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CSI
PROPERTIES
資 本 策 略

CSI PROPERTIES LIMITED
資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Listing Rules.

References are made to the Company's announcements dated 13 September 2017 and 14 September 2017 in relation to the Capital Securities Issue (the "Announcements"). All capitalised terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering circular dated 13 September 2017 in relation to the Capital Securities (the "Offering Circular"), which was published on the website of SGX-ST on 22 September 2017.

* *For identification purpose only*

The posting of the Offering Circular with this announcement on the website of Hong Kong Exchanges and Clearing Limited and on the Company's website is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company or ESL, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By Order of the Board
CSI Properties Limited
Chan Suet Kwan
Company Secretary

Hong Kong, 25 September 2017

As at the date of this announcement, the executive directors of the Company are Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Fong Man Bun, Jimmy, and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Cheng Yuk Wo and Dr. Lo Wing Yan, William.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of us in such jurisdiction.

IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES, INVESTORS MUST BE OUTSIDE THE UNITED STATES AND COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO DBS BANK LTD., THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, J.P. MORGAN SECURITIES PLC, UBS AG HONG KONG BRANCH, AMTD ASSET MANAGEMENT LIMITED, CHINA MERCHANTS SECURITIES (HK) CO., LIMITED, ICBC INTERNATIONAL SECURITIES LIMITED AND OCEANWIDE SECURITIES COMPANY LIMITED (THE "**JOINT LEAD MANAGERS**") THAT YOU AND ANY CUSTOMER YOU REPRESENT ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, IN COMPLIANCE WITH REGULATION S.

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CONFIDENTIAL

ESTATE SKY LIMITED

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

U.S.$200,000,000
5.75 per cent. Senior Perpetual Capital Securities
Unconditionally and Irrevocably Guaranteed by

CSI PROPERTIES LIMITED
資本策略地產有限公司*

(Incorporated with limited liability under the laws of Bermuda)

(Stock Code: 497)

Issue Price: 100.00 per cent.

The U.S.$200,000,000 5.75 per cent. Senior Perpetual Capital Securities (the "**Securities**") will be issued by Estate Sky Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Securities**") by CSI Properties Limited (the "**Guarantor**"), the holding company of the Issuer. The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Securities constitutes direct, general, unsecured, unconditional and unsubordinated obligations of the Guarantor (including Parity Obligations) which rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Securities confer a right to receive distribution (each a "**Distribution**") from 20 September 2017 (the "**Issue Date**") at the initial rate of 5.75 per cent. per annum (the "**Distribution Rate**") (*See "Terms and Conditions of the Securities – Distribution – Rate of Distribution*"). Subject to the provisions of the Securities relating to deferral of Distribution (see "*Terms and Conditions of the Securities – Distribution – Distribution Deferral*"), Distribution is payable semi-annually in arrear on 20 March and 20 September of each year (each a "**Distribution Payment Date**") with the first Distribution Payment Date falling in March 2018.

The Issuer may, at its sole discretion, elect to defer a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by providing holders of the Securities ("**Holders**") and the Paying Agents with not more than 20 nor less than five Business Days' (as defined in "*Terms and Conditions of the Securities*") notice prior to the relevant Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined in "*Terms and Conditions of the Securities*") has occurred. Any Distribution so deferred shall constitute "**Arrears of Distribution**". Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the Distribution Rate and the amount of such interest payable thereon shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution as described in "*Terms and Conditions of the Securities – Distribution – Cumulative Deferral*". The Issuer may further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred. See "*Terms and Conditions of the Securities – Distribution – Distribution Deferral*".

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem the Securities in whole, but not in part on the Distribution Payment Date falling on the First Call Date or on any Distribution Payment Date thereafter at their principal amount together with all outstanding Arrears of Distribution (if any), Additional Distribution Amounts (as defined in "*Terms and Conditions of the Securities*") (if any) and Distribution (if any) accrued to the date fixed for redemption on the Issuer's giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant date for redemption). The Securities may also be redeemed in whole, but not in part, at the option of the Issuer, subject to certain provisos, at their principal amount together with all outstanding Arrears of Distribution (if any), Additional Distribution Amounts (if any) and Distribution (if any) accrued to the date fixed for redemption: (i) as a result of a change in, or amendment to, the laws or regulations of the Bermuda, British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 13 September 2017 such that the Issuer or the Guarantor would be required to pay additional amounts in respect of the Securities or the Guarantee of the Securities and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it or (ii) if at least 90 per cent in principal amount of the Securities originally issued has been redeemed or purchased and cancelled. The Securities may also be redeemed in whole, but not in part, at the option of the Issuer, subject to certain provisos, at 101% of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case together with all outstanding Arrears of Distribution (if any), Additional Distribution Amounts (if any) and Distribution (if any) accrued to the date fixed for redemption upon the occurrence of any change or amendment to the Relevant Accounting Standard (as defined in "*Terms and Conditions of the Securities*") such that the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard. Upon the occurrence of a Change in Control or an Indebtedness Default Event, the Issuer shall give notice to Holders and the Paying Agents (in accordance with the "*Terms and Conditions of the Securities*") by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control or Indebtedness Default Event (as applicable) (as defined in "*Terms and Conditions of the Securities*"), stipulating that a Change in Control or Indebtedness Default Event (as applicable) has occurred and whether or not it will redeem the Securities, in the case of a Change of Control, at either (a) 101% of their principal amount on or before the Distribution Payment Date falling on the First Call Date or (b) at their principal amount following the Distribution Payment Date falling on the First Call Date, or in the case of an Indebtedness Default Event, at their principal amount, and in each case, plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount). See "*Terms and Conditions of the Securities – Redemption and Purchase*". If the Issuer does not give such notice, the Distribution Rate shall increase by 3.00 per cent. per annum with effect from the next Distribution Payment Date, as set out in "*Terms and Conditions of the Securities*" for so long as such Change of Control or Indebtedness Default Event is continuing.

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

Investors should be aware that the Securities are perpetual in tenor and that they have no right to require redemption, that Distribution may be deferred in the circumstances set out in "*Terms and Conditions of the Securities – Distribution – Distribution Deferral*", that there are limited remedies for default under the Securities and that there are various other risks relating to the Securities, the Group, its business and its jurisdictions of operations which they should familiarise themselves with before making an investment in the Securities. See "Risk Factors" beginning on page 11.

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

The Securities will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 20 September 2017 (the "**Closing Date**"), with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

DBS Bank Ltd. **HSBC** **J.P. Morgan** **UBS**

AMTD **China Merchants Securities (HK)**

Joint Lead Managers

ICBC International **Oceanwide Securities Company Limited**

This Offering Circular is dated 13 September 2017.

* *For identification purpose only*

IMPORTANT NOTICE

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

No person has been or is authorised to give any information or make any representation other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers set forth in "*Subscription and Sale*" elsewhere in this Offering Circular. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Securities by any person except in compliance with all applicable laws and regulations. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities described in this Offering Circular. No representation or warranty, express or implied, is made by the Joint Lead Managers or the Agents (each as defined in this Offering Circular) or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Joint Lead Managers, the Agents, or their respective affiliates or advisers. Neither the Joint Lead Managers nor the Agents have separately verified the information contained herein. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve an adverse change in the affairs of the Issuer, the Guarantor or the Group since the date hereof. To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents nor any of their respective affiliates or advisers accept any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Agents and their respective affiliates or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Agents nor any of their respective affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor and the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Securities of any information coming to the attention of any of the Joint Lead Managers, the Agents or their respective affiliates.

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

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

EBITDA PRESENTATION

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

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

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

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

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Company as at and for the years ended 31 March 2015, 2016 and 2017 has been extracted from the published audited consolidated financial statements of the Guarantor for the years ended 31 March 2016 and 2017, which includes the full notes to, and the audit report on, the consolidated audited financial statements of the Guarantor as at and for the years ended 31 March 2016 and 2017.

None of the Joint Lead Managers, the Agents, or any of their respective affiliates or advisers makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Guarantor's or the Group's business, financial condition or results of operations.

MARKET AND INDUSTRY DATA

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

FORWARD-LOOKING STATEMENTS

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

CERTAIN TERMS AND CONVENTIONS

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

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollars, and *vice versa*, at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations between HK dollars and U.S. dollars in this Offering Circular were made at the rate of HK$7.80 to U.S.$1.00. No representation is made that the HK dollar or U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars or HK dollars at any particular rate or at all.

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

CONTENTS

SUMMARY

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

Overview

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

Corporate Information

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

Business

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

Business Organisation

Mr. Chung Cho Yee, Mico ("**Mr. Mico Chung**"), the Chairman and Executive Director, obtained control of the Group in 2004 as a platform to expand his property investment business. As at 31 March 2017, Mr. Mico Chung had an interest in approximately 47.91 per cent. in the share capital of the Guarantor.

Competitive Strengths

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

Strategies

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

SUMMARY FINANCIAL INFORMATION

The summary audited consolidated financial information set forth below has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 March 2016 and 2017 (each of which have been audited by Deloitte Touche Tohmatsu). This financial information should be read in conjunction with the Guarantor's audited consolidated financial statements as at and for the years ended 31 March 2016 and 2017, which are included elsewhere in this Offering Circular.

Consolidated Statement of Profit or Loss for the years ended 31 March 2015, 2016 and 2017

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**
Revenue	745,611	2,201,494	1,868,279
Cost of sales and services	(385,167)	(1,029,524)	(1,266,931)
Gross profit	360,444	1,171,970	601,348
Income and gains from investments	47,581	112,278	179,083
Other income	72,217	71,883	89,444
Other gains and losses	1,147	19,125	956,571
Administrative expenses	(152,307)	(214,268)	(274,506)
Finance costs	(122,089)	(138,609)	(243,084)
Share of results of joint ventures	16,631	687,752	53,995
Share of results of associates	57,737	1,085	4,297
Profit before taxation	281,361	1,711,216	1,367,148
Income tax expense	(16,308)	(53,948)	(21,387)
Profit for the year	265,053	1,657,268	1,345,761
Attributable to:			
Owners of the Guarantor	262,936	1,645,022	1,346,734
Non-controlling interests	2,117	12,246	(973)
	265,053	1,657,268	1,345,761
Earnings per share *(HK cents)*			
Basic	2.65	15.83	13.42

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 March 2015, 2016 and 2017

	For the year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**
Profit for the year	265,053	1,657,268	1,345,761
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	521	(22,027)	(22,404)
Share of exchange differences of joint ventures	(3,545)	(25,527)	(38,882)
Reclassification of translation reserve upon disposal of joint ventures	–	(13,690)	–
Reclassification of investment revaluation reserve upon derecognition of available-for-sale investments	(11,677)	–	–
Others	(409)	(376)	1,587
	(15,110)	(61,620)	(59,699)
Total comprehensive income for the year	249,943	1,595,648	1,286,062
Total comprehensive income (expense) attributable to:			
Owners of the Guarantor	247,826	1,583,402	1,286,233
Non-controlling interests	2,117	12,246	(171)
	249,943	1,595,648	1,286,062

Consolidated Statement of Financial Position as at 31 March 2015, 2016 and 2017

	As at 31 March		
	2015	2016	2017
	HK$'000	HK$'000	HK$'000
Non-Current Assets			
Property, plant and equipment	664,818	623,307	154,455
Available-for-sale investments	64,579	59,630	191,508
Loan receivables	–	–	46,813
Club memberships	11,385	11,385	11,385
Interests in joint ventures	1,653,996	1,308,350	1,604,511
Amounts due from joint ventures	1,937,397	1,743,320	2,804,860
Interests in associates	17,567	137,855	152,303
Amounts due from associates	18,947	4,152	38,129
	4,368,689	3,887,999	5,003,964
Current Assets			
Trade and other receivables	117,595	140,273	372,227
Properties held for sale	5,556,593	8,850,223	11,752,540
Investments held for trading	1,231,378	1,813,664	2,298,774
Taxation recoverable	7,703	20,141	10,845
Cash held by securities brokers	5,340	3,983	30,760
Bank balances and cash	1,274,443	3,525,228	3,572,022
	8,193,052	14,353,512	18,037,168
Current Liabilities			
Other payables and accruals	120,089	236,598	940,529
Taxation payable	138,854	185,864	194,889
Amounts due to joint ventures	169	20,130	180,528
Amounts due to associates	10,218	–	–
Amounts due to non-controlling shareholders of subsidiaries	91,178	100,832	163,640
Bank borrowings – due within one year	710,204	561,101	1,324,437
Guaranteed notes – due within one year	–	–	817,830
	1,070,712	1,104,525	3,621,853
Net Current Assets	7,122,340	13,248,987	14,415,315
	11,491,029	17,136,986	19,419,279
Capital and Reserves			
Share capital	83,896	80,296	80,296
Reserves	8,180,824	9,586,815	10,675,016
Equity attributable to owners of the Guarantor	8,264,720	9,667,111	10,755,312
Non-controlling interests	2,066	14,241	14,070
Total Equity	8,266,786	9,681,352	10,769,382
Non-Current Liabilities			
Guaranteed notes – due after one year	1,170,000	1,040,130	1,950,000
Bank borrowings – due after one year	2,045,713	6,410,008	6,696,726
Deferred tax liabilities	8,530	5,496	3,171
	3,224,243	7,455,634	8,649,897
	11,491,029	17,136,986	19,419,279

Other Financial Information

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

	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017
	(HK$ million)	(HK$ million)	(HK$ million)
Profit before taxation	281.4	1,711.2	1,367.1
Adjusted for:			
Fair value changes	86.4	(12.6)	(44.6)
Impairment loss on available-for-sale investments	–	2.9	–
Impairment loss/(reversal of impairment loss) on properties held for sale	36.3	125.7	(41.7)
Gain on disposal of property, plant and equipment	(0.3)	(0.6)	–
Gain on de-recognition of investments in convertible notes	(1.6)	–	–
Interest income	(11.1)	(10.5)	(27.1)
Finance cost	122.1	138.6	243.1
Income from amortisation of financial guarantee contracts	(1.3)	(2.6)	(2.7)
EBIT[(1)]	511.9	1,952.1	1,494.1
Depreciation of property, plant and equipment	35.9	45.6	37.1
EBITDA[(2)]	547.8	1,997.7	1,531.2

Note:

(1) EBIT is calculated as profit before taxation adjusted for fair value changes, impairment loss on available-for-sale investments, impairment loss/(reversal of impairment loss) on properties held for sale, gain on disposal of property, plant and equipment, gain on de-recognition of investments in convertible notes, interest income, finance cost and income from amortisation of financial guaranteed contracts.

(2) EBITDA is calculated as profit before taxation adjusted for fair value changes, impairment loss on available-for-sale investments, impairment loss/(reversal of impairment loss) on properties held for sale, gain on disposal of property, plant and equipment, gain on de-recognition of investments in convertible notes, interest income, finance cost, income from amortisation of financial guaranteed contracts and depreciation of property, plant and equipment.

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

THE ISSUE

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

Issuer	Estate Sky Limited
Guarantor	CSI Properties Limited
Principal amount of the Securities	U.S.$200,000,000 aggregate principal amount of 5.75 per cent. senior perpetual capital securities
Guarantee of the Securities	The Guarantor has, in the Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Securities.
Status of the Securities.	The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee of the Securities	The Guarantee of the Securities constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (including Parity Obligations), which rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issue Price.	100.00 per cent.
Form and Denomination.	The Securities will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Distributions	Subject to Condition 4 (*Distribution*), the Securities confer a right to receive distribution (each a "**Distribution**") from 20 September 2017 (the "**Issue Date**") at the Distribution Rate payable semi-annually in arrear on 20 March and 20 September of each year, with the first Distribution Payment Date falling in March 2018.

Distribution Rate	The Distribution Rate shall be (i) from, and including, the Issue Date to, but excluding, 20 September 2022 (the "**First Call Date**"), 5.75 per cent. per annum; and (ii) thereafter, in respect of the period from, and including, the First Call Date and each Reset Date (as defined in Condition 4(f) (*Distribution – Definitions*)) falling thereafter to, but excluding, the immediately following Reset Date (each a "**Reset Period**"), at the relevant Reset Distribution Rate (as defined in Condition 4(f) (*Distribution – Definitions*)). Upon the occurrence of a Change of Control or an Indebtedness Default Event, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer pursuant to Condition 5(e) (*Redemption and Purchase – Redemption for Change of Control*) or Condition 5(f) *(Redemption and Purchase – Redemption for Indebtedness Default Event)*, respectively by the 30th day following the occurrence of the Change of Control or the Indebtedness Default Event, as the case may be, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (i) the next Distribution Payment Date; or (ii) if the date on which a Change of Control or Indebtedness Default Event occurs, as the case maybe, is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date.
Optional Deferral of Distributions	The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders and the Paying Agents not more than 20 nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined below) has occurred. Any partial payment of outstanding Distributions (including any Arrears of Distribution (as defined below) and any Additional Distribution Amount (as defined in Condition 4(e)(iv) (*Distribution – Distribution Deferral – Cumulative Deferral*)) by the Issuer or the Guarantor shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis. The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) *(Distribution -Distribution Deferral – Optional Deferral)* and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.

