 2001.</p>	Floor Level	Approx. Gross Floor Area (m <sup>2</sup> )	Unit at Level 7	596.42	Level 1 & 2	9,634.93	Basement 1	<u>1,143.93</u>	Total	<u><u>11,375.28</u></u>	<p>According to the provided tenancy information as at the date of valuation, the subject property with a total lettable area of approximately 7,116.42m<sup>2</sup> achieved an occupancy rate of about 98% with total passing monthly rental of about RMB3,620,000 (excluding management fee and other outgoings).</p> <p>The tenancies are of various terms with the latest one expiring in April 2020.</p>	<p>RMB715,000,000</p> <p>(100% interest attribute to the Group: RMB715,000,000)</p>
Floor Level	Approx. Gross Floor Area (m <sup>2</sup> )												
Unit at Level 7	596.42												
Level 1 & 2	9,634.93												
Basement 1	<u>1,143.93</u>												
Total	<u><u>11,375.28</u></u>												

*Notes:*

- (1) According to 3 provided copies of the Shanghai Certificate of Real Estate Ownership Nos. Hu Fang Di Jing Zi (2009) Di 005851, 005852 and 005855, both dated 25 September 2009, the land use rights of the subject property with a site area of approximately 13,844m<sup>2</sup> and the building ownership rights of the subject property with a total gross floor area of 11,375.28m<sup>2</sup> have been granted to Capital Strategic Property (Shanghai) Limited, which is a wholly owned subsidiary of the Group.

- (2) We have been provided with a legal opinion on the title of the subject property issued by Fangda Partners, the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) Capital Strategic Property (Shanghai) Limited legally owns the building ownership rights of the subject property and its corresponding land use rights;
  - (ii) Capital Strategic Property (Shanghai) Limited is entitled to sell, lease, mortgage or otherwise dispose of the subject property in accordance with PRC laws subject to the conditions as stipulated in the corresponding tenancy agreements and mortgage as mentioned in (iii) below;
  - (iii) The property is subject to 3 mortgages in favour of Industrial and Commercial Bank of China Limited Shanghai Nanhui Branch with a maximum loan guarantee amount of RMB250,000,000 for a period from 18 September 2009 to 17 September 2014; and
  - (iv) Apart from the said mortgages and relevant tenancy agreements, there are no other encumbrances and restrictions registered against the subject property.

## VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Market Value as at 30 November 2011												
2. Platinum, No. 233 Taicang Road, Luwan District, Shanghai, The PRC	Platinum is a 20-storey office tower over 3 basement levels completed in 2005.  According to the provided copy of the Shanghai Certificate of Real Estate Ownership and the extract of Building Survey Report, the subject property has a gross floor area of about 43,335.55m <sup>2</sup> with floor area breakdown as follows:	According to the provided tenancy information as at the date of valuation, the subject property with a total lettable area of approximately 33,040.35m <sup>2</sup> achieved an occupancy rate of about 98% (including those pre-committed tenancies) with total passing monthly rental of about RMB10,840,000 (excluding management fee and other outgoings).  The tenancies are of various terms with the latest one expiring in April 2016.	RMB2,450,000,000  (50% interest attribute to the Group: RMB1,225,000,000)												
	<table border="1"> <thead> <tr> <th>Use and Floor Level</th> <th>Approx. Gross Floor Area (m<sup>2</sup>)</th> </tr> </thead> <tbody> <tr> <td>Office (Level 2 to 25)*</td> <td>33,454.99</td> </tr> <tr> <td>Retail (Level 1)</td> <td>499.22</td> </tr> <tr> <td>Refuge Room (Level 1)</td> <td>15.66</td> </tr> <tr> <td>Carparks (basement)</td> <td><u>9,365.68</u></td> </tr> <tr> <td>Total</td> <td><u><u>43,335.55</u></u></td> </tr> </tbody> </table>	Use and Floor Level	Approx. Gross Floor Area (m <sup>2</sup> )	Office (Level 2 to 25)*	33,454.99	Retail (Level 1)	499.22	Refuge Room (Level 1)	15.66	Carparks (basement)	<u>9,365.68</u>	Total	<u><u>43,335.55</u></u>		
Use and Floor Level	Approx. Gross Floor Area (m <sup>2</sup> )														
Office (Level 2 to 25)*	33,454.99														
Retail (Level 1)	499.22														
Refuge Room (Level 1)	15.66														
Carparks (basement)	<u>9,365.68</u>														
Total	<u><u>43,335.55</u></u>														
	<i>Level 4, 13, 14, 23 and 24 are omitted</i>														
	The subject site has a site area of about 4,998m <sup>2</sup> . The land use rights of Platinum has been granted for composite use with land use rights term commencing from 26 April 2002 and expiring on 25 April 2052.														

*Notes:*

- (1) According to the provided copy of Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Lu Zi (2006) Di 000398號 dated 23 January 2006, the land use rights of the subject property with a site area of approximately 4,998m<sup>2</sup> and the building ownership rights of the property with a total gross floor area of 43,335.55m<sup>2</sup> have been granted to Shanghai Xin Mao Property Development Company Limited, of which the Group indirectly owns 50% of its interest.

- (2) We have been provided with a legal opinion on the title of the subject property issued by Fangda Partners, the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) Shanghai Xin Mao Property Development Company Limited legally owns the building ownership rights of the subject property and its corresponding land use rights;
  - (ii) Shanghai Xin Mao Property Development Company Limited is entitled to sell, lease, mortgage or otherwise dispose of the property in accordance with PRC laws subject to the conditions as stipulated in the corresponding tenancy agreements and mortgage as mentioned in (iii) below;
  - (iii) The property is subject to a mortgage in favour of Industrial and Commercial Bank of China Limited Shanghai Nanhui Branch with a maximum loan guarantee amount of RMB1,910,000,000 for a period from 3 February 2010 to 2 February 2015; and
  - (iv) Apart from the said mortgage and relevant tenancy agreements, there are no other encumbrances and restrictions registered against the subject property.

## 1. RESPONSIBILITY STATEMENT

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offeror and the future intentions of the Offeror regarding the Group.

The director of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than those relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Company, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statements in this Composite Offer Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than those relating to the Offeror and parties acting in concert with the Offeror except the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Offeror, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statements in this Composite Offer Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<b>Number of Shares</b>	<b>Amount</b> <i>HK\$'000</i>
Ordinary shares of HK0.8 cent each		
<i>Authorised:</i>		
Balance as at the Latest Practicable Date	<u>22,500,000,000</u>	<u>180,000</u>
<i>Issued and fully paid:</i>		
Balance as at 31 March 2011	8,163,817,074	65,311
Shares issued pursuant to exercise of Share Options	<u>69,290,352</u>	<u>554</u>
Balance as at the Latest Practicable Date	<u>8,233,107,426</u>	<u>65,865</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including the rights in respect of dividend, voting and capital. The Shares are listed and traded on the main board of the Stock Exchange.

The Company has granted Share Options to the Directors and eligible employees and consultants of the Group pursuant to the Share Option Scheme from time to time. As at the Latest Practicable Date, the Company had outstanding Share Options to subscribe for a total of 295,997,626 Shares, details of which are set out below:

<b>Date of grant</b>	<b>Period during which Share Options outstanding are exercisable</b>	<b>Exercise price per Share <i>HK\$</i></b>	<b>Number of new Shares issued upon exercise of Share Options by Optionholders</b>
23 September 2002	23 September 2002 to 25 August 2012	0.0884	129,795,751
8 January 2004	8 January 2004 to 25 August 2012	0.0884	47,486,250
9 January 2004	9 January 2004 to 25 August 2012	0.0948	23,743,125
3 October 2007	3 October 2007 to 25 August 2012	0.3198	94,972,500

Save as disclosed above, as at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting or convertible into Shares.