	Any Distribution so deferred shall bear interest as if it constituted the principal of the Securities at the Distribution Rate. The Issuer may further defer any Arrears of Distribution by complying with the foregoing notice requirement. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred.
Arrears of Distribution	Any Distribution defined pursuant to the Condition 4(e) shall constitute "**Arrears of Distribution**". Arrears of Distribution (a) may be satisfied by the Issuer (in whole or in part) at any time by giving notice of such election to Holders and the Paying Agents not more than 20 nor less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment dates specified in such notice) and (b) must be satisfied in certain other circumstances in accordance with Condition 4(e)(vi)(B).
Restrictions in the case of a Deferral	If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 4(e), the Issuer and the Guarantor shall not: (1) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a pro-rata basis) its Parity Obligations provided that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (2) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, provided that such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations, or in relation to Parity Obligations, on a pro-rata basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants, in each case unless and until (i) the Issuer or the Guarantor has satisfied, in full all outstanding Arrears of Distribution; or (ii) is permitted to do so by an Extraordinary Resolution (as defined in the Agency Agreement) of the Holders.
Issue Date	20 September 2017.
Maturity Date	There is no maturity date.

Redemption at the Option of the Issuer . . . .

The Issuer may at its option redeem the Securities in whole but not in part, on the Distribution Payment Date falling on the First Call Date or on any Distribution Payment Date thereafter on the Issuer's giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Date) at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption for Change of Control . . . .

Upon the occurrence of a Change in Control, the Issuer shall give notice to Holders and the Paying Agents (in accordance with the Terms and Conditions of the Securities) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change in Control has occurred and whether or not it will redeem the Securities pursuant to the Terms and Conditions of the Securities. A notice given by the Issuer stipulating that it will redeem the Securities shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption for Indebtedness Default Event . . . .

Upon the occurrence of an Indebtedness Default Event, the Issuer shall give notice to Holders and the Paying Agents (in accordance with the Terms and Conditions of the Securities) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Indebtedness Default Event, stipulating that an Indebtedness Default Event has occurred and whether or not it will redeem the Securities pursuant to the Terms and Conditions of the Securities. A notice given by the Issuer stipulating that it will redeem the Securities pursuant to the Terms and Conditions of the Securities shall: (A) stipulate the Indebtedness Default Event Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Indebtedness Default Event Call Date at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of an Indebtedness Default Event.

Tax Redemption . . . .

The Issuer may at its option redeem the Securities in whole but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if:

(1) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in the Terms and Conditions of the Securities as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 13 September 2017; (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(2) (A) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay additional amounts as provided or referred to in the Terms and Conditions of the Securities or the Guarantee of the Securities, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Terms and Conditions of the Securities or the Guarantee of the Securities as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Securities, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 13 September 2017 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it.

Redemption for accounting reasons . . . . The Issuer may redeem the Securities in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to the Relevant Accounting Standard (as defined in Condition 5(c)), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard.

Redemption for minimum amount outstanding	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Holders (which notice will be irrevocable), the Registrar and the Fiscal Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to the Terms and Conditions of the Securities and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled.
Governing Law	The Securities, the Guarantee of the Securities and any non-contractual obligations arising out of or in connection with such will be governed by, and construed in accordance with, English law.
Clearing Systems	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1586438555 Common Code: 158643855
Fiscal Agent	Citicorp International Limited
Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citicorp Global Markets Deutschland AG
Listing	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Securities are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor and its subsidiaries, its associated companies, its joint ventures of the Securities.
Use of Proceeds	See "*Use of Proceeds*".

RISK FACTORS

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

Risks Relating to the Group and its Business

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

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

Hong Kong property prices and rents for residential, commercial and industrial properties, after reaching record highs in the mid-1990s, declined significantly in and after the fourth quarter of 1997 as a result of the general economic downturn in Asia, the slowdown in the Hong Kong economy, the increase in supply of new properties in Hong Kong, and high interest rates on Hong Kong dollar borrowings. The overall property market has been adversely affected by several significant events, including the events of 11 September 2001 in the United States, the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003 and sporadic outbreaks of the H5N1 virus ("**Avian Influenza**") and A/H1N1 influenza. In addition, while the property market showed improvement during the period from 2004 to the third quarter of 2008, starting from September 2008, property prices and rents in Hong Kong were inevitably affected by the global financial turmoil. Factors such as the prospect of economic downturn and the tightening of liquidity created negative sentiments for the property market. The demand and rental rates of prime office buildings and for residential, commercial and industrial properties were consequently reduced. Demand and rental rates have since generally improved as a result of the low interest rate environment in Hong Kong. Despite the Hong Kong Government increased the stamp duty rate on residential properties (excluding first-time local buyers) to 15 per cent. of the property value from 1.5 per cent. – 8.5 per cent. in November 2016, existing home prices experienced consecutive months of growth in the first quarter of 2017 and reached its peak level since 1997. There can be no assurance that interest rates will not increase in the future. If interest rates increase, this could have a significant impact on the property market, which may in turn affect the Group's operating results and financial condition.

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

The Hong Kong government may introduce cooling measures on the Hong Kong property market from time to time, which may have a significant impact on the supply and demand in the property market. For example, on 26 October 2012, the financial secretary of the Hong Kong government announced that the Stamp Duty Ordinance would be amended to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("**SSD**") imposed by the Stamp Duty (Amendment) Ordinance 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. The financial secretary also announced on 26 October 2012 that a Buyer's Stamp Duty ("**BSD**") would be introduced with effect from 27 October 2012 on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is to be charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 4 November 2016, the Hong Kong Government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first time home buyers who are Hong Kong permanent residents. The new 15 per cent. rate replaces the maximum 8.5 per cent. double ad valorem stamp duty on non-first time home purchases by Hong Kong permanent residents that had been in place since February 2013. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there can be no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the property market, which may in turn affect the Group's operating results and financial conditions.

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

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

The Group is exposed to property market risks in the PRC

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

In recent years, the Group has increased its investment in properties in the PRC. Currently, the Group has substantial property development and investment interests in Shanghai and expects to continue to develop and invest in properties in the PRC. The Group is therefore subject to risks usually associated with property development and investment in the PRC. Any real estate market downturn in Shanghai in the future could adversely affect the Group's profitability and prospects. There can be no assurance that the demand for commercial and residential properties in Shanghai will continue to grow. The Group's results of operations may be influenced by fluctuations of supply and demand in the real estate market, which may in turn be influenced by the general state of the PRC economy or PRC national or local government policies. For instance, the PRC government has imposed in September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Tianjin, Suzhou, Zhengzhou, Jinan and Wuxi, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy, which have dampened the market sentiment and lowered transaction volume in the PRC property market. As a result, there can be no assurance that the problems of oversupply and falling property prices will not recur to the extent of the mid-1990s or be even worse or that the recurrence of such problems with respect to the property market in the PRC will not adversely affect the Group's business, financial condition or results of operations. Any economic downturn or over-supply of commercial or residential properties could result in downward pressure on the Group's income and valuation of its property portfolio.

The PRC central and local governments also frequently adjust monetary and other economic policies to prevent and curtail the overheating of the national and local economies, and such economic adjustments may affect the PRC property market. For example industry policies and other economic measures, such as control over the supply of land for property development, setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign investment and currency exchange restrictions. Such policies may be adjusted by the central government of the PRC from time to time in response to the changing market environment. Given that the central and local governments of the PRC are expected to continue to exercise a substantial degree of control and influence over the PRC economy and property market, any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the Group's ability to make corresponding adjustments, may result in a material adverse effect on the Group's business and operating results and its future expansion plans in the PRC. In particular, decisions taken by PRC regulators concerning economic policies or goals that are inconsistent with the Group's interests could adversely affect its operating results, financial condition and prospects. See also "*– Risks Relating to the Group's Business in the PRC*". Furthermore, private ownership of property in the PRC is still at an early stage of development. For example, the property market in the PRC has in the past experienced weakness in demand due to the lack of a mature and active secondary market for private properties and the limited availability of mortgage loans to individuals in the PRC as a result of government interventions.

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

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

Economic events outside Hong Kong, the PRC and Macau may adversely affect the Group's business. Since the global financial crisis which arose due to problems linked with the sub-prime residential mortgage market in the United States, global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. Although global economic conditions have improved and certain credit markets have shown signs of recovery in 2011 due, in large part, to stimulus measures adopted by various governments, there can be no assurance that these credit markets will continue to recover or that the various governments will maintain their stimulus measures. The global economy and financial markets have been affected by the ongoing sovereign debt crises in several member countries of the European Union in late 2011 to the present, and more recently, the tapering of the stimulative quantitative easing policy, and the potential interest rate increase, by the U.S. Federal Reserve, the economic slowdown of the PRC and the enhanced market volatility stemming from the referendum passed on 23 June 2016 for the United Kingdom to leave the European Union. If this situation were to worsen, or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost. The Group may also be subject to solvency risks of banks and of its counterparties in its financial investments and arrangements. These may have a material adverse impact on the operations of the Group.

The Group's property businesses require substantial capital investment

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

The Group operates in highly competitive industries

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

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

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

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

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

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

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

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

- have economic or business interests or goals that are inconsistent with those of the Group;
- take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its property investments;
- be unable or unwilling to fulfil their obligations under the joint ventures or other agreements;
- undergo a change of control; or
- experience financial or other difficulties.

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

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

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

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

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

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

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

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

The continuing success of the Group depends on key management personnel

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

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

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

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

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

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

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

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

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

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

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

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

If the Group is not properly insulated from the rising cost of labour, construction materials or building equipment, the Group's results of operations may be adversely affected

As the result of economic growth and the competition in the property development industry in Hong Kong and the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced increases in recent years. For example, the PRC Labour Contract Law that came into effect on 1 January 2008 (certain amendments to which were adopted on 28 December 2012 and became effective on 1 July 2013) is primarily aimed at the regulation and protection of employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. In addition, the PRC government has continued to introduce various new labour-related regulations after the effectiveness of the PRC Labour Contract Law. The Group's labour costs may increase as a result of these new protective labour measures, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, as the interpretation and implementation of these new regulations are still evolving, the Group's employment practice may not at all times be deemed in compliance with the new regulations. If the Group is subject to penalties or incur liabilities in connection with labour disputes or investigations, the Group's business, results of operations and financial condition may be adversely affected. Under the terms of most of the Group's construction contracts, the Group's construction contractors are responsible for the wages of construction workers and procuring construction materials for the Group's property development and would bear the risk of fluctuations in wages and construction material prices during the term of the relevant contract as the Group generally enters into fixed or capped unit price contracts with them. However, the Group is exposed to the price volatility of labour and construction materials to the extent that the Group periodically enters into new or renews the Group's construction contracts during the life of a project, which may span over several years, or that the Group hires the employees directly or purchase the construction materials directly from suppliers. The Group is also exposed to the price volatility of building equipment used in properties developed by the Group because the Group usually procures such equipment by themselves. Furthermore, the Group typically pre-sells the Group's properties prior to their completion, and the Group will be unable to pass the increased costs on to the Group's customers if construction costs increase subsequent to the time of such pre-sale. If the Group is unable to pass on any increase in the cost of labour, construction materials and building equipment to either the Group's construction contractors or to the purchasers of the Group's properties, the Group's results of operations may be negatively affected. No assurance can be given as to the future movements of the prices of the construction materials required by the Group and any detrimental movements in the future may have a material adverse effect upon the Group's business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

The Group's business may be adversely affected by further increases in borrowing rates

Changes in borrowing rates have affected and will continue to affect the financing costs for the Group's property development business and, ultimately, the Group's results of operations. While the Group believes that the lending rate has not in the past had a material adverse effect on the Group's ability to obtain adequate financing for the Group's operations or on the Group's overall financial condition, there can be no assurance that lending rates will remain unchanged or that an increase in lending rates in the future will not have a material adverse effect on the Group's operations and financial condition. Although our borrowings are primarily denominated in Hong Kong dollars, as at 31 March 2017, the Group had Renminbi denominated loans with an aggregate outstanding amount of approximately RMB675 million to fund the Group's property business at the Group's PRC subsidiary level. The interest rates are based on premiums or discounts to the Renminbi lending base rate as announced by the People's Bank of China (the "**PBOC**") from time to time. If PBOC further raises lending rates, the Group's business, results of operations and financial condition may be adversely affected.

The Group is affected by currency fluctuations

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

The Guarantor is controlled by a single major shareholder

The ultimate major shareholder of the Guarantor is Mr. Mico Chung, who is Chairman and Executive Director of the Guarantor and has an interest in approximately 47.91 per cent. of the issued share capital of the Guarantor as at 31 March 2017 with the remaining shares being held by other employees of the Group and by public shareholders. Mr. Mico Chung, as the Guarantor's controlling shareholder, is therefore able to exert considerable influence over the management and affairs of the Group. As a result, transactions between the Guarantor and other companies in which Mr. Mico Chung has an interest are subject to the rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which, in certain circumstances, may require disclosure to, and approval from, the shareholders of the Guarantor.

The Group's operations are subject to external risks

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

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

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

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza" among birds and in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. To date, there have been a large number of confirmed cases of influenza A/H1N1 globally. Since 2012, an outbreak of the Middle East Respiratory Syndrome corona virus ("**MERS**") has affected several countries, primarily in the Middle East. There can be no assurance that there will not be a serious outbreak of influenza A/H1N1, MERS or another contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

Risks Relating to the Group's Business in the PRC

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

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

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

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

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

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

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

Real estate is a highly regulated sector in the PRC

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

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

In the event the total GFA of any of the Group's property developments were to exceed the original authorised area, the excess GFA would be subject to governmental approval and payment of additional land premium

Given some of the Group's property projects are located in the PRC, the Group's business is also subject to regulations in the PRC. When the PRC government grants the land use rights for a parcel of land, it will specify in the land grant contract the use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might exceed the total GFA authorised in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorised amount is subject to approval when the relevant authorities inspect the properties after their completion, and the developer may be required to pay additional land premium in respect of this excess GFA. If the Group fails to obtain the completion certificate due to such excess GFA, the Group will not be allowed to deliver the relevant properties or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. No assurance can be given that the total constructed GFA of the Group's existing projects under development or any future property developments will not exceed the relevant authorised GFA upon completion or that the Group will be able to pay the additional land premium and obtain the completion certificate on a timely basis. Any of the above may have a material adverse effect on the Group's business, results of operations and financial condition.

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

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. In August 2015, the People's Bank of China implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies.

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

The Group's provisions for the payment of land appreciation tax ("LAT") for the disposal of properties may not be adequate to cover the Group's LAT obligations

Under the tax laws and regulations of the PRC, properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and other ancillary facilities in the PRC is subject to LAT at progressive rates up to 60.0 per cent. of the appreciation value, with certain exemptions available for the sale of ordinary residential properties if the appreciation does not exceed 20.0 per cent. of the total deductible items, as such transactions are addressed under relevant tax laws. Sales of properties such as high-class apartments, villas and holiday villages are not eligible for such exemptions.

The Group has estimated and made provisions for what is believed to be the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. While the Group believes that the Group has made adequate provisions for LAT, there is no assurance that such provisions will be adequate to cover the Group's LAT obligations. In the event that LAT eventually collected by the tax authorities upon completion of a tax audit exceeds the amount that the Group has provided for, the Group's future net profits after tax may be adversely affected.

The transition from business tax to value-added tax may adversely affect the Group's business, results of operations and financial condition

Given some of the Group's property projects are located in the PRC, the Group's business is also subject to regulations in the PRC. The PRC government has been progressively implementing the pilot reform for the transition from business tax to value-added tax in certain regions and industries from 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (關於全面推開營業稅改徵增值稅試點的通知) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法) issued by the Ministry of Finance of the People's Republic of China and State Administration of Taxation of the People's Republic of China on 23 March 2016. On 1 May 2016, the ''transitioning from business tax to value-added tax'' scheme became effective.

Changes in the scope of taxation affect, to a certain extent, the Group's tax burden. The Group has only recently become subject to the value-added tax regime. The Group expects the scheme will not materially affect the Group's net profit or cash flow but may negatively affect the Group's revenue and costs. At the same time, the Group is required to re-formulate the Group's business and financial management procedures and adjust the Group's accounting and audit treatment as well as tax system in order to comply with such scheme. The scheme also imposes stricter requirements on contractors and suppliers. In addition, the PRC government may further supplement and amend relevant policies and rules, and different interpretations may be applied in implementing these policies and rules. As a result, uncertainties remain as to the tax treatment of the Group's income and expenses under the new value added tax regime. As of the date of this offering circular, the Group has conducted assessment on the impact on the Group's tax burden and profitability caused by the transition from business tax to value-added tax and no material adverse impact to the Group's profitability is anticipated. No assurance can be given that the transition from business tax to value-added tax will not have an adverse impact on the Group's business, results of operations and financial condition.

Risks Relating to the Securities and the Guarantee of the Securities

The Issuer was established primarily for the purpose of raising finance for the Group and has no business activities save for the issuance of debt securities

The Issuer was established specifically for the purpose of raising finance for the Group and will on-lend the net proceeds from the offering of the Securities to the Guarantor and/or any other members of the Group which will be used for general working capital of the Group. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Securities will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

Risks associated with the Guarantor's holding company structure

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

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

The Issuer and the Guarantor may raise other capital which affects price of the Securities

The Issuer and/or the Guarantor may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the Securities on a Winding-Up of the Issuer and/or the Guarantor and/or may increase the likelihood of a deferral of Distribution under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of holders of the Securities to sell their Securities.

Holders of the Securities will not receive Distribution payments if the Issuer validly elects to defer Distribution payments

The Issuer may, at its sole discretion, elect to defer any scheduled Distribution on the Securities for any period of time unless, during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event (as defined in "*Terms and Conditions of the Securities*") has occurred. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of discretionary dividends and/or other distributions or payments on its Junior Obligations or Parity Obligations (as described in the Conditions) and the discretionary redemption and repurchase of its Junior Obligations or Parity Obligations until all outstanding Arrears of Distribution are satisfied. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Conditions subject to compliance with the foregoing restrictions. Although Distributions are cumulative, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the holders of the Securities, and holders of the Securities have no rights to claim any Distribution, Arrears of Distribution or Additional Distribution Amount if there is such a deferral.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals.