### 3. DISCLOSURE OF INTERESTS

#### (a) Interests of Directors in the shareholding of in the Company

The interests of the Directors in the shareholdings in the Company (as interpreted in the manner described in Part XV of the SFO) as at the Latest Practicable Date are set out below:

##### (i) Long position in the Shares

Name of Director	Nature of interests	Company/name of associated corporation	Number of shares held (Note 1)	Option scheme type	Number of Options held	Derivative interests	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	2,836,362,062(L)	—	—	— 18,648,018(L)	34.45 0.23
	Interest of controlled corporation	The Company	2,833,317,062(L)	—	—	— 18,648,018(L)	34.41 0.23
Kan Sze Man	Beneficial owner	The Company	24,534,562(L)	—	—	—	0.30
				2002	19,785,938(L)	—	0.24
Chow Hou Man	Beneficial owner	The Company	5,302,631(L)	—	—	—	0.06
				2002	19,785,938(L)	—	0.24
Wong Chung Kwong	Beneficial owner	The Company	—	2002	25,326,000(L)	—	0.31

(Note 3)

##### Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 2,836,362,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by the Offeror, that is, Earnest Equity Limited ("Earnest Equity"), of 2,833,317,062 shares) and 18,648,018 shares relate to the derivative interests held by Earnest Equity in the outstanding convertible notes of the Company. Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and Earnest Equity are corporations wholly-owned and controlled by him. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.
- (3) There is a limit on the number of share options under the 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 executive chairman of the Company to the exercise of share options exceeding such limit.

*(ii) Share Options*

Each of the three executive Directors, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, holds interests in the share option scheme granted by the Company under the Share Option Scheme:

Name of Directors	Date of grant	Period during which Share Options outstanding are exercisable	Exercise price per Share <i>HK\$</i>	Number of new Shares issued upon exercise of Share Options by Optionholders
Mr. Kan Sze Man	23 September 2002	23 September 2002 to 25 August 2012	0.0884	19,785,938
Mr. Chow Hou Man	23 September 2002	23 September 2002 to 25 August 2012	0.0884	19,785,938
Mr. Wong Chung Kwong	3 October 2007	3 October 2007 to 25 August 2012	0.3198	25,326,000*

\* There is a limit on the number of share options under the 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 executive chairman of the Company to the exercise of share options exceeding such limit.

**(b) Other disclosures**

The Anglo Chinese Investment Company, Limited, the holding company of Anglo Chinese, held 17,860,000 Shares, representing approximately 0.22% of the issued Shares, as at the Latest Practicable Date. As Anglo Chinese is acting as the financial adviser to the Offeror, it and The Anglo Chinese Investment Company, Limited are parties acting in concert with the Offeror by virtue of the Partial Offer under the Takeovers Code. The Anglo Chinese Investment Company, Limited acquired its interest in the Shares prior to Anglo Chinese's engagement as financial adviser in connection with the Partial Offer.

**(c) as at the Latest Practicable Date:**

- (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it;
- (ii) none of the Offeror or any parties acting in concert with it had borrowed or lent in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold;
- (iii) none of the subsidiaries of the Company, any pension funds of the Group; or any advisor to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (v) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (vi) save that Mr. Kan See Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong, being Directors, have stated their intention not to accept the Partial Offer or the Option Offer in respect of their own beneficial holdings of the Shares and Share Options as disclosed in paragraph 3(a) above, no person has irrevocably committed or given any indication of their intention to accept or reject the Partial Offer and the Option Offer in respect of their own beneficial ownership in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) neither the Company nor any of the Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold;
- (viii) save as disclosed in paragraph 3(a) above, none of the Directors had any interests in the shareholdings in the Company (as interpreted in the manner described in Part XV of the SFO) or any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (ix) save as disclosed in paragraph 3(a) above, neither the Offeror nor parties acting in concert with it owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (x) save for the interests of Mr. Chung in the Offeror as disclosed in paragraph 3(a) above, neither the Company nor the Directors have any interest in the shareholding of the Offeror;
- (xi) Save for Anglo Chinese Investment Company, Limited which acquired interest in the Shares as disclosed in paragraph 3(b) above, neither the Offeror nor parties acting in concert with it has acquired any voting rights in the Company during the six-month period from 14 June 2011, being the six months immediately prior to the date of the Joint Announcement, up to and including the date of such announcement.

#### 4. DEALINGS IN SECURITIES

The Offeror and parties acting in concert with it further confirm that they will not acquire any voting rights in the Company from the date of the first joint announcement issued by the Company and the Offeror on 14 December 2011 to the end of the Offer Period.

**(a) During the Relevant Period, save as disclosed in paragraph 3(b) above**

- (i) none of the Offeror, its directors or parties acting in concert with the Offeror had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) none of the Offeror or any parties acting in concert with the Offeror who had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold, had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iii) none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (iv) neither the Company nor any of its Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

**(b) During the Offer Period and up to the Latest Practicable Date:**

- (i) none of the subsidiaries of the Company or, any pension funds of the Group nor any advisor to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with a person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (iii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which were managed on a discretionary basis by fund managers connected with the Company had been dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## **5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS AND THEIR INTEREST IN RESPECT OF THEIR OWN HOLDINGS**

As at the Latest Practicable Date:

- (a) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Partial Offer and the Option Offer;
- (b) no agreement or arrangement existed between any Director and any other person which was conditional or dependent upon the outcome of the Partial Offer and the Option Offer or otherwise connected with the Partial Offer and the Option Offer;
- (c) save that the Offers are funded by, inter alia, loan from Mr. Chung as set out in “Letter from the Board”, no material contract had been entered into by the Offeror in which any Director had a material personal interest; and
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and any parties acting in concert with it on the one hand and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or dependence upon the Partial Offer and the Option Offer.

## **6. DIRECTORS’ SERVICE AGREEMENTS**

There is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before 14 December 2011 (being the date of commencement of the Offer Period); (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period.

## 7. MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) 8 December 2011, being the Last Trading Day and the last business day immediately preceding the date of the Joint Announcement issued by the Offeror and the Company on 14 December 2011 on the making of the Partial Offer and the Option Offer (“Rule 3.5 announcement”); and (iii) the last trading day of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
30 June 2011	0.26
29 July 2011	0.27
31 August 2011	0.20
30 September 2011	0.17
31 October 2011	0.19
30 November 2011	0.19
8 December 2011	0.19
30 December 2011	0.23
Latest Practicable Date	0.225

## 8. HIGHEST AND LOWEST SHARE PRICE

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.325 per Share on 14 June 2011 and HK\$0.158 per Share on 3 October 2011.

## 9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by the Group within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date which were, or might be, material:

- (a) the Deed dated 2 December 2011 and entered into between South View Limited, a wholly-owned subsidiary of the Company, as the vendor and Well Kent International Investment Company Limited as the purchaser in relation to the sale and purchase of Office Unit 6 of A3 on 32/F and Portion A1 on 32/F of Bank of America Tower (formerly known as Gammon House), No.12 Harcourt Road, Hong Kong for a total consideration of HK\$217,925,000;
- (b) (i) the sale and purchase agreement dated 7 July 2011 (“Acquisition Agreement”) and the Deed of Assignment dated 14 October 2011 and entered into between ITC Properties (Hong Kong) Limited (“ITC Properties”), as the vendor and Greatward Limited (“Greatward”), a wholly owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 50% of the issued share capital of Vastness Investment Limited (“Vastness”) and 50% of the entire amount of the shareholder’s loan due by Vastness to ITC Properties for an aggregate consideration of HK\$337.0 million (subject to adjustments) (being HK\$499.5 million less 50% of the aggregate outstanding principal amount due by the Vastness Group under The Bank of East Asia, Limited (“BEA”) facility referred to below of approximately HK\$325 million), the subsidiaries of Vastness being owners of properties interest in Yuet Wah Court, Yue King Mansion and Nam Fung Building; (ii) the deed of counter-indemnity dated 14 October 2011 by Greatward and the Company in favour of ITC Properties and ITC Properties Group Limited (“ITC”), being the ultimate holding company of ITC Properties, pursuant to which Greatward and the Company undertook to indemnify ITC from and against 50% of the liabilities of the ITC under the finance documents and relevant guarantee provided by ITC as security in connection with HK\$625.0 million term and revolving credit facilities provided by the BEA (“BEA facility”) to the subsidiaries of Vastness for repositioning the three properties interest held by them if the liabilities of ITC under such finance documents have not been reduced to correspond to its effective interest in Vastness after by Greatward’s acquisition of the interests in Vastness under the Acquisition Agreement; (iii) the deed of tax indemnity dated 14 October 2011 by ITC Properties in favour of Greatward to indemnify Greatward certain tax liabilities in relation to profits tax of the subsidiaries of Vastness; and (iv) the shareholders’ agreement dated 14 October 2011 and entered into between Greatward, ITC Properties and Vastness in connection with formation of a joint venture between Greatward and ITC Properties through their shareholdings in Vastness after completion of the Acquisition Agreement, and extension of shareholder’s loan of up to a maximum amount of HK\$100 million by Greatward and ITC Properties in accordance with their equity proportions to Vastness; and