The Securities may be redeemed at the Issuer's option at any time on or after five years after the Issue Date or the occurrence of certain other events

The Conditions provide that the Securities are redeemable at the option of the Issuer in whole, but not in part, on any Distribution Payment Date falling on or after the date which is five years after the Issue Date at their principal amount together with all outstanding Arrears of Distribution (if any), Additional Distribution Amounts (if any) and Distribution (if any) accrued to the date fixed for redemption.

The Issuer also has the right to redeem the Securities at their principal amount together with all outstanding Arrears of Distribution (if any), Additional Distribution Amounts (if any) and Distribution (if any) accrued to the date fixed for redemption if there are any changes to the laws or regulations of Bermuda and Hong Kong (in the case of the Guarantor) or the British Virgin Islands and Hong Kong (in the case of the Issuer) or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) such that the Issuer or the Guarantor has or will become obliged to pay additional amounts in respect of tax on the Securities or the Guarantee of the Securities as referred to in the Conditions. The Securities may also be redeemed at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case, plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amounts) if there are any amendments or changes to the Relevant Accounting Standard such that the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standard. In addition, upon the occurrence of a Change in Control or Indebtedness Default Event, the Issuer will give notice to holders of the Securities and the Paying Agents (in accordance with the "*Terms and Conditions of the Securities*") stipulating that a Change in Control or Indebtedness Default Event, as the case may be has occurred and whether or not it will redeem the Securities, in the case of a Change of Control, at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, or in the case of an Indebtedness Default Event, at their principal amount, and in each case, plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amounts). The Securities may also be redeemed in the event that at least 90 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled.

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual holders of the Securities. This may be disadvantageous to holders of the Securities in light of market conditions or the individual circumstances of the holder of Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities and the Guarantee of the Securities

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and the Issuer (failing which, the Guarantor) fails to make the payment when due and such failure continues for a period of ten days or more. The only remedy against the Issuer and the Guarantor available to any holder of the Securities, for recovery of amounts in respect of the Securities or the Guarantee of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities or the Guarantee of the Securities will be proving in such Winding-Up or claiming in the liquidation of the Issuer or the Guarantor in respect of any payment obligations of the Issuer and/or the Guarantor arising from the Securities and/or the Guarantee of the Securities. In order to exercise such a remedy, holders of the Securities of not less than 10 per cent. in aggregate principal amount of the Securities will be required to take action collectively, and individual holders of the Securities holding less than such amount will not be able to proceed without the support of other holders of the Securities.

The Securities contain provisions regarding modification and waivers which may affect the rights of holders of the Securities

The Conditions contain provisions for calling meetings of holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Securities, including holders of the Securities who did not attend and vote at the relevant meeting and holders of the Securities who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the holders of the Securities of not less than 90 per cent. of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Securities duly convened and held.

The Conditions also provide that the Conditions, the Deed of Covenant, the Agency Agreement and the Deed of Guarantee may be amended without the consent of the holders of the Securities to correct a manifest error. Any such modification shall be binding on the holders of the Securities.

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular and any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Majority interests in meetings of holders of the Securities

The Conditions contain provisions for calling meetings of holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Securities including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Securities will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s)

The Securities will be represented by a Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream and, a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive the Securities. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Securities are represented by a Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Securities by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Securities. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The Issuer may issue additional Securities in the future

The Issuer may, from time to time, and without prior consultation of the Noteholders, create and issue further Securities (see "*Terms and Conditions of the Securities – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Securities.

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

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

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Securities.

The U.S.$200,000,000 5.75 per cent. guaranteed senior perpetual capital securities (the "**Securities**", which expression includes any further securities issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Estate Sky Limited (the "**Issuer**") are constituted by a deed of covenant dated 20 September 2017 (as amended and/or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of (a) a deed of guarantee dated 20 September 2017 (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into by CSI Properties Limited (the "**Guarantor**") and (b) a fiscal agency agreement dated 20 September 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Securities), Citicorp International Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Securities), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities), the calculation agent named therein (the "**Calculation Agent**", which expression includes any successor or additional calculation agent appointed from time to time in connection with the Securities) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers – Register*)) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Holders with prior written notice during normal business hours at the principal office for the time being of the Fiscal Agent, being at the date hereof at 39th Floor, Champion Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form and Denomination

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

2. Status of the Securities and the Guarantee of the Securities

(a) *Status of the Securities*: The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Securities; Status of the Guarantee of the Securities*: The Guarantor has, in the Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Securities. This guarantee (the "**Guarantee of the Securities**") constitutes a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor (including Parity Obligations) which rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Register, Title and Transfers

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

Upon issue, the Securities will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate".

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

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

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

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

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

(e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during (i) the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 4(a) (*Distribution – Accrual of Distribution*)) in respect of the Securities or (ii) during the period of 15 days ending on (and including) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 5 (*Redemption and Purchase*).

(g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders, to any modifications to any provisions thereof (including the regulations concerning the transfer of Securities). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Distribution

(a) *Accrual of Distribution:* Subject to Condition 4(e) (*Distribution – Distribution Deferral*), the Securities confer a right to receive distribution (each a "**Distribution**") from 20 September 2017 (the "**Issue Date**") at the Distribution Rate in accordance with this Condition 4. Subject to Condition 4(e) (*Distribution – Distribution Deferral*), Distribution shall be payable on the Securities semi-annually in equal instalments in arrear on 20 March and 20 September of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 20 March 2018.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

Subject to this Condition 4, the amount of Distribution payable on each Distribution Payment Date shall be U.S.$5,750 in respect of each Security of U.S.$200,000 denomination and U.S.$28.75 in respect of each Security of U.S.$1,000 denomination. If a Distribution is required to be calculated in respect of a Security on any other date, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

Distribution payable under this Condition will be paid in accordance with Condition 6 (*Payments*).

(b) *Rate of Distribution*: Subject to Condition 4(c) (*Increase in Distribution following a Change of Control or Indebtedness Default Event*), the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) from, and including, the Issue Date to, but excluding, 20 September 2022 (the "**First Call Date**"), 5.75 per cent. per annum; and

(ii) thereafter, in respect of the period from, and including, the First Call Date and each Reset Date falling thereafter to, but excluding, the immediately following Reset Date (each a "**Reset Period**"), at the relevant Reset Distribution Rate.

(c) *Increase in Distribution following a Change of Control or Indebtedness Default Event*: Upon the occurrence of a Change of Control or an Indebtedness Default Event, unless an irrevocable notice to redeem the Securities has been given to Holders by the Issuer pursuant to Condition 5(e) (*Redemption and Purchase – Redemption for Change of Control*) or Condition 5(f) (*Redemption and Purchase – Redemption for Indebtedness Default Event*), respectively, by the 30th day following the occurrence of the Change of Control or the Indebtedness Default Event, as the case may be, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (i) the next Distribution Payment Date; or (ii) if the date on which a Change of Control or an Indebtedness Default Event occurs, as the case may be, is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, *provided that* the maximum aggregate increase in the Distribution Rate pursuant to this Condition 4(c) shall be 3.00 per cent.

(d) *Decrease in Distribution*: If following an increase in Distribution Rate upon the occurrence of a Change of Control or an Indebtedness Default Event pursuant to Condition 4(c) (*Increase in Distribution following a Change of Control or Indebtedness Default*) such Change of Control or Indebtedness Default Event is cured, remedied, no longer applicable or no longer continuing, then upon notification to the Holders and the Fiscal Agent accompanied by a certificate, signed by two directors of the Guarantor, stating that the Change of Control or the Indebtedness Default Event has been cured, remedied, is no longer applicable or is no longer continuing (as the case may be) and setting out the details of such circumstances, the Distribution Rate will decrease by 3.00 per cent. per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to this is Condition 4(d), *provided that* the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 4(d) shall be 3.00 per cent.

(e) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders (in accordance with Condition 14 (*Notices*)) and the Paying Agents not more than 20 nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three months ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event (as defined below) has occurred. Any partial payment of outstanding Distributions (including any Arrears of Distribution (as defined below) and any Additional Distribution Amount (as defined below)) by the Issuer or the Guarantor shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis.

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) (*Distribution – Distribution Deferral – Optional Deferral*) and any failure to pay Distribution shall not constitute a default of the Issuer in respect of the Securities or of the Guarantor in respect of the Guarantee of the Securities.

(iii) *Requirements as to Notice*: Each Optional Deferral Notice shall be accompanied by a certificate in the form scheduled to the Agency Agreement signed by two directors of the Guarantor confirming that no Compulsory Distribution Payment Event has occurred.

(iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 4(e) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(e) except that Condition 4(e)(v) (*Distribution – Distribution Deferral – Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the Distribution Rate and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 4(e), the Issuer and the Guarantor shall not:

(A) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other discretionary payment is made on any of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations *provided that* such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, *provided that* such restriction shall not apply to an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants;

in each case unless and until (i) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution; or (ii) permitted to do so by an Extraordinary Resolution (as defined in the Agency Agreement) of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 14 (*Notices*)) and the Paying Agents not more than 20 nor less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and

(B) in any event must satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earlier of (1) the date of redemption of the Securities in accordance with Condition 5(b) (*Redemption and Purchase – Redemption for tax reasons*), 5(c) (*Redemption and Purchase – Redemption for accounting reasons*), 5(d) (*Redemption and Purchase – Redemption at the option of the Issuer*), 5(e) (*Redemption and Purchase – Redemption for Change of Control*) or 5(f) (*Redemption and Purchase – Redemption for Indebtedness Default Event*); (2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(e)(v) (*Distribution – Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event; and (3) the date such amount becomes due under Condition 8 (*Non-payment*).

Any partial payment of outstanding Arrears of Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis.

(vii) *No default:* Notwithstanding any other provision in these Conditions, the deferral of any Distribution payment in accordance with this Condition 4(e) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer or the Guarantor.

(f) *Definitions*: For the purposes of these Conditions:

"**Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York;

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

(i) the Controlling Shareholder:

(A) ceases to hold, directly or indirectly, at least 30 per cent. of the voting rights of the issued share capital of the Guarantor (except for the 14 calendar day period immediately following any temporary disposal of shares of the Guarantor by the Controlling Shareholder in connection with a private placement of the existing shares of the Guarantor where there is a top-up placing by way of an issue of new shares of the Guarantor to the Controlling Shareholder within 14 calendar days from the date of the relevant placing agreement and the amount of such new shares of the Guarantor to be issued is equal to the amount of shares of the Guarantor disposed by the Controlling Shareholder and no net disposal proceeds are received by the Controlling Shareholder after such top-up placing); or

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

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

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

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

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Issuer as having a maturity of 5 years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of 5 years;

"**Comparable Treasury Price**" means:

(i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third New York Business Day preceding the relevant Reset Date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(ii) if such release (or any successor release) is not published or does not contain such prices on such New York Business Day, (i) the average of the Reference Treasury Dealer Quotations for the relevant Reset Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations, if the Comparable Treasury Price cannot be determined in accordance with the above provisions, as determined by the Independent Investment Bank;

a "**Compulsory Distribution Payment Event**" occurs if either or both of the following criteria are met:

(i) a discretionary dividend, distribution or other payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata* basis) Parity Obligations of the Issuer or the Guarantor or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(ii) the Issuer or the Guarantor, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations or any other securities ranking *pari passu* therewith in respect of which all payments of dividends or distributions are discretionary (except for an exchange by the Issuer or the Guarantor of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

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

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

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

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

(i) any obligation to purchase such Indebtedness;

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

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

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

"**HKFRS**" means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

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

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

(ii) amounts raised under any note purchase facility;

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

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

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

"**Indebtedness Default Event**" means the occurrence of one or more of the following events: (i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness within any originally applicable grace period; *provided that* the amount of Indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub paragraph (iii) above individually or in the aggregate exceeds U.S.$10,000,000 (or its equivalent in any other currency or currencies);

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer) and notified to the Fiscal Agent and Calculation Agent in writing;

"**Initial Spread**" means 4.005 per cent;

"**Junior Obligations**" means (a) in respect of the Issuer, (i) any class of the Issuer's share capital (including preference shares) qualifying as equity under HKFRS, (ii) any instrument or security issued or entered into by or other obligation of the Issuer which ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities, and (iii) any security or other obligation guaranteed by the Issuer where the Issuer's obligations under the relevant guarantee rank or are expressed to rank junior to the Issuer's obligations under the Securities, and (b) in respect of the Guarantor, (i) any class of the Guarantor's share capital (including preference shares) qualifying as equity under HKFRS, (ii) any instrument or security issued or entered into by or other obligation of the Guarantor which ranks or is expressed to rank junior to the Guarantor's obligations under the Guarantee of the Securities, and (iii) any security or other obligation guaranteed by the Guarantor where the Guarantor's obligations under the relevant guarantee rank or are expressed to rank junior to the Guarantor's obligations under the Guarantee of the Securities;

"**New York Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York;

"**Parity Obligations**" means, (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (b) in respect of the Guarantor, any instrument or security issued, entered into or guaranteed by the Guarantor which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities;

a "**Person**", as used in this Condition 4 and in Condition 5(e) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected by the Issuer (at the expense of the Issuer);

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p. m. on the third business day pursuant to Condition 4 (*Distribution*)) preceding such Reset Date;

"**Reset Date**" means the First Call Date and each date that falls five, or a multiple of five, years following the First Call Date;

"**Reset Distribution Rate**" means, in respect of any respective Reset Period, the sum of (x) the U.S. Treasury Benchmark Rate in relation to that Reset Period, (y) the Initial Spread and (z) the Step-up Margin;

"**U.S. Treasury Benchmark Rate**" means the rate notified by the Calculation Agent to the Issuer and the Holders (in accordance with Condition 14 (*Notices*)) in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two New York Business Days prior to each Reset Date for calculating the Distribution Rate under sub-paragraph (b)(ii) (*Rate of Distribution*) of Condition 4 (*Distribution*), appearing in the most recently published statistical release designated "H.15(519)" (weblink: http://www.federalreserve.gov/releases/h15/current/default.htm) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, "**U.S. Treasury Benchmark Rate**" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under paragraph Condition 4(b) (*Distribution – Rate of Distribution*); and

"**Step-up Margin**" means 3.00 per cent.

5. Redemption and Purchase

(a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status of the Securities and the Guarantee of the Securities*) and without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5.

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

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 13 September 2017; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Securities, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 13 September 2017; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

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

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate, signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, *provided that* the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

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

(c) *Redemption for accounting reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), to the Registrar and the Fiscal Agent at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount), if, as a result of any changes or amendments to HKFRS or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Guarantor (the "**Relevant Accounting Standard**"), the Securities and/or the Guarantee of the Securities must not or must no longer be recorded as "**equity**" of the Guarantor pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Guarantor shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate, signed by two directors of the Guarantor, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion of the Guarantor's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect, *provided that* the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry,

provided, however that no notice of redemption may be given under this Condition 5(c) earlier than 90 days prior to the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect in relation to the Issuer and/or the Guarantor.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities and/or the Guarantee of the Securities must not or must no longer be so recorded as "**equity**" of the Guarantor pursuant to the Relevant Accounting Standard.

(d) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on the Distribution Payment Date falling on the First Call Date or on any Distribution Payment Date thereafter (each, a "**Call Date**") on the Issuer's giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant Call Date at their principal amount plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount)).

(e) *Redemption for Change of Control*: Upon the occurrence of a Change of Control, the Issuer shall give notice to Holders and the Paying Agents in accordance with Condition 14 (*Notices*) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to this Condition 5(e). A notice given by the Issuer stipulating that it will redeem the Securities pursuant to this Condition 5(e) shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at 101 per cent. of their principal amount on or before the Distribution Payment Date falling on the First Call Date and at their principal amount following the Distribution Payment Date falling on the First Call Date, in each case plus Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount).

The "**Change of Control Call Date**" shall be a date not less than 30 nor more than 60 days from the date of the notice referred to in the paragraph above.

(f) *Redemption for Indebtedness Default Event*: Upon the occurrence of an Indebtedness Default Event, the Issuer shall give notice to Holders and the Paying Agents in accordance with Condition 14 (*Notices*) by not later than 30 days following the first day on which it becomes aware of the occurrence of such Indebtedness Default Event, stipulating that an Indebtedness Default Event has occurred and whether or not it will redeem the Securities pursuant to this Condition 5(f). A notice given by the Issuer stipulating that it will redeem the Securities pursuant to this Condition 5(f) shall: (A) stipulate the Indebtedness Default Event Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Indebtedness Default Event Call Date at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

The "**Indebtedness Default Event Call Date**" shall be a date not less than 30 nor more than 60 days from the date of the notice referred to in the paragraph above.

(g) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Holders (which notice will be irrevocable), the Registrar and the Fiscal Agent at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 (*Further Issues*) and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled.

(h) *No other redemption*: The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(e) (*Redemption for minimum outstanding amount*) above.

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

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

The Agent shall not be required to take any steps to ascertain whether any event as provided in Conditions 5(b) (*Redemption for tax reasons*) to 5(e) (*Redemption for minimum outstanding amount*) above has occurred.