- (c) the shareholders' agreement dated 12 January 2010 and entered into between Capital Strategic Ventures Limited, a wholly-owned subsidiary of the Company, Hill Shine Limited, a wholly-owned subsidiary of Chinese Estates Holdings Limited, and Get Wisdom Limited setting out the respective rights and obligations of Capital Strategic Ventures Limited and Hill Shine Limited in relation to Get Wisdom Limited and its subsidiaries, which held interests in "Platinum" at 233 Taicang Road, Luwan District, Shanghai, the People's Republic of China.

## 11. EXPERTS AND CONSENTS

The following are the names and qualification of each of the professional advisors who are named in this Composite Offer Document or who has given opinions or advice which are contained in or referred to in this Composite Offer Document:

<b>Name</b>	<b>Qualification</b>
Anglo Chinese	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Centurion	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited	professional property valuers

Each of Anglo Chinese, Centurion and DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited has given and has not withdrawn its written consent to the issuance of this Composite Offer Document with the inclusion herein of the opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

As at the Latest Practicable Date, each of Centurion and DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, the holding company of Anglo Chinese held 17,860,000 Shares, representing approximately 0.22% of the issued Shares of the Company.



**12. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, the Offeror and parties acting in concert with it had no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Partial Offer and the Option Offer to any other persons.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is located at 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (c) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is at c/o 3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (d) The sole director of the Offeror is Mr. Chung.
- (e) The correspondence address of Mr. Chung is 3108 Bank of America Tower, 12 Harcourt Road, Central.
- (f) Anglo Chinese is the financial advisor to the Offeror in respect of the Partial Offer and the Option Offer. The address of Anglo Chinese is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (g) Anglo Chinese is making the Partial Offer and the Option Offer for and on behalf of the Offeror. The address of Anglo Chinese is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (h) The independent financial advisor to the Independent Board Committee is Centurion, whose address is at 7th Floor, Duke Wellington House, 14–24 Wellington Street, Central, Hong Kong.
- (i) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (j) The Company Secretary is Mr. Kan Sze Man.
- (k) There are no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Partial Offer and/or the Option Offer.
- (l) Neither the Partial Offer nor the Option Offer is a securities exchange offer.
- (m) Neither the Partial Offer nor the Option Offer involves issue of any unlisted securities.

- (n) All time references contained in this Composite Offer Document refer to Hong Kong time.
- (o) In case of inconsistency, the English text of this Composite Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance shall prevail over the Chinese texts.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (public holidays excepted) at the head office and principal place of business of the Company at 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong; (ii) on the website of the SFC at <http://www.sfc.hk>; and (iii) on the website of the Company at <http://www.csigroup.hk>, from the date of this Composite Offer Document until the end of the Offer Period:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2011;
- (c) the interim report of the Company for the six months period ended 30 September 2011;
- (d) the Letter from the Board, Letter from Anglo Chinese, Letter from the Independent Board Committee and Letter from Centurion, the texts of which are set out in this Composite Offer Document, as referred to in the contents page on page i;
- (e) the valuation report on property interests of the Group prepared by DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited, the summary report of which is set out in Appendix III to this Composite Offer Document;
- (f) the letters of consent from each of the experts referred to in the paragraph headed “Experts and Consents” in this Appendix; and
- (g) each of the material contracts mentioned in the section headed “Material Contracts” in this Appendix.