6. Payments

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

(b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars by U.S. dollar cheque drawn on, or upon application by a Holder of a Security to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

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

So long as the Securities are represented by the Global Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

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

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

7. Taxation

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

(i) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or

(ii) where (in the case of a payment of principal or Distribution on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

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

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any additional amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Bermuda or Hong Kong, respectively, references in these Conditions to the British Virgin Islands, Bermuda or Hong Kong shall be construed as references to (as the case may be) the British Virgin Islands, Bermuda or Hong Kong and/or such other jurisdiction.

8. Non-payment

(a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8, the right to institute Winding-Up (as defined in Condition 8(e) (*Non-payment – Definitions*)) proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(e) (*Distribution – Distribution Deferral*).

(b) *Proceedings for Winding-Up*: If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities, as the case may be, for a period of 10 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Securities (in the case of the Issuer) and the Guarantee of the Securities (in the case of the Guarantor) and Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities may institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.

(c) *Enforcement*: Without prejudice to Condition 8(b) (*Non-payment – Proceedings for Winding-Up*), Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities may without further notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Securities or the Guarantee of the Securities (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities or the Guarantee of the Securities, including, without limitation, payment of any principal or premium (if any) or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities or the Guarantee of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Extent of Holders' remedy*: No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 8, shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or the Guarantee of the Securities.

(e) *Definitions*: In these Conditions, "**Winding-Up**" means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the bankruptcy, winding up, liquidation or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

9. Prescription

Claims for principal and Distribution on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Certificates

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

11. Agents

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

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent, agent bank and additional or successor paying agents and transfer agent; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar.

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

12. Meetings of Holders; Modification

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

In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Securities for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a "**Written Resolution**") and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than three quarters of the aggregate principal amount of Securities for the time being outstanding (an "**Electronic Consent**") will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

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

13. Further Issues

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities.

14. Notices

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

15. Governing Law and Jurisdiction

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

(b) *Jurisdiction*: The Issuer (i) agrees for the benefit of the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); (ii) agrees that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) has designated a company in England to accept service of any process on its behalf.

THE GLOBAL CERTIFICATE

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

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

The Global Certificate will become exchangeable in whole, but not in part, for Individual Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any upon a Winding-Up (as defined in the Conditions) of the Issuer or the Guarantor.

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

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

Payments on business days: In the case of all payments made in respect of the Global Certificate "**business day**" means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and the city in which the specified office of the Paying Agent is located.

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

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

USE OF PROCEEDS

The net proceeds from the offering of the Securities, after deducting underwriting commissions and expenses, are estimated to be approximately U.S.$197 million. The entire amount of the net proceeds will be on-lent by the Issuer to the Guarantor and/or other members of the Group, which will be used for refinancing of the Group's debt and general working capital of the Group.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Guarantor as at 31 March 2017 which has been extracted from the audited consolidated statement of financial position of the Guarantor as at the same date. The table should be read in conjunction with the audited consolidated financial statements of the Guarantor as at 31 March 2017 and the notes thereto.

	As at 31 March 2017			
	HK$'000 (Actual)	**U.S.$'000 (Actual)[1]**	**HK$'000 (As adjusted)**	**U.S.$'000 (As adjusted)**
Bank borrowings – due within one year	1,324,437	170,675	1,324,437	170,675
Bank borrowings – due after one year	6,696,726	862,980	6,696,726	862,980
Guaranteed notes – due within one year	817,830	105,390	817,830	105,390
Guaranteed notes – due after one year	1,950,000	251,289	1,950,000	251,289
	10,788,993	1,390,334	10,788,993	1,390,334
Shareholders' funds:				
Share capital[2]	80,296	10,348	80,296	10,348
Reserves	10,675,016	1,375,646	10,675,016	1,375,646
Securities to be issued	–	–	1,552,000	200,000
Shareholders' equity	10,755,312	1,385,994	12,307,312	1,585,994
Total Capitalisation	21,544,305	2,776,328	23,096,305	2,976,328

Notes:

(1) A rate of HK$7.76 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) As at 31 March 2017, the total authorised share capital of the Guarantor is HK$180 million divided into 22,500 million ordinary shares of HK$0.008 each and its issued share capital was HK$80.3 million consisting of 10,037.1 million ordinary shares of HK$0.008 each.

Save as disclosed above, there has been no material change in the capitalisation of the Guarantor since 31 March 2017.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the Issuer was authorised to issue a maximum of 50,000 U.S.$1.00 par value shares of a single class and series, of which one share is held by the Guarantor. As at the date of this Offering Circular, the Issuer has approximately (a) U.S.$104,850,000 in aggregate principal amount of its 6.50 per cent. guaranteed notes due 2018 (the "**2013 Notes**") outstanding and (b) U.S.$250,000,000 in aggregate principal amount of 4.875 per cent. guaranteed notes due 2021 (the "**2016 Notes**") outstanding.

DESCRIPTION OF THE ISSUER

Formation

Estate Sky Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1740429). It was incorporated in the British Virgin Islands on 25 October 2012. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

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

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep records and underlying documentation, including accounts, that are sufficient to show and explain its transactions and will enable the financial position of the Issuer to be determined with reasonable accuracy.

Directors and Officers

The directors of the Issuer are Messrs. Kan Sze Man and Chow Hou Man and each of their business addresses is c/o 3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

DESCRIPTION OF THE GROUP

Overview

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

Corporate Information

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

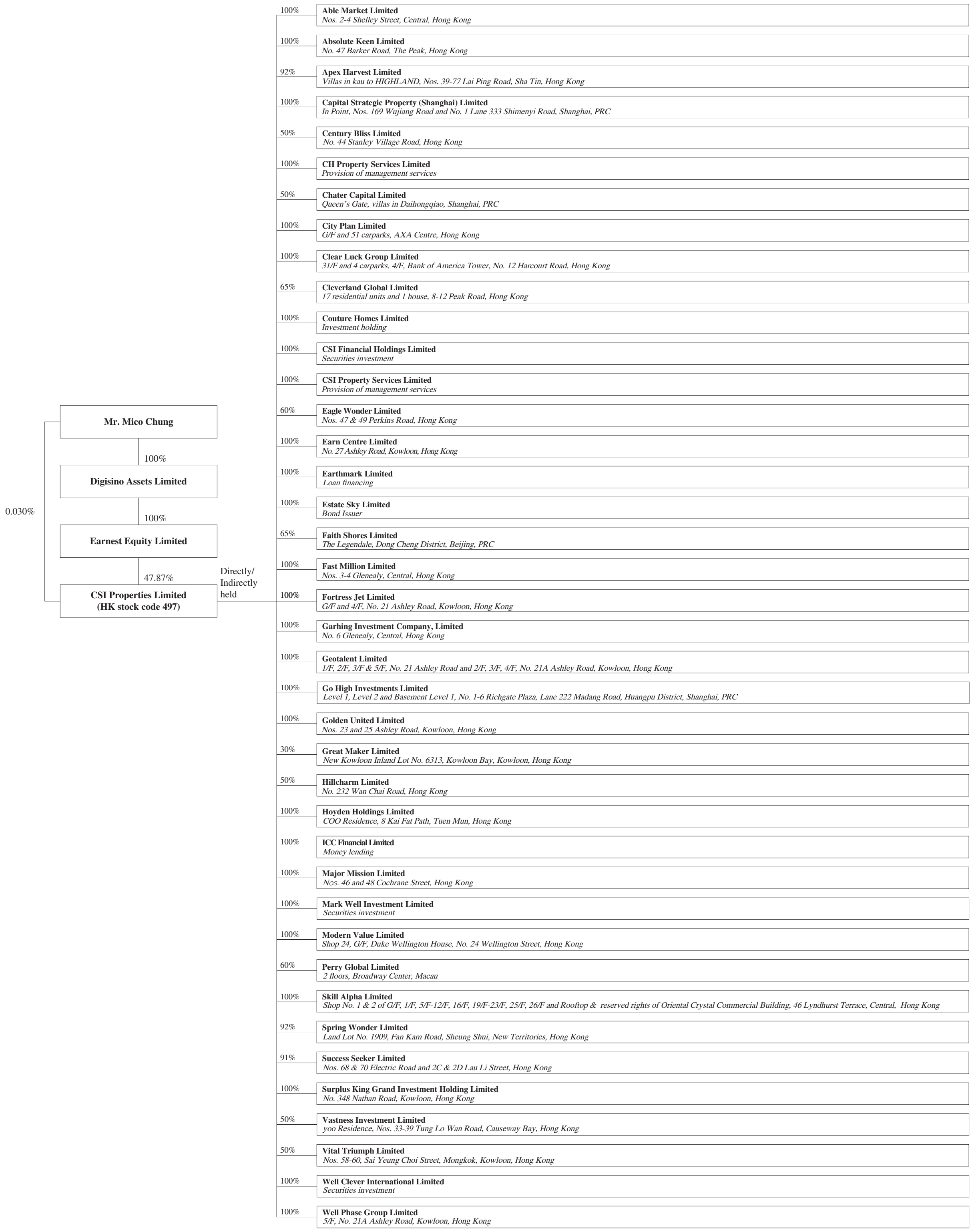
Business Organisation

Mr. Mico Chung, the Chairman and Executive Director, obtained control of the Group in 2004 as a platform to expand his property investment business. As at 31 March 2017, Mr. Mico Chung had an interest in approximately 47.91 per cent. in the share capital of the Guarantor.

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

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

(as at the date of this Offering Circular)



Competitive Strengths

Solid execution capabilities with proven track record and excellent market reputation

The Group has successfully executed its dual-pronged investment strategy (based on investment in commercial and residential properties) over the past decade and has established a solid investment track record in Hong Kong and the PRC. The Group has achieved an average annualised internal rate of return of approximately 30 per cent. since 2004. It has also achieved growth in net assets from HK$2,470 million as at 31 March 2009 to HK$10,755 million as at 31 March 2017 representing a compound annual growth rate of approximately 20 per cent. The Group currently owns and manages approximately 2.0 million square feet (attributable interest of approximately 1.3 million square feet) of prime commercial and residential space in Hong Kong, Shanghai and Macau.

Since 2004, the Group has sold approximately HK$14.3 billion worth of repositioned and redeveloped properties, generating an aggregate of over HK$6.8 billion in gross profits, which implies an average gross profit margin of approximately 47.6 per cent. on each property sold. As at 31 March 2017, the Group held 22 high quality assets in prime locations across Hong Kong, Shanghai and Macau with a total attributable market value of approximately HK$21 billion.

Self-funded business model through capital recycling

The Group funds its operations primarily via internally generated cash flow, in addition to bank loans. Compared to typical Hong Kong retail property and office property developers, the Group's inherent business model, coupled with its efficient practices, result in a shorter cash conversion cycle. For example, the sales proceeds of approximately HK$1,150 million from the disposal of Paul Y Centre in June 2007 was used to acquire Novel Plaza for approximately HK$820 million in October 2007. Novel Plaza was subsequently disposed of in August 2008 for approximately HK$1,209 million to acquire In Point Shopping Mall in August 2009 for approximately HK$650 million. The cash conversion cycles of both Paul Y Centre and Novel Plaza were approximately 1.8 years. In the Group's experience, the time required to acquire, plan reposition, and lease out a commercial property is on average three years, substantially less than the time required to develop and stabilise typical Hong Kong retail and office properties which is an average between five to six years. Unlike typical Hong Kong commercial property developers who tend to hold on to the properties post completion, the Group sells those completed properties that have reached rental stabilisation. As such, the Group believes it is able to realise its cash returns earlier compared to commercial property developers and reinvest the sale proceeds back into its business through capital recycling.

Highly experienced and disciplined management

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

- **Mr. Mico Chung**, Chairman and Executive Director, acquired control of the Group in 2004. He has over 30 years of corporate finance and real estate experience and had previously been involved in several landmark deals. He is a director of certain subsidiaries of the Group. He is also the Chairman of Executive Committee and Nomination Committee, and a member of Remuneration Committee of the Board.

- **Mr. Kan Sze Man**, Chief Operating Officer and Executive Director, joined the Group as Group General Counsel in 2001. He is a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000.

- **Mr. Chow Hou Man**, Group Chief Financial Officer and Executive Director, joined the Group in 2001. He is a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. He has over 20 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

- **Mr. Fong Man Bun, Jimmy**, Executive Director, joined the Group in 2011 and is a Managing Director of Couture Homes Properties Limited, a wholly-owned subsidiary of the Company. He is also a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. Mr. Fong is mainly responsible for identifying and advising on residential development and investment for both acquisition and disposal planning of the Group. Mr. Fong has over 25 years' solid experience in luxury residential real estate project development and investment and has in-depth knowledge of the property market. He worked as a Director of Savills Hong Kong Limited (formerly known as First Pacific Davis) since 1993. Mr. Fong has worked in Shanghai, PRC in the 90s and also in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989.

- **Mr. Lo Yat Wing, Edmond**, Head of Development – Couture Homes Properties, joined the Group in 2015. He oversees the project management and development for all residential projects. He is a registered architect since 1998 and an Authorised Person (List 1) since 1999. He has over 20 years' experience in real estate developments in Hong Kong. He previously worked for some major property developers, such as Swire Properties Limited and Sino Land Co. Ltd. He has extensive experience in managing residential and hospitality projects and have been involved in many prestigious residential developments in Hong Kong. Before joining the Group, he was the chief project manager in charge of the developments in the Pak Shek Kok area with a total GFA of over 3 million square feet and 2,300 residential units/houses.

- **Mr. Fok Paul, Anthony**, Head of Design – Couture Homes Properties, joined the Group in 2008. Before joining the Group, he worked in design at Aedas Limited. He is an experienced and renowned designer with over 10 years of experience, bringing innovative ideas and creating style for the Group's luxury residential and commercial developments.

- **Mr. Chiu Sin Young, Victor**, Senior Project Director – Couture Homes Properties, joined the Group in 2008. Before joining the Group, he worked at Aedas Limited and Simon Kwan & Associates. He is a registered architect, members of the Royal Institute of British Architects and Hong Kong Institute of Architects with over 20 years of experience in residential and commercial property developments in Hong Kong, Macau and Shanghai. He also manages regular property management projects for the Group.

- **Mr. Chan Chun Kei, Barry**, Project Director – Couture Homes Properties, joined the Group in 2015. Before joining the Group, he worked at New World Development in properties development and project management. He is an Authorised Person and registered architect with over 16 years of experience in luxury residential property development.

Furthermore, Mr. Mico Chung was nominated as one of "Asia's Business Leaders" at the CNBC Asia Business Leaders Awards 2014. The Group was also awarded the "Best Small-Cap Company in Hong Kong" for 2013 and 2014 in Asia's Best Managed Companies annual poll conducted by Finance Asia, one of the leading financial journals in the Asia-Pacific region.

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

The Group currently has a portfolio of 12 high quality commercial properties across different sectors covering retail, office and hotel in Hong Kong, Shanghai and Macau with a recurring income base. Revenue from rental income and hotel operations has been generally stable over the past three financial years and amounted to HK$281 million for the year ended 31 March 2017. These properties had an average occupancy rate of approximately 90 per cent. The Group has also acquired the remaining 50 per cent. interest in the Novotel Hotel in Jordan in November 2015. The property currently has committed rentals and hotel revenue of approximately HK$172 million per annum which will contribute further to the Group's rental income and hotel revenue. Until their disposals, these properties generate a stable recurring income base which reduces the potential volatility in the Group's financial results which is associated with property trading and provide a solid foundation for the Group's future growth and strategy.

Prudent financial policy and conservative capital structure with low gearing

The Group has a conservative capital structure and adopts a balanced approach to maintain an optimal mix of equity and debt financing. The Group had a net gearing ratio of 31.2 per cent. as at 31 March 2017 (net gearing ratio is calculated by the Group's borrowings less cash and bank balances divided by total assets) and total debt (banks and other borrowings) to assets ratio of approximately 46.8 per cent. as at 31 March 2017. In addition, it is the Group's policy to maintain a prudent amount of cash and bank balances at all times in order to ensure, among other things, liquidity and credit-worthiness, as well as to provide funds towards project acquisition when opportunities arise. The Group had consolidated cash and bank balances (including cash held by securities brokers) of approximately HK$3,603 million and marketable securities held for sale (which can easily be liquidated) of approximately HK$2,299 million as at 31 March 2017. In addition to its internally generated cash flow, the Group has access to diversified sources of funds for its operations. The Issuer issued the 2013 Notes in January 2013 and the 2016 Notes in August 2016. In addition, the Group raised approximately HK$455 million in gross proceeds via a primary share placement on 16 September 2014, completed a syndicated loan via a consortium of banks to raise approximately HK$1.2 billion in February 2016 and has undrawn committed facilities of approximately HK$2,407 million. The Group's ability to obtain funding from a variety of sources, both internally and externally, allows it to maintain a competitive advantage under volatile market conditions. These factors enable the Group to maintain a strong financial position with a healthy level of liquidity.

The Group also has a prudent dividend policy which takes into account cash requirements, investment and growth plans, future prospects, general economic and business conditions and also peer group norms. For the years ended 31 March 2015, 2016 and 2017, the Group declared dividends of HK$66.1 million, HK$198.0 million and HK$162.6 million respectively, which was 24.9 per cent., 11.9 per cent. and 12.1 per cent. of the Group's profit for the respective years.

Strategies

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

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

Strategic partnerships with established developers

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

Active management of the investment property portfolio to maximise value

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

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

Continue to leverage on industry knowledge and relationship network in order to identify and invest in properties that fit within the Group's value enhancement business model

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

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

The Group intends to further expand its luxury residential development business to capitalise on untapped demand from lifestyle oriented end-users who are willing to pay a premium for a quality residence in Hong Kong and the PRC. Having recognised a gap in the market to provide uniquely designed and furnished premium lifestyle residences to clients from Hong Kong, as well as from the PRC, Taiwan and elsewhere seeking a pre-furnished home in Hong Kong, the Group established the "Couture Homes" brand in 2010 in order to further extend its presence in the residential property markets of Hong Kong and the PRC. Couture Homes combines design concepts from world renowned interior designers with bespoke furnishings and décor. The Hampton in Happy Valley, the Group's first project launched under the Couture Homes brand designed and fitted-out by an internationally-renowned design team led by the award-winning architect and designer Mr. Steve Leung, was well received in the market. More recently, the majority of the units were sold and delivered for the Group's life-style oriented project in Causeway Bay, yoo Residence, kau to HIGHLAND and Queen's Gate. The Group believes that the premium pricing achieved for these units reinforces the reputation of Couture Homes as a leading lifestyle property developer in Greater China. The aim of management is to grow Couture Homes into a world-class premium lifestyle residential developer and a distinguished provider of bespoke premium quality residences to satisfy the growing needs of lifestyle oriented end-users in Hong Kong and the PRC.

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

The Group intends to expand its business footprint in the PRC's affluent "Tier 1" cities to take advantage of these markets' robust macroeconomic fundamentals and long term growth potential. The Group first entered the Shanghai property market in 2006 and has made a number of successful investments. The Group's investment in International Capital Plaza in 2007 generated an annual IRR of approximately 24 per cent. within a holding period of three and a half years, and the Group's investment in Novel Plaza in 2007 generated an annual IRR of approximately 84 per cent. within a holding period of just one year. The Group's investment in the Platinum Office Building in 2010 has also generated an IRR of approximately 19 per cent. within a holding period of five years. The Group currently has three projects in Shanghai, which are the In Point mall, the development of luxury villas in Daihongqiao named as "Queen's Gate" (under Couture Homes) and the Richgate Plaza in Shanghai. The Group intends to further expand its investments in Tier 1 cities in the PRC when appropriate opportunities arise, while maintaining Shanghai as its key focus.

Business

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

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

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

The following table sets forth the revenue and results for the business divisions of the Group for the years indicated:

	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017
	HK$'000	HK$'000	HK$'000
Rental income and hotel operation	202,641	226,278	281,107
Sales of properties held for sale	542,970	1,975,216	1,587,172
	745,611	2,201,494	1,868,279

The following is an analysis of the Group's revenue and results by reportable and operating segments for the year ended 31 March 2017:

	Commercial property holding	Residential property holding	Macau property holding	Securities investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2017					
External revenue					
Rental income and hotel operation	271,516	7,625	1,966	–	281,107
Sales of properties held for sale	429,412	1,157,760	–	–	1,587,172
Revenue of the Group	700,928	1,165,385	1,966	–	1,868,279
Interest income and dividend income	–	–	–	134,503	134,503
Segment revenue/income	700,928	1,165,385	1,966	134,503	2,002,782
Results					
Share of results of joint ventures *(Note)*	(15,256)	69,251	–	–	53,995
Share of results of associates *(Note)*	4,399	(102)	–	–	4,297
Segment profit (loss) excluding share of results of joint ventures and associates	1,383,089	133,986	(3,203)	174,802	1,688,674
Segment profit (loss)	1,372,232	203,135	(3,203)	174,802	1,746,966
Unallocated other income					32,945
Other gains and losses					922
Central administrative costs					(170,601)
Finance costs					(243,084)
Profit before taxation					1,367,148

Note: Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

Market developments

The fiscal year ended 31 March 2017 was marked with uncertainty in the global macroeconomic context. Investment sentiment in China was dampened by the rapid devaluation of the RMB in 2016. In addition, the referendum passed on 23 June 2016 in the United Kingdom to leave the European Union, and results of the U.S. presidential election caused further uncertainties in the global economy.

These events have caused fluctuations in the global markets in all areas from currencies to interest rate and asset prices and affecting the investment sentiment for both commercial and residential properties.

For mainland China, the devaluation concerns of the RMB and the government residential properties curbs at the earlier part of the fiscal year have dampened the investment sentiment in the PRC market. For Hong Kong, the significant softening on the retail and tourism fronts has affected sentiment in commercial retail properties. However, there is strong demand for commercial office properties with new record prices being achieved for offices at prime locations. The various government residential properties measures have not been able to cool down the primary residential market with high demand and prices continuing to achieve new highs.

The Group also believes that Hong Kong's economic fundamentals are still sound, with interest rates and unemployment rate hovering at low levels. The Group remains optimistic that pent-up demand will continue to support prices for quality residences in the long run.

For the Group's commercial division, the Group believes that the new supply of prime office and commercial units in prime districts such as Central and Causeway Bay in Hong Kong will remain low. The continuing expansion of Chinese corporations into Hong Kong will underpin the Group's strategy in capitalising on its prime location portfolio in the future in driving sales.

Furthermore, the Group believes that its high-end lifestyle residential products will continue to be dictated by limited supply, and that its prospective buyers are generally less sensitive to pricing. The Group will remain cautious and disciplined in its residential property sales to maximise value and profits for its shareholders.

The Group has existing joint ventures with a number of key partners on both the investment property and residential development sides of the business.

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

Project	Year	Type of work	Cost (HK$m)	Selling Price (HK$m)	Increase %	IRR %
Basement floor of Ginza Plaza, Macau	Jul 2014 – Oct 2014	Strata Sale	234	288	23	171
11/F to 23/F Henan Building, Wanchai	Sep 2014 – Dec 2015	Refurbishment and strata sale	338	496	47	70
Nos. 703-705 Nathan Road, Mongkok	Dec 2012 – Jul 2013	Strata sale	821	1,029	25	47
CUBUS, Causeway Bay	Aug 2007 – Dec 2012	Redevelopment and Sale	499	1,530	207	43
Golden Center, Sheung Wan	Dec 2012 – Aug 2014	Refurbishment and Sale	523	665	27	26
H8, Tsim Sha Tsui	Jun 2006 – Jul 2013	Redevelopment and Sale	328	668	104	25
The Platinum, Shanghai	Apr 2010 – Sep 2015	Tenant Repositioning and Sale	2,150	3,456	61	19

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

Major Properties

Set out below is a list of the Group's major properties held/committed as at 31 March 2017. The table below sets out the breakdown of major commercial and residential properties held/committed by the Group in Hong Kong, Shanghai and Macau:

Portfolio Information	Location	Date of Purchase	Approximate gross floor area[3]	Approximate gross floor area attributable to the Group	Market Value[1][3]	Market Value attributable to the Group	Current/ Committed Annual Rent[3]	Current/ Committed Annual Rent attributable to the Group	Occupancy	Book Value as at 31 March 2017	Book Value attributable to the Group as at 31 March 2017
			(sq ft '000)	(sq ft '000)	(HK$'m)	(HK$'m)	(HK$'m)	(HK$'m)	(%)	(HK$'m)	(HK$'m)
Commercial Properties											
G/F and 51 carparks of AXA Centre . . .	Wan Chai	Aug 2006/ Aug 2007/ Jun 2008	17	**17**	620	**620**	25	**25**	100	150	150
No. 348 Nathan Road.	Jordan	Jul 2012- Nov 2015	220	**220**	4,000	**4,000**	172	**172**	95	2,729	2,729
Nos. 2-4 Shelley Street (Redeveloping currently).	Central	Mar 2011	40	**40**	440	**440**	N/A	**N/A**	N/A	418	418
Nos. 21, 21A, 23-25 & 27 Ashley Road (Redevelopment)	Tsimshatsui	Sep 2006	70	**70**	1,170	**1,170**	29	**29**	91	508	508
In Point, No. 169 Wujiang Road & No. 1 Lane 333 Shimenyi Road	Jing'an District, Shanghai	Aug 2009	122	**122**	1,477	**1,477**	51	**51**	94	581	581
Nos. 58-60, Sai Yeung Choi Street (CSI-50%)	Mongkok	Jun 2013	5	**3**	615	**308**	20	**10**	100	593	297
2 Floors of Broadway Center (CSI-60%)	Macau	Jan 2015	9	**5**	219	**131**	N/A	**N/A**	N/A	192	115
New Kowloon Inland Lot No.6313 (from government tender) (CSI-30%)	Kowloon Bay	May 2015	490	**147**	3,458	**1,037**	N/A	**N/A**	N/A	3,225	968
No. 232 Wan Chai Road (CSI-50%) (Redevelopment)	Wan Chai	Feb 2016	87	**44**	930	**465**	N/A	**N/A**	N/A	807	404
Nos. 46 & 48 Cochrane Street (Redevelopment)	Central	Mar 2016	21	**21**	416	**416**	N/A	**N/A**	N/A	415	415
Level 1, Level 2 and Basement Level 1, No. 1-6, Richgate Plaza, Lane 222 Madang Road	Huangpu District, Shanghai	Sep 2016	122	**122**	2,140	**2,140**	72	**72**	88	1,587	1,587
Shops 1 & 2 on G/F, 1/F, 5/F-12/F, 16/F-17/F, 19-23/F, 25-26/F and Roof of Oriental Crystal Commercial Building No. 46 Lyndhurst Terrace	Central	Dec 2016	40	**40**	938	**938**	13	**13**	73	767	767
			1,243	**851**	**16,423**	**13,142**	**382**	**372**		**11,972**	**8,939**
Residential Properties											
No. 47 Barker Road	The Peak	Feb 2011	4	**4**	420	**420**	N/A	**N/A**	N/A	362	362
yoo Residence, No. 33-39 Tung Lo Wan Road (CSI-50%)[2]	Causeway Bay	Oct 2011	10	**5**	426	**213**	N/A	**N/A**	N/A	426	213
Queen's Gate, Villas in Daihongqiao (CSI-50%)	Daihongqiao, Shanghai	Jun 2011	343	**172**	2,199	**1,100**	N/A	**N/A**	N/A	1,269	635
kau to HIGHLAND Nos. 39-77 Lai Ping Road (from government tender) (CSI-92%)	Shatin	May 2012	45	**41**	1,772	**1,630**	N/A	**N/A**	N/A	806	742
Nos. 47 & 49 Perkins Road (CSI-60%)	Jardine's Lookout	Dec 2012	70	**42**	2,135	**1,281**	N/A	**N/A**	N/A	1,985	1,191
Nos. 3-4 Glenealy	Central	May 2013	51	**51**	814	**814**	N/A	**N/A**	N/A	788	788
COO Residence, 8 Kai Fat Path	Tuen Mun	Sep 2014	81	**81**	566	**566**	N/A	**N/A**	N/A	501	501
Land Lot No.1909, Fan Kam Road (from government tender) (CSI-92%) . .	Sheung Shui	May 2015	33	**30**	449	**413**	N/A	**N/A**	N/A	332	305
17 residential units and 1 house at 8-12 Peak Road (for refurbishment) (CSI-65%)	The Peak	Oct 2015	47	**31**	1,942	**1,262**	N/A	**N/A**	N/A	1,873	1,217
No. 44 Stanley Village Road (CSI-50%) .	Stanley	Oct 2016	62	**31**	1,190	**595**	N/A	**N/A**	N/A	966	483
			746	**488**	**11,913**	**8,294**	**N/A**	**N/A**		**9,308**	**6,437**
Total (Residential and Commercial Properties)			**1,989**	**1,339**	**28,336**	**21,436**	**382**	**372**		**21,280**	**15,376**

Notes:

(1) Market value was based on valuation reports conducted by independent qualified valuers as at 31 March 2017.

(2) Approximately 140 units were sold for a total consideration of approximately HK$2.1 billion.

(3) Approximate gross floor area, market value, book value and current/committed annual rent are on a 100 per cent. interest basis.

Commercial Properties

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

Major disposals for the year ended 31 March 2017

Major commercial disposals completed in the year ended 31 March 2017 amounted to the sale of the Rooftop Skysign, units 1506 and 1507 and 1 car parking space in AXA Centre in Wan Chai for a total amount of approximately HK$126 million.

On 6 January 2017, Beham Capital Limited, a direct wholly-owned subsidiary of the Guarantor, entered into a conditional provisional agreement for sale and purchase agreement (the "**SPA**") as vendor (the "**Vendor**") with Compass Times International Limited as purchaser (the "**Purchaser**") and the Guarantor as the Vendor's guarantor, to guarantee the due and punctual performance of the obligations of the Vendor under the SPA, in relation to the sale of the Group's entire interests in Uttermost Holdings Limited (the "**Target Company**"). The Target Company was a wholly-owned subsidiary of the Guarantor and held the Group's interests in the following properties and company:

Company/Property	Address and owner	Description
J Plus Hotel Property	No.1 Irving Street, Hong Kong, at which J Plus Hotel is operated (the "**J Plus Hotel**"), owned by Smart Charm Holdings Limited, being a wholly-owned subsidiary of the Target Company	It comprises a 25-storey composite building completed in 1988. The ground floor and the 1st floor are devoted for commercial uses; the 2nd floor is the mechanical floor; and the 3rd to 24th floors are devoted for domestic uses where J Plus Hotel is operated. It has a total of 56 guest rooms and a total gross floor area of approximately 44,678 sq. ft. (4,150.66 sq. m.)
J Plus Hotel Operator	N/A	J Plus Hotels (HK) Limited (formerly known as CSI Hotel Services Limited), a wholly-owned subsidiary of the Target Company and the holder of the relevant hotel licence for J Plus Hotel and the employer of the employees operating the J Plus Hotel
Pennington Properties	(a) Portion A on G/F & Portion A on M/F, 14 Pennington Street, Hong Kong, owned by Digital Option Limited; (b) Portion B, C & D on G/F (including the yard at rear) and Portion B & C on M/F, 14 Pennington Street, Hong Kong, owned by High Supreme Limited; and (c) 1/F, 2/F & 3/F and Roof, 14 Pennington Street, Hong Kong, owned by Capital Delight Limited.	They include 4 portions on the ground floor; the mezzanine floor; and 3 domestic units on upper floors of a 4-storey tenement completed in 1951. The total saleable area is approximately 2,754 sq. ft. (255.85 sq. m.).
Keswick Shop	Shop 4 on G/F together with the yard appurtenant thereto, Keswick Court, 3 Keswick Street, Hong Kong, owned by Smart Kept Limited.	It comprises a shop unit on the ground floor of a 24-storey composite building with its ground and 1st floors devoted to retail purpose whilst the upper floors accommodate domestic units completed in 1988. It 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.).

The total amount of consideration to the Group for the sale is HK$1,700,000,000 in cash, subject to adjustments under the SPA.

Completion of the sale took place on 31 March 2017, as a result, the Target Group ceased as subsidiaries of the Guarantor and was no longer consolidated into the consolidated financial statements of the Group.

In relation to the Group's disposal strategy, set out below is a list of the Group's major commercial properties (including properties held under joint ventures and associates) held/committed for sale as at 31 March 2017:

Commercial properties

Location	Use	Group's interest	Approximate gross floor area[2]	Approximate gross floor area attributable to the Group	Market value[1][2]	Market value attributable to the Group	Book value as at 31 March 2017	Book value attributable to the Group as at 31 March 2017
			(sq.ft. '000)	(sq.ft. '000)	(HK$'m)	(HK$'m)	(HK$'m)	(HK$'m)
Hong Kong and Macau								
G/F and 51 carparks of AXA Centre, Hong Kong	Commercial	100%	17	**17**	620	**620**	150	150
No. 348 Nathan Road, Jordan, Kowloon, Hong Kong	Hotel Operation	100%	220	**220**	4,000	**4,000**	2,729	2,729
Nos. 2-4 Shelley Street, Central, Hong Kong	Commercial	100%	40	**40**	440	**440**	418	418
Nos. 21, 21A, 23-25 & 27 Ashley Road, Kowloon, Hong Kong (Redevelopment)	Commercial	100%	70	**70**	1,170	**1,170**	508	508
Nos. 58-60, Sai Yeung Choi Street, Mongkok, Kowloon, Hong Kong.	Commercial	50%	5	**3**	615	**308**	593	297
2 Floors of Broadway Center, Macau	Commercial	60%	9	**5**	219	**131**	192	115
New Kowloon Inland Lot No. 6313, Kowloon Bay, Kowloon, Hong Kong Inland.	Commercial	30%	490	**147**	3,458	**1,037**	3,225	968
No. 232 Wan Chai Road, Hong Kong.	Commercial	50%	87	**44**	930	**465**	807	404
Nos. 46 & 48 Cochrane Street, Hong Kong.	Commercial	100%	21	**21**	416	**416**	415	415
Shop 1&2 on G/F, 1/F, 5/F-12F, 16/F-17/F, 19-23/F, 25-26/F and Roof of Oriental Crystal Commercial Building No. 46 Lyndhurst Terrace, Central, Hong Kong.	Commercial	100%	40	**40**	938	**938**	767	767
The PRC								
In Point, No. 169 Wujiang Road & No.1 Lane 333, Shimenyi Road, Shanghai, PRC . .	Commercial	100%	122	**122**	1,477	**1,477**	581	581
Level 1, Level 2 and Basement Level 1, No. 1-6 Richgate Plaza, Lane 222, Madang Road, Shanghai, PRC	Commercial	100%	122	**122**	2,140	**2,140**	1,587	1,587

Notes:

(1) Market value was based on valuation reports conducted by independent qualified valuers as at 31 March 2017.

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

Major acquisitions for the year ended 31 March 2017

In September 2016, the Group acquired a retail shopping mall, the Richgate, in the Xiantiandi area of Shanghai for total consideration of RMB1.37 billion. The Group intends to refurbish and reposition the mall to attract premium brand tenants and thereby increasing the value of the property.

The Group also acquired 18 office floors, ground floor shops and rooftop of Oriental Crystal Commercial Building at Lyndhurst Terrace in Central for a consideration of approximately HK$700 million. The Group plans to refurbish the lobby and entrance of the building for re-sale.

Set out below are the details of the Group's major commercial property projects as at 31 March 2017:

Hong Kong and Macau

New Kowloon Inland Lot No. 6313, Kowloon Bay, Kowloon, Hong Kong

In May 2015, the Group won a government tender for the acquisition of a 30 per cent. interest in an office land site in Kowloon Bay through participating in the government tender process through a consortium bid with Billion Development and Project Management Limited and Sino Land Company Limited for a total consideration of HK$3.04 billion. The site has an area of approximately 40,849 square feet with a maximum GFA of approximately 490,193 square feet. As at 31 March 2017, the market value of the site amounted to approximately HK$3.5 billion and the Group plans to develop the site into a new Grade-A office building in East Kowloon for sale, with a new office building scheduled to be completed in 2018.

Nos. 46 & 48 Cochrane Street, Central, Hong Kong

In March 2016, the Group acquired an old building at Nos. 46 & 48 Cochrane Street for a total consideration of HK$405 million. The site has an area of approximately 2,118 square feet with a maximum GFA of approximately 21,000 square feet. As at 31 March 2017, the book value of the site amounted to approximately HK$415 million. The Group plans to develop the site into a new iconic commercial building with a GFA of approximately over 30,000 square feet at this prime commercial and retail hub for sale.

No. 232 Wan Chai Road, Wan Chai, Hong Kong

In February 2016, the Group and its partner acquired a 100 per cent. interest in an old residential building for a total consideration of approximately HK$760 million. The Group held a 50 per cent. interest after the transaction. The site area is approximately 5,788 square feet with a maximum GFA of approximately 86,970 square feet. The Group believes that it is strategically located in the heart of Wan Chai, as it borders Times Square in Causeway Bay. The Group plans to redevelop it into a new commercial building of approximately 87,000 square feet at this prime commercial and retail hub for sale.

Nos. 21, 21A, 23-25 & 27 Ashley Road, Tsim Sha Tsui, Hong Kong

The Group maintains an interest in these Ginza-style food and beverage buildings in Tsim Sha Tsui, with a GFA of approximately 62,000 square feet. 8,200 square feet of this site may potentially be redeveloped into a mix-use commercial hotel tower, including flagship retail/F&B with approximately 100,000 square feet. As at 31 March 2017, these buildings have a current market value of approximately HK$1,170 million, as compared with the Group's book values for the properties of approximately HK$508 million. As at 31 March 2017, rates of occupancy were approximately 91 per cent., with an annual committed rent of approximately HK$29 million.

G/F and 51 car parking spaces of AXA Centre, Wan Chai, Hong Kong

The Group maintains an interest in this grade-A office building located on No. 151 Gloucester Road, Wan Chai, with a prime view of the Victoria harbour. As at 31 March 2017, the Group's interest is in the ground floor shops and 51 car-parking spaces (following the sale of the lower, as well as the 17th to 24th floors, the basement, unit numbers 1506 and 1507, one car parking space and the Rooftop Skysign of the building), totalling a GFA of approximately 16,606 square feet. As at 31 March 2017, the Group's total interest in the building has a current market value of approximately HK$620 million, as compared with the Group's book value for the property of approximately HK$150 million. The Group's tenants at the AXA Centre include Porsche and Grand Prix Clothing who are both situated on the ground floor shop. As at 31 March 2017, the Group's interest in the building has a 100 per cent. occupancy rate, with an annual committed rent of approximately HK$25 million with the opportunity of a rental reversion upon the termination and rental renewal of its lease with Porsche.

No. 348 Nathan Road, Jordan, Hong Kong

The Group maintains a 100 per cent. interest in the Novotel Hotel in Jordan. The Group's initial 50 per cent. interest was acquired in 2012 for a total consideration of approximately HK$1,184 million and the remaining 50 per cent. interest was acquired in November 2015 for a total consideration of approximately HK$1,560 million. The building has a total GFA of approximately 219,949 square feet which comprises 389 hotel rooms and retail shopping space. The Group also has the option to redevelop the building into a mixed commercial and residential complex including flagship office/retail GFA of 220,000 square feet.

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

In March 2011, the Group acquired this building in the SOHO area in Central, Hong Kong, for a total consideration of HK$285 million. The building originally had a GFA of approximately 40,152 square feet, with the upper floors being used as service apartments and the ground floor level as retail/F&B outlets. The Group is redeveloping the site into a new commercial building and expects to be able to commence pre-sales in 2018.

Nos. 58-60 Sai Yeung Choi Street, Mongkok, Hong Kong

In June 2013, the Group, together with its partner acquired a prime retail shop, of which the Group holds a 50 per cent. interest, on a busy section of Sai Yeung Choi Street in Mongkok for a total consideration of approximately HK$593 million. The shop has a GFA of approximately 5,000 square feet and a market value of approximately HK$615 million as at 31 March 2017 as opposed to a book value of HK$593 million as of the same date.

Broadway Center, Em Macau, Rua do Campo No. 258, Macau

In January 2015, the Group purchased a 60 per cent. interest in two floors of Broadway Center in Macau with a GFA of approximately 25,000 square feet for a total consideration of approximately HK$225 million. The Group plans to upgrade and redecorate the mall. The Group is currently selling the individual shop spaces in the two floors to potential users and investors.

Oriental Crystal Commercial Building, Central, Hong Kong

The Group has acquired 18 office floors, ground floor shops and roof top of this office building in Central with a total gross floor area of approximately 39,600 square feet for a consideration of approximately HK$700 million. It plans to renovate the lobby and entrance for re-sale.

The PRC

In addition to the Group's strong market presence in Hong Kong and Macau, the Group owns two commercial properties in the PRC under management comprising a GFA of approximately 244,000 square feet. The Group's interests are focused in Shanghai, where the Group has an office employing local staff with knowledge of and expertise in the local market. The Group seeks to target the long term growth potential for sales of tailor-made residences to high net worth individuals in the PRC looking to invest in Shanghai as well as the long term growth in demand for prime retail and commercial spaces.

The Group has a proven value enhancement track record in the PRC. In 2006, the Group invested in the Novel Plaza project in Shanghai (in which the Group owned a 50 per cent. interest) for a total consideration of approximately U.S.$105 million (approximately HK$820 million), and sold the resulting property in 2008 for a total consideration of approximately U.S.$155 million (approximately HK$1.2 billion). In 2007, the Group invested in the International Capital Plaza project in Shanghai for a total consideration of RMB745 million (approximately HK$875 million) (including the cost of renovation), and sold the resulting property in December 2010 for a total consideration of approximately RMB1.16 billion (approximately HK$1.3 billion). In 2010, the Group invested in The Platinum Office Building in Shanghai for a total consideration of approximately HK$2,110 million, and sold the resulting property for a total consideration of approximately RMB2.88 billion in September 2015. Particulars of the Group's major commercial project in the PRC as at 31 March 2017 are set out below:

In Point, Jing'an District, Shanghai, PRC

The Group holds a 100 per cent. interest in In Point Mall, Shanghai, a shopping mall located in central Shanghai, with a GFA of approximately 122,441 square feet. The market value of the property as at 31 March 2017 was approximately HK$1,477 million, as compared with the Group's book value for the building of approximately HK$581 million. As at 31 March 2017, the building had a committed occupancy rate of approximately 94 per cent., with an annual committed rent of approximately HK$51 million per annum. With the opening of the adjacent Daizhongli complex by Swire Properties, the Group expects the project to have significant value creation through tenancy upgrade and rental enhancement. In addition to active repositioning and value enhancement, the Group will closely monitor market conditions to optimise value on such assets' disposals.

Richgate, Lu Wan District, Shanghai, PRC

The Group purchased a retail shopping mall named Richgate Plaza in prime Xintiandi area for a total consideration of RMB1.37 billion with total GFA of approximately 122,000 square feet in September 2016. As at 31 March 2017, the shopping mall had committed annual rental of approximately HK$72 million at 88 per cent. occupancy with mid-end tenants including banks, F&B outlets and supermarket. Following future refurbishment and repositioning of the mall by bringing in premium brand tenants, we believe the prime location of this retail mall will drive significant value creation.

Residential properties development – Couture Homes

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

Set out below is a table of the Group's residential property developments held/committed for sale (including properties held under joint ventures) as at 31 March 2017:

Location	Use	Group's interest	Approximate gross floor area(1)	Approximate gross floor area attributable to the Group	Market value(1)(2)	Market value attributable to the Group	Book value as at 31 March 2017	Book value attributable to the Group as at 31 March 2017
			(sq.ft. '000)	(sq.ft. '000)	(HK$'m)	(HK$'m)	(HK$'m)	(HK$'m)
Hong Kong								
No. 47 Barker Road, The Peak, Hong Kong	Residential	100%	4	**4**	420	**420**	362	362
yoo Residence, Nos. 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential	50%	10	**5**	426	**213**	426	213
kau to HIGHLAND, Nos. 39-77 Lai Ping Road, Sha Tin, Hong Kong	Residential	92%	45	**41**	1,772	**1,630**	806	742
Nos. 47 & 49 Perkins Road, Hong Kong	Residential	60%	70	**42**	2,135	**1,281**	1,985	1,191
Nos, 3-4 Glenealy, Central, Hong Kong	Residential	100%	51	**51**	814	**814**	788	788
COO Residence, 8 Kai Fat Path, Tuen Mun, Hong Kong	Commercial/ Residential	100%	81	**81**	566	**566**	501	501
Land Lot No. 1909, Fan Kam Road, Sheung Shui, New Territories, Hong Kong	Residential	92%	33	**30**	449	**413**	332	305
17 residential units and one house at 8-12 Peak Road, The Peak, Hong Kong	Residential	65%	47	**31**	1,942	**1,262**	1,873	1,217
No. 44 Stanley Village Road, Hong Kong	Residential	50%	62	**31**	1,190	**595**	966	483
The PRC								
Queen's Gate, Villas in Daihongqiao, Shanghai, PRC	Residential	50%	343	**172**	2,199	**1,100**	1,269	635

Notes:

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

(2) Market value was based on a valuation report as at 31 March 2017 conducted by independent qualified professional valuers.

Details of the Group's major existing/committed residential development projects as at 31 March 2017 are set out below:

Queen's Gate, Daihongqiao area, Shanghai, PRC

In June 2011, the Group acquired a villa district in the Daihongqiao area in Shanghai. It has a GFA of approximately 343,000 square feet. The villas are situated within a 15 minutes' drive from the new Hong Qiao International Airport. The Group, in a joint venture with Asia Standard International Group Limited, has developed the district into 224 luxurious villas, with an additional 96 apartment units. As at 30 June 2017, over 180 villas have been sold for approximately RMB2.7 billion.

No. 47 Barker Road, the Peak, Hong Kong

In February 2011, the Group acquired a heritage site at No. 47 Barker Road, Hong Kong, for a total consideration of approximately HK$204 million, consisting of an individual house. The property was a rare purchase in the premier residential area on the Peak in Hong Kong. The Group plans to develop the property into a unique luxury residential villa.

kau to HIGHLAND, Nos. 39-77 Lai Ping Road, Sha Tin, Hong Kong

In May 2012, Couture Homes won the Hong Kong government tender for a total consideration of approximately HK$531 million, consisting of gross floor area of approximately 50,376 square feet in Kau To Shan, a luxury residential district in New Territories, Hong Kong. The site has been developed into 20 luxury villas of approximately 2,500 square feet each, with each villa having a private garden and swimming pool. The site benefits from a good location which provides views over the Shatin racecourse and the surroundings, as well as a convenient location of an approximately 20 minutes drive to Central or the PRC border (when traffic conditions permit).

Nos. 47-49 Perkins Road, Hong Kong

In December 2012, the Group acquired Nos. 47-49 Perkins Road site (previously known as Monterey Court) at Jardine's Lookout, a premier residential district in Hong Kong. The site comprises a GFA of approximately 70,000 square feet. The Group intends to redevelop the site to construct 16 luxury residential units. Such units are expected to have a GFA ranging from approximately 2,850 square feet to 6,800 square feet each. The Group has already commenced work on the project and the new residential tower is expected to be completed in 2017. The Group has partnered with the Grosvenor Fund from the United Kingdom and expects to complete sales by the year ending 31 March 2019.

The Oasis, 8-12 Peak Road, The Peak, Hong Kong

In October 2015, the Group and its partner acquired a 60.3 per cent. ownership interest in a residential development for a total consideration of approximately HK$1.8 billion. The Group owns a 65 per cent. ownership interest in this project. The development contains 38 apartments and one house (within which the Group and its partner own 17 apartments and the house), with a total saleable area of approximately 46,512 square feet. The Group plans to refurbish the façade and interior to maximise the valuation premium attached to this prime site which has a view of Victoria Harbour.

Land Lot No. 1909, Fan Kam Road, Sheung Shui, New Territories, Hong Kong

In May 2015, the Group won a government tender to acquire this land site for a total consideration of HK$302 million. The site area is approximately 68,986 square feet with a maximum GFA of approximately 33,110 square feet. The Group plans to develop the site into luxury houses, targeting affluent users at this prime site next to the Fanling golf course.

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

In October 2011, the Group acquired a 50 per cent. interest in a prime residential site in the heart of Causeway Bay within close proximity to the Victoria Park for a total consideration of approximately HK$499.5 million. The Group has developed this site into 144 high-end lifestyle units, with sizes ranging from around 400 square feet to over 5,000 square feet. The residence is associated with the property brand "yoo" (a Philippe Starck brand). As at 31 March 2017, approximately 140 units were sold for a total consideration of approximately HK$2.1 billion.

Nos. 3-4 Glenealy, Central, Hong Kong

In May 2013, the Group acquired a site at 3-4 Glenealy for a total consideration of approximately HK$760 million. The GFA is approximately 50,743 square feet. The Group plans to develop this site into a lifestyle residential tower catering to high net worth individuals and professionals, and aims to complete sales by the year ending 31 March 2019.

COO Residence, 8 Kai Fat Path, Tuen Mun, Hong Kong

In September 2014, the Group acquired a site at Yan Ching Street in Tuen Mun for a total consideration of approximately HK$427 million by way of a government land tender. The site has a GFA of approximately 80,500 square feet, with approximately 67,800 square feet reserved for residential uses and 12,700 square feet reserved for commercial uses. The Group plans to develop the site into an upscale residential tower with around 204 units targeting the increasingly affluent homeowners in the locality, while also adding a strong retail element on the ground level at this neighbourhood in Tuen Mun. The pre-sale of this project has started in September 2017.

No. 44 Stanley Village Road, Hong Kong

In October 2016, the Group acquired No. 44 Stanley Village Road for a consideration of approximately HK$780 million for the site of around 83,000 square feet. The site is located adjacent to Stanley Knoll, a high end residential area in Stanley with stunning seaview of Stanley Bay.

Asset Value

The Group's properties held for sale are stated at the lower of cost and net realisable value on an individual property basis in accordance with current accounting standards. The principal assets of the Group's joint ventures are properties held for sale and stated at the lower of cost and net realisable value in accordance with Hong Kong Financial Reporting Standards.

In order to fully reflect the underlying economic value of the properties held for sale of the Group and its joint ventures, the Group considers it appropriate also to present supplementary information on the Group's statement of net assets on the basis that the Group were to state its properties held for sale at their open market valuations as at 31 March 2017.

	As at 31 March 2017
	(Unaudited)
	HK$ million
Net assets attributable to Shareholders of the Guarantor (audited)	10,755
Add: Attributable revaluation surplus relating to the Group's properties held for sale[(1)]	3,916
Attributable revaluation surplus relating to properties held for sale by joint ventures[(1)]	573
Net assets attributable to Shareholders of the Guarantor as if the properties held for sale and interests in joint ventures were stated at open market value[(2)]	15,244
Net assets per ordinary share pro-forma adjusted NAV[(3)] per share as if the properties held for sale and interests in joint ventures were stated at open market value	HK$1.52

Notes:

(1) Based on open market valuations as at 31 March 2017 carried out by independent firms of qualified professional valuers not connected to the Group.

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

(3) NAV per share calculated based on 10,037 million Shares in issue.

Borrowings

As at 31 March 2017, the Group's borrowings (net of cash and bank balances and deposits) amounted to HK$7,186 million (as compared with HK$4,482 million and HK$2,646 million as at 31 March 2016 and 31 March 2015, respectively).

The Group's short-term bank borrowing increased from approximately HK$710.2 million and HK$561.1 million as at 31 March 2015 and 2016 respectively to approximately HK$1,324.4 million as at 31 March 2017, and long-term bank borrowing increased from approximately HK$2,045.7 million and HK$6,410.0 million as at 31 March 2015 and 2016 respectively to approximately HK$6,696.7 million as at 31 March 2017. All the bank borrowings were utilised in financing the Group's properties investments in generating recurring rental income. As a result, the Group's total bank borrowing increased from approximately HK$2,755.9 million and HK$6,971.1 million as at 31 March 2015 and 2016 respectively to approximately HK$8,021.1 million as at 31 March 2017, and the Group's ratio of total debt (bank and other borrowings) to total assets was 46.8 per cent (as compared with 31.3 per cent. as at 31 March 2015 and 43.9 per cent. as at 31 March 2016). The bank borrowings were mainly denominated in Hong Kong dollars and Renminbi and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. As at 31 March 2017, the Group's bank borrowings have an effective interest rate of approximately 2.5 per cent.

The following table sets out the maturity profile of the Group's bank borrowings as at 31 March 2017:

	As at 31 March 2017
	HK$'million
Within 1 year	1,324.4
Between 1 to 5 years[(1)]	6,551.8
Beyond 5 years	144.9
Total:	8,021.1

Competition

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

Intellectual Property

The Group has obtained the trademark in Hong Kong in relation to its "Couture Homes" and "kau to HIGHLAND" brands. As of the date of this Offering Circular, there have been no instances of any material abuse of the Group's intellectual property rights.

Insurance

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

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

Employees

The Group employs approximately 250 staff in Hong Kong, 30 in the PRC and 2 in Macau. The Group's employees are remunerated in line with the prevailing market terms as well as with reference to individual performance, with remuneration packages and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

Retirement benefit schemes

The Group participates in a Mandatory Provident Fund Scheme ("**MPF Scheme**") for its employees in Hong Kong. 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. Contributions to retirement benefits schemes amounted to HK$2,673,000, HK$2,402,000 and HK$2,974,000 in the years ended 31 March 2015, 2016 and 2017 respectively.

Share option schemes

2012 Scheme

On 16 August 2012, the Guarantor adopted a share option scheme (the "**2012 Scheme**"), for the primary purpose of providing incentives to directors and eligible employees. The 2012 Scheme will expire on 15 August 2022. Under the 2012 Scheme, the Board may grant options to eligible employees, including executive directors of the Guarantor and its subsidiaries, non-executive directors, any consultant, adviser or agent engaged by the Guarantor and its subsidiaries and any vendor, supplier of goods or services or customer of the Guarantor and its subsidiaries to subscribe for shares in the Guarantor.

The total number of shares in respect of which options may be granted under the 2012 Scheme is not permitted to exceed ten per cent. of the shares of the Guarantor in issue at 16 August 2012 unless the Guarantor obtains a fresh approval from its shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed one per cent. of the number of shares in issue unless the Guarantor obtains a fresh approval from its shareholders.

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all share option schemes of the Guarantor is not permitted to exceed 30 per cent. of the shares of the Guarantor in issue from time to time. No share option may be granted under any share option scheme of the Guarantor if such limit is exceeded.

During the years ended 31 March 2015, 2016 and 2017, no share options had been granted.

Environmental and Safety Matters

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

Government Regulations

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

Legal Proceedings

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

Contingent Liabilities

	As at 31 March 2017
	HK$'000
Guarantees given by the Guarantor and its subsidiaries for banking facilities granted to:	
Joint ventures	4,760,047
An associate	282,854
	5,042,901
And utilised by:	
Joint ventures	3,519,573
An associate	165,684
	3,685,257

Recent Major Developments

Set out below are major disposals and acquisitions of the Group subsequent to the year ended 31 March 2017.

Commercial Properties

Major acquisition

In May 2017, the Group acquired with a non-controlling shareholder (in which the Guarantor holds an interest of 91 per cent.) a land site at Electric Road in Tin Hau, Hong Kong for a total consideration of approximately HK$645 million. The Group intends to develop the site into a new commercial building with potential to target retail and food and beverage tenants.

Major disposals

In April 2017, the Group sold the remaining floor at the Le Diamant which is a commercial building at 703-705 Nathan Road in Mongkok for a total consideration of approximately HK$33 million.

In May and June 2017, the Group also sold two office units at the Bank of America Tower in Central for a total consideration of approximately HK$106 million.

In addition, in June 2017, the Group disposed of one floor and one car park at the Seaview Estate which is a commercial building located in North Point for a total consideration of approximately HK$105 million.

The Group also signed preliminary contracts for sale of four office floors at the Oriental Crystal Commercial Building at Lyndhurst Terrace in Central in March, April and September 2017 for a total consideration of approximately HK$167 million. One of the office floors has completed sale in June 2017.

Lastly, in July 2017, the Group signed a preliminary contract for sale of the land site at 232 Wanchai Road for a total consideration of approximately HK$ 1.18 billion. The Group owns a 50 per cent. interest in this project.

Residential Properties

Major acquisitions

The Group acquired No. 6 Glenealy, which is the adjacent site for its current residential project at Nos. 3-4 Glenealy in Central for a total consideration of approximately HK$386 million. The Group's plan will be to combine the two sites for redevelopment into a brand-new lifestyle residential tower.

In May 2017, the Group completed the purchase of the majority of units in the Legendale, a luxury residential project at Jinbao Street in Beijing for approximately RMB1.76 billion. The Group believes that the property is located in one of the prime locations of Beijing. The Group intends to refurnish the existing structure, including the facade and lobby areas and the interior of residential units, to modern designs, which it believes, coupled with the property's location, will fully realise the property's value.

Major disposals

The Group made further progress in the sale for its villa project in kau to HIGHLAND. One villa completed sale for a consideration of approximately HK$66 million. Two additional villas of kau to HIGHLAND were entered into preliminary contracts for sale at a total consideration of approximately HK$180 million.

In addition, the Group's residential project at 8 Kai Fat Path in Tuen Mun, COO Residence, had commenced presale of the 204 residential units in September 2017.

DIRECTORS

Directors

The members of the Board as at the date of this Offering Circular are as follows:

Name	Age	Position
CHUNG Cho Yee, Mico	56	Chairman and Executive Director
KAN Sze Man	45	Executive Director
CHOW Hou Man	46	Executive Director
FONG Man Bun, Jimmy	52	Executive Director
LAM Lee G..	58	Independent Non-Executive Director
CHENG Yuk Wo	56	Independent Non-Executive Director
LO Wing Yan, William	56	Independent Non-Executive Director

Chairman and Executive Director

Mr. Chung Cho Yee, Mico, aged 56, Chairman and Executive Director of the Guarantor, joined the Group in 2004. He is a director of certain subsidiaries of the Group. He is also the Chairman of Executive Committee and Nomination Committee, and a member of Remuneration Committee of the Board. Mr. Mico Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983 and qualified as a solicitor in Hong Kong in 1986. Mr. Mico Chung is currently a non-executive director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust and an independent non-executive director of HKC (Holdings) Limited, the shares of both of which are listed on the Stock Exchange. Mr. Mico Chung is the brother-in-law of Mr. Kan Sze Man, the Chief Operating Officer and an executive director of the Guarantor.

Executive Directors

Mr. Kan Sze Man, aged 45, joined the Group as Group General Counsel in 2001 and has been Chief Operating Officer of the Guarantor since 2016. He is a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as solicitor in Hong Kong in 1997. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan is currently a non-executive director of BCI Group Holdings Limited, the shares of which are listed on the Stock Exchange. Mr. Kan is the brother-in-law of Mr. Mico Chung, the Chairman, Executive Director and the controlling shareholder of the Guarantor.

Mr. Chow Hou Man, aged 46, joined the Group as Group Chief Financial Officer in 2001. He is a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. Mr. Chow graduated from the Baptist University in Hong Kong and holds a Master of Business Administration degree from the Hong Kong Polytechnic University. He has over 20 years of financial experience in various companies listed in Hong Kong and overseas and an international firm of certified public accountants. He is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Fong Man Bun, Jimmy, aged 52, joined the Group in 2011 and is a Managing Director of Couture Homes Properties Limited, a wholly-owned subsidiary of the Guarantor. He is also a director of certain subsidiaries and associates of the Group and a member of Executive Committee of the Board. Mr. Fong is mainly responsible for identifying and advising on residential development and investment for both acquisition and disposal planning of the Group. Mr. Fong has over 25 years' solid experience in luxury residential real estate project development and investment and has in-depth knowledge of the property market. He worked as a Director of Savills Hong Kong Limited (formerly known as First Pacific Davis) since 1993. Mr. Fong has worked in Shanghai, PRC in the 1990s and also in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989.

Independent Non-Executive Directors

Dr. Lam Lee G., aged 58, joined the Group in 2001. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, investment banking, direct investment and fund management, across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. He serves as an independent non-executive director of several publicly listed companies and investment funds in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx) and a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, Dr. Lam is currently the Chairman of Hong Kong Cyberport Management Company Limited, a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a Vice Chairman of Liaoning Chinese Overseas Friendship Association, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance, Honorary Chairman – Asia Pacific of CMA Australia, a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents' Organization (WPO), a Member of the Chief Executives Organization (CEO), a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Hong Kong-Thailand Business Council, a Founding Member of Hong Kong-Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Board Member of Pacific Basin Economic Council (PBEC), a Founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong, a Member of the Court of City University of Hong Kong, a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing, an Adjunct Professor at the Department of Management in the Chinese University of Hong Kong. Dr. Lam is a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia.

Dr. Lam is an independent non-executive director of each of Mei Ah Entertainment Group Limited, Vongroup Limited, Glorious Sun Enterprises Limited and Elife Holdings Limited (former name: Sino Resources Group Limited) and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited and National Arts Entertainment and Culture Group Limited, the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited, Rowsley Limited and Top Global Limited, the shares of all of which are listed on the SGX-ST. Dr. Lam is also an independent director of Sunwah International Limited, the shares of which are listed on the Toronto Stock Exchange, an independent non-executive director of Vietnam Equity Holding and Vietnam Property Holding, the shares of which are listed on the Stuttgart Stock Exchange, an independent non-executive director of Coalbank Limited, the shares of which are listed on the Australian Securities Exchange and Haitong Securities Company Limited, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange.

Dr. Lam was a non-executive director of ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited) from July 2014 to July 2015 and DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) from October 2015 to December 2015 and he was also an independent non-executive director of China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) from September 2004 to December 2014, Far East Holdings International Limited from September 2004 to October 2014, Ruifeng Petroleum Chemical Holdings Limited from July 2014 to March 2015, Mingyuan Medicare Development Company Limited from September 2014 to May 2015 and Imagi International Holdings Limited from May 2010 to January 2016, the shares of all of which are listed on the Stock Exchange and an independent non-executive director of Next-Generation Satellite Communications Limited from January 2009 to August 2014, the shares of which are listed on the SGX-ST.

Mr. Cheng Yuk Wo, aged 56, joined the Group in 2002. He is Chairman of Audit Committee and Remuneration Committee, and a member of Nomination Committee of the Board. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Professional Accountants of Canada. He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent, England. Mr. Cheng had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is an independent non-executive director of C.P. Lotus Corporation, Chong Hing Bank Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited, CPMC Holdings Limited, Top Spring International Holdings Limited, Liu Chong Hing Investment Limited and Chia Tai Enterprises International Limited, DTXS Silk Road Investment Holdings Company Limited, Miricor Enterprises Holdings Limited and Somerly Capital Holdings Limited, the shares of all of which are listed on the Stock Exchange.

Mr. Cheng was an independent non-executive director of Imagi International Holdings Limited up to January 2016 the shares of which are listed on the Stock Exchange.

Dr. Lo Wing Yan, William, aged 56, joined the Group in 2014. He is a member of Audit Committee of the Board. He obtained a BSc (Hons) degree in Biochemistry and a MSc degree in Neurochemistry from University of Kent at Canterbury and Institute of Psychiatry, London University, respectively. Dr. Lo also obtained an MPhil degree in Molecular Pharmacology and a PhD degree in Genetic Engineering/Neuroscience, both from Cambridge University, UK. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of the Peace (J. P.) by the government of Hong Kong. In 2017 April, Dr. Lo was appointed as a member of the Hospital Governing Committee of HK Red Cross Blood Transfusion Service. Dr. Lo is currently a governor of an independent school, the ISF Academy, as well as the Chairman of Junior Achievement Hong Kong.

Dr. Lo is an independent non-executive director of Jingrui Holdings Limited, SITC International Holdings Company Limited, Television Broadcasts Limited and Ronshine China Holdings Limited, the shares of all of which are listed on the Stock Exchange. Also, Dr. Lo is an independent non-executive director of Nam Tai Property, Inc., the shares of which are listed on the New York Stock Exchange.

Dr. Lo was an independent non-executive director of Varitronix International Limited up to June 2016, International Housewares Retail Company Limited up to September 2015, the shares of all of which are listed on the Stock Exchange and E2-Capital Holdings Limited, the shares of which are listed on the SGX-ST up to November 2015.

The Board of Directors of the Guarantor

The Board has four Board committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the general executive board committee (the "**Executive Committee**"), for overseeing particular aspects of the Guarantor's affairs.

Audit Committee

The main role and function of the Audit Committee are to consider the application of financial reporting, risk management and internal control principles and to maintain an appropriate relationship with the external auditors of the Guarantor. Currently the Audit Committee comprises three independent non-executive directors ("**INEDs**") of the Guarantor, namely, Dr. Lam Lee G., Mr. Cheng Yuk Wo and Dr. Lo Wing Yan, William. The chairman of the Committee is Mr. Cheng Yuk Wo, who has professional accounting qualifications and expertise in financial management.

Remuneration Committee

The Remuneration Committee was established on 21 July 2005 with written terms of reference, which deal clearly with its authority and duties for a formal and transparent procedure to fix the remuneration package for all directors. The main role and function of the Remuneration Committee are to formulate reward packages for senior management and individual executive directors. The Committee will consult the Chairman of the Board on the adequacy of the corporate remuneration policy and individual reward package with particular reference to fairness, sufficiency of incentive element and effective application of company resources.

Currently the Remuneration Committee comprises two INEDs of the Guarantor, Mr. Cheng Yuk Wo (the chairman of the Committee) and Dr. Lam Lee G., and one executive director, Mr. Mico Chung.

Nomination Committee

The Nomination Committee was established on 13 March 2012 with specific written terms of reference. The main role and function of the Nomination Committee are to review the structure, size and composition of the Board and the Board Diversity Policy; to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors; to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Guarantor; to assess of the independence of each INED.

Currently the Nomination Committee comprises, two INEDs of the Guarantor, Mr. Cheng Yuk Wo and Dr. Lam Lee G., and one executive director, Mr. Mico Chung (the chairman of the Committee).

Executive Committee

The Executive Board Committee, comprised of the executive directors, was formed on 21 June 2005 with specific written terms of reference. The main role and function of the Executive Committee are to manage the day-to-day operations of the Group's business and make investment and divestment decisions for and on behalf of the Group unless otherwise restricted by the terms of reference. In addition, the Executive Committee reviews the corporate and financial planning, investment and operation strategy of the Group as well as monitoring the progress of the carrying out of Board decisions by the management. The Committee reports its view and puts forward recommendations to the Board through the Chairman of the Board.

Currently the Executive Committee comprises four executive directors of the Guarantor, namely, Mr. Mico Chung (the chairman of the Committee), Mr. Kan Sze Man, Mr. Chow Hou Man, and Mr. Fong Man Bun, Jimmy.

Directors' Interests

Directors' interests in share capital

As at 31 March 2017, the interests and short positions of the Directors and the chief executive of the Guarantor in shares, underlying shares or debentures of the Guarantor or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") which were required to be notified to the Guarantor and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the Guarantor referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Guarantor and the Stock Exchange:

Long positions in shares:

Name of Director	Nature of interests	Guarantor/name of associated corporation	Number of shares held[1]	Approximate percentage of total shareholding *(%)*
Mr. Mico Chung [2]	Beneficial owner	The Guarantor	4,808,282,062 (L)	47.91
	Interest of controlled corporation	The Guarantor	4,805,237,062 (L)	47.87
Kan Sze Man	Beneficial owner	The Guarantor	23,790,500 (L)	0.24

Notes:

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

(2) Mr. Mico Chung is the beneficial owner of 4,808,282,062 shares in the Guarantor (being the aggregate of personal interest of Mr. Mico Chung of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("**Earnest Equity**") of 4,805,237,062). Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("**Digisino**"). The entire issued share capital of Digisino is held by Mr. Mico Chung and thus both Digisino and Earnest Equity are corporations wholly-owned and controlled by him. Therefore, Mr. Mico Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Guarantor had any interest in any securities of the Guarantor or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Guarantor and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of listed companies as set out in the Listing Rules to be notified to the Guarantor and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, at no time during the year ended 31 March 2017, was the Guarantor or its subsidiaries, a party to any arrangements to enable the directors of the Guarantor to acquire benefits by means of the acquisition of shares in, or debentures of, the Guarantor or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance, to which the Guarantor or its subsidiaries was a party and in which a director of the Guarantor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2017.

SHAREHOLDERS

Substantial Shareholders

As at 8 September 2017, according to the register kept by the Guarantor pursuant to Section 336 of SFO, and so far as is known to any Directors of the Guarantor, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in shares and underlying shares which would fall to be disclosed to the Guarantor under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

Long position in shares:

Name	Capacity	Number of shares held (*Note* [1])	Approximate percentage of total shareholding (%)
Value Partners Group Limited.	Interest of controlled corporation (*Note* [2])	708,330,000 (L)	7.05
Value Partners High-Dividend Stocks Fund	Beneficial owner	708,330,000 (L)	7.05
Dalton Investments LLC	Investment Manager	703,950,000 (L)	7.01

Notes:

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

(2) These shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, which is wholly-owned by Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the shares held by Value Partners Limited by virtue of the SFO.

Save as disclosed above, the Guarantor has not been notified of any other relevant interests or short positions in the issued share capital of the Guarantor as at 8 September 2017.

Other Shareholders

Other shareholders of the Guarantor include Fidelity International, which holds 4.9 per cent. equity interest in the Guarantor and other key funds, which include Janus Capital, Dimensional, Schroders, Blackrock, Vanguard, Mass Mutial, TIAA CREF.

TAXATION

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

Bermuda

Tax

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Guarantor or by its shareholders who are resident outside Bermuda. The Guarantor has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Guarantor or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Guarantor in respect of real property owned or leased by the Guarantor in Bermuda.

Stamp duty

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

British Virgin Islands

As a company incorporated under the BVI Business Companies Act, 2004, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the Issuer to persons who are not persons resident in the British Virgin Islands). Capital gains realised with respect to any shares, debt obligations or other securities of the Issuer by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the Issuer, save for Distribution payable to or for the benefit of an individual resident in the European Union. The Issuer is required to pay an annual government fee which is determined by reference to the number of shares the Issuer is authorised to issue.

Hong Kong

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

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or Distribution on the Securities or in respect of any capital gains arising from the sale of the Securities.

Profits tax

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

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, Distribution on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) Distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the Distribution is received or accrues are made available outside of Hong Kong; or

(b) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(c) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

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

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

Stamp duty

No stamp duty is payable on the issue or transfer of the Securities (for so long as the register of Noteholders is maintained outside Hong Kong).

Estate duty

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

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securites plc, UBS AG Hong Kong Branch, AMTD Asset Management Limited, China Merchants Securities (HK) Co., Limited, ICBC International Securities Limited and Oceanwide Securities Company Limited (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 13 September 2017 among the Issuer, the Guarantor and the Joint Lead Managers, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Securities, as set forth opposite their names in the following table, at the Issue Price (100.00 per cent. of their principal amount), any subsequent offering of the Securities to investors may be at a price different from the Issue Price.

	Principal Amount of Securities to be Subscribed U.S.$ million
DBS Bank Ltd.	40
The Hongkong and Shanghai Banking Corporation Limited	40
J.P. Morgan Securities plc	40
UBS AG Hong Kong Branch	40
AMTD Asset Management Limited	18
China Merchants Securities (HK) Co., Limited	18
ICBC International Securities Limited	2
Oceanwide Securities Company Limited	2
Total	**200**

The Issuer has agreed to pay the Joint Lead Managers certain fees and an underwriting commission, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Securities, and to indemnify the Joint Lead Managers against certain liabilities in connection with the offering and sale of the Securities. In addition, the Issuer has agreed to pay through the Joint Lead Managers, a commission to certain private banks in connection with the distribution of the Securities. This commission will be based on the principal amount of the Securities subscribed for by certain private banks. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities. The Joint Lead Managers and certain of their affiliates may have performed investment banking and advisory services for the Guarantor from time to time, for which they may have received customary fees and expenses. The Joint Lead Managers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Guarantor in the ordinary course of business.

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

United States

The Securities and the Guarantee of the Securities have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and the Guarantor that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Securities.

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

United Kingdom

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

(i) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (''**FSMA**'')) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

(ii) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

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

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

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

PRC

Each Joint Lead Manager has represented and agreed that the offer of the Securities is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

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

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

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

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

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

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

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

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

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

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948) (the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Bermuda

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

British Virgin Islands

This Offering Circular does not constitute and shall not be construed as an offer or solicitation to the public in the British Virgin Islands to subscribe for the Securities. The Securities shall not be acquired for the account or benefit of any person who is a resident of, or who is domiciled in, the British Virgin Islands, other than a BVI business company incorporated pursuant to the BVI Business Companies Act, 2004 in the British Virgin Islands that is not resident in the British Virgin Islands, nor to a custodian, nominee or trustee of any such person. Each Joint Lead Manager has represented, warranted and agreed that it has not and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Securities and the Securities may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

GENERAL INFORMATION

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

   Common Code: 158643855

   ISIN: XS1586438555

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in the British Virgin Islands in connection with the issue and performance of the Securities. The Guarantor has obtained all necessary consents, approvals and authorisations in Bermuda in connection with the Guarantee of the Securities. The issue of the Securities was authorised by written resolutions of the directors of the Issuer dated 12 September 2017 and the giving of the Guarantee of the Securities was authorised by a resolution of the General Board Executive Committee of the Guarantor passed on 12 September 2017.

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

4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Guarantor or the Group since 31 March 2017.

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

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

7. **Auditor:** The consolidated financial statements of the Guarantor for each of the years ended 31 March 2016 and 2017 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

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

INDEX TO FINANCIAL STATEMENTS

The following are extracted from the audited consolidated financial statements of the Guarantor and its subsidiaries for the year ended 31 March 2016 together with the independent auditor's report as they appear in the 2016 annual report of the Group and the audited consolidated financial statements of the Guarantor and its subsidiaries for the year ended 31 March 2017 together with the independent auditor's report as they appear in the 2017 annual report of the Group.

References to page numbers in the audited consolidated financial statements refer to the original page numbers in the 2016 annual report and the 2017 annual report, respectively, and cross-references to page numbers included in the independent auditor's reports are to such original page numbering.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 MARCH 2016

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 MARCH 2017

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 125, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2016

Consolidated Statement of Profit or Loss

For the year ended 31 March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	*5*	**2,201,494**	745,611
Cost of sales and services		**(1,029,524)**	(385,167)
Gross profit		**1,171,970**	360,444
Income and gains (losses) from investments	*7*	**112,278**	47,581
Other income	*8*	**71,883**	72,217
Other gains and losses	*9*	**19,125**	1,147
Administrative expenses		**(214,268)**	(152,307)
Finance costs	*10*	**(138,609)**	(122,089)
Share of results of joint ventures		**687,752**	16,631
Share of results of associates		**1,085**	57,737
Profit before taxation		**1,711,216**	281,361
Income tax expense	*11*	**(53,948)**	(16,308)
Profit for the year	*12*	**1,657,268**	265,053
Attributable to:			
Owners of the Company		**1,645,022**	262,936
Non-controlling interests		**12,246**	2,117
		1,657,268	265,053
Earnings per share (HK cents)	*16*		
Basic		**15.83**	2.65

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**1,657,268**	265,053
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(22,027)**	521
Share of exchange differences of joint ventures	**(25,527)**	(3,545)
Change in fair value of available-for-sale investments	**(376)**	(409)
Reclassification of translation reserve upon disposal of joint ventures	**(13,690)**	–
Reclassification of investment revaluation reserve upon derecognition of available-for-sale investments	**–**	(11,677)
	(61,620)	(15,110)
Total comprehensive income for the year	**1,595,648**	249,943
Total comprehensive income attributable to:		
Owners of the Company	**1,583,402**	247,826
Non-controlling interests	**12,246**	2,117
	1,595,648	249,943

Consolidated Statement of Financial Position

At 31 March 2016

	NOTES	**2016 HK$'000**	2015 HK$'000
Non-Current Assets			
Property, plant and equipment	*17*	**623,307**	664,818
Available-for-sale investments	*18*	**59,630**	64,579
Club memberships		**11,385**	11,385
Interests in joint ventures	*19*	**1,308,350**	1,653,996
Amounts due from joint ventures	*19*	**1,743,320**	1,937,397
Interests in associates	*20*	**137,855**	17,567
Amounts due from associates	*20*	**4,152**	18,947
		3,887,999	4,368,689
Current Assets			
Trade and other receivables	*21*	**140,273**	117,595
Properties held for sale	*22*	**8,850,223**	5,556,593
Investments held for trading	*23*	**1,813,664**	1,231,378
Taxation recoverable		**20,141**	7,703
Cash held by securities brokers	*24*	**3,983**	5,340
Bank balances and cash	*24*	**3,525,228**	1,274,443
		14,353,512	8,193,052
Current Liabilities			
Other payables and accruals	*25*	**236,598**	120,089
Taxation payable		**185,864**	138,854
Amounts due to joint ventures	*19*	**20,130**	169
Amounts due to associates	*20*	**–**	10,218
Amounts due to non-controlling shareholders of subsidiaries	*36(b)*	**100,832**	91,178
Bank borrowings – due within one year	*26*	**561,101**	710,204
		1,104,525	1,070,712
Net Current Assets		**13,248,987**	7,122,340
		17,136,986	11,491,029

Consolidated Statement of Financial Position

At 31 March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Capital and Reserves			
Share capital	27	**80,296**	83,896
Reserves		**9,586,815**	8,180,824
Equity attributable to owners of the Company		**9,667,111**	8,264,720
Non-controlling interests		**14,241**	2,066
Total Equity		**9,681,352**	8,266,786
Non-Current Liabilities			
Guaranteed notes	28	**1,040,130**	1,170,000
Bank borrowings – due after one year	26	**6,410,008**	2,045,713
Deferred tax liabilities	29	**5,496**	8,530
		7,455,634	3,224,243
		17,136,986	11,491,029

The consolidated financial statements on pages 34 to 125 were approved and authorised for issue by the Board of Directors on 29 June 2016 and are signed on its behalf by:

Chung Cho Yee, Mico
DIRECTOR

Chow Hou Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 *(Note)*	Translation 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 2014	76,145	1,619,636	371	276,058	82,201	11,677	5,707,424	7,773,512	4,141	7,777,653
Profit for the year	–	–	–	–	–	–	262,936	262,936	2,117	265,053
Exchange differences arising on translation of foreign operations	–	–	–	–	521	–	–	521	–	521
Share of exchange differences of joint ventures	–	–	–	–	(3,545)	–	–	(3,545)	–	(3,545)
Decrease in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	(409)	–	(409)	–	(409)
Reclassified to profit and loss on derecognition of available-for-sale investments	–	–	–	–	–	(11,677)	–	(11,677)	–	(11,677)
Total comprehensive income for the year	–	–	–	–	(3,024)	(12,086)	262,936	247,826	2,117	249,943
Placing of shares *(note 27(i))*	10,400	432,499	–	–	–	–	–	442,899	–	442,899
Share repurchases *(note 27(ii))*	(2,649)	–	2,649	(91,683)	–	–	(2,649)	(94,332)	–	(94,332)
Expenses related to shares repurchased and cancelled	–	–	–	(453)	–	–	–	(453)	–	(453)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(4,192)	(4,192)
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	(104,732)	(104,732)	–	(104,732)
At 31 March 2015	83,896	2,052,135	3,020	183,922	79,177	(409)	5,862,979	8,264,720	2,066	8,266,786
Profit for the year	–	–	–	–	–	–	1,645,022	1,645,022	12,246	1,657,268
Exchange differences arising on translation of foreign operations	–	–	–	–	(22,027)	–	–	(22,027)	–	(22,027)
Share of exchange differences of joint ventures	–	–	–	–	(25,527)	–	–	(25,527)	–	(25,527)
Decrease in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	(3,284)	–	(3,284)	–	(3,284)
Reclassification adjustment upon impairment on available-for-sale investments	–	–	–	–	–	2,908	–	2,908	–	2,908
Reclassified to profit and loss on derecognition of a subsidiary of joint venture	–	–	–	–	(13,690)	–	–	(13,690)	–	(13,690)
Total comprehensive income for the year	–	–	–	–	(61,244)	(376)	1,645,022	1,583,402	12,246	1,595,648
Share repurchases *(note 27(iii))*	(3,600)	–	3,600	(110,552)	–	–	(3,600)	(114,152)	–	(114,152)
Expenses related to shares repurchased and cancelled	–	–	–	(791)	–	–	–	(791)	–	(791)
Acquisition of additional interest of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(224)	(224)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(500)	(500)
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	(66,068)	(66,068)	–	(66,068)
Partial disposal of interest in subsidiaries without loss of control	–	–	–	–	–	–	–	–	653	653
At 31 March 2016	80,296	2,052,135	6,620	72,579	17,933	(785)	7,438,333	9,667,111	14,241	9,681,352

Note: 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 2016

	2016 **HK$'000**	2015 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,711,216**	281,361
Adjustments for:		
Finance costs	**138,609**	122,089
Depreciation of property, plant and equipment	**45,595**	35,876
Gain on disposal of property, plant and equipment	**(579)**	(285)
Gain on derecognition of investments in convertible notes, net	**–**	(1,575)
Gain on disposal of joint ventures	**(14,706)**	–
Income from amortisation of financial guarantee contracts	**(2,597)**	(1,328)
(Increase) decrease in fair value of investments held for trading	**(12,581)**	86,420
Interest income	**(10,479)**	(11,075)
Impairment loss on amount due from a joint venture	**3,500**	–
Impairment loss on properties held for sale	**125,729**	36,341
Impairment loss on available-for-sale investments	**2,908**	–
Share of results of joint ventures	**(687,752)**	(16,631)
Share of results of associates	**(1,085)**	(57,737)
Operating cash flow before movements in working capital	**1,297,778**	473,456
(Increase) decrease in investments held for trading	**(569,705)**	564,659
Increase (decrease) in other payables and accruals	**116,625**	(158,828)
Increase in properties held for sale	**(2,430,404)**	(1,109,919)
Decrease (increase) in available-for-sale investments	**1,665**	(40,419)
(Increase) decrease in trade and other receivables	**(50,222)**	4,342
Decrease (increase) in cash held by securities brokers	**1,357**	(1,347)
Net cash used in operations	**(1,632,906)**	(268,056)
Hong Kong Profits Tax paid	**(22,410)**	(40,368)
NET CASH USED IN OPERATING ACTIVITIES	**(1,655,316)**	(308,424)

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Repayment from (advances to) joint ventures		**160,226**	(357,408)
Purchases of property, plant and equipment		**(4,094)**	(6,483)
Investments in associates		**(124,559)**	(2,642)
Repayment from (advance to) an associate		**19,529**	(24,998)
Dividends received from associates		**1,200**	165,280
Dividends received from joint ventures		**661,085**	50,000
Interest received		**10,479**	11,075
Decrease in loan receivables		**27,135**	22,667
Proceeds on disposal of property, plant and equipment		**589**	285
Proceeds from disposal of joint ventures		**9,868**	–
Net cash inflow on disposal of subsidiaries	31	**1,189,021**	221,000
Net cash outflow on acquisition of subsidiaries	30	**(1,806,688)**	(573,230)
Investment/acquisition of joint ventures		**–**	(52,567)
Purchase of a club membership		**–**	(4,525)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**143,791**	(551,546)
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(1,253,424)**	(925,889)
Repurchase of guaranteed notes		**(129,870)**	–
Dividends paid		**(66,568)**	(108,924)
Repayments to associates		**(10,218)**	(3,879)
Increase (decrease) in amounts due to joint ventures		**19,961**	(263)
Advances from non-controlling shareholders of subsidiaries		**9,654**	65,823
New bank borrowings raised		**5,479,155**	1,090,892
Net proceeds from placing of shares		**–**	442,899
Payment on repurchase of shares and related expenses		**(114,943)**	(94,785)
Interest paid		**(171,866)**	(122,089)
Acquisition of additional interest of non-wholly owned subsidiaries		**(224)**	–
Partial disposal of interest in subsidiaries without loss of control		**653**	–
NET CASH FROM FINANCING ACTIVITIES		**3,762,310**	343,785
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,250,785**	(516,185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,274,443**	1,790,628
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**3,525,228**	1,274,443

1. GENERAL INFORMATION

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 ("HKSE"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report. The directors of the Company considers that Earnest Equity Limited, a private company incorporated in the British Virgin Islands ("BVI"), is its immediate holding company while Digisino Assets Limited, also a private company incorporated in the BVI, is its ultimate holding company. Its ultimate controlling party is Mr. Chung Cho Yee, Mico, a director and Chief Executive of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, joint ventures and associates are set out in notes 41, 19 and 20 respectively.

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

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

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[1]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 7	Disclosure initiative[5]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 *"Financial instruments"*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

HKFRS 9 *"Financial instruments"* (Continued)

Key requirements of HKFRS 9 are described below:

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

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company will assess the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 *"Revenue from contracts with customers"*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *"Revenue"*, HKAS 11 *"Construction contracts"* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *"Leases"*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

Amendments to HKFRS 10 and HKAS 28 *"Sale or contribution of assets between an investor and its associate or joint venture"*

The amendments to HKFRS 10 *"Consolidated financial statements"* and HKAS 28 *"Investments in associates and joint ventures"* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Other than as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance (Cap. 622) regarding presentation of accounts and directors' report and audits and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 is presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

Business combinations (Continued)

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

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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).

Assets management income relating to properties is recognised when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets 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 the 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 profit or loss.

Properties held for sale

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

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

Properties under development for sale under current assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised 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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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 other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL, when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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 FVTPL are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in income and gains (losses) from investments line item. Fair value is determined in the manner described in note 39.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount(s) due from joint ventures, an associate, cash held by securities brokers and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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 certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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 (see accounting policy below).

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss 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 instruments

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the income and gains (losses) from investments line item. Fair value is determined in the manner described in note 39.

Other financial liabilities

Other financial liabilities including other payables, amount(s) due to joint ventures, associates, non-controlling shareholders of subsidiaries, guaranteed notes and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contacts and the host contracts are not measured at FVTPL.

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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 bases 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 those deductible temporary differences can be utilised. Such deferred tax 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each 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 at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated translation differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 37 to the Group's consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When 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 profit.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going basis.

Key sources of estimation uncertainty

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

Estimated impairments on properties held for sale

Management reviews the recoverability of the Group's property interests held for sale with carrying amount of HK$8,850,223,000 (2015: HK$5,556,593,000) 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 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, additional impairment loss may be required.

During the year ended 31 March 2016, impairment loss on properties held for sale amounted to approximately HK$125,729,000 (2015: HK$36,341,000) has been recognised in the consolidated statement of profit or loss.

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:

	2016 **HK$'000**	2015 HK$'000
Rental income and hotel operation *(Note)*	**226,278**	202,641
Sales of properties held for sale	**1,975,216**	542,970
	2,201,494	745,611

Note: This mainly comprises of rental income from properties.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

In prior years, there were three reportable and operating segments, namely (i) property holding segment, (ii) strategic investment segment, and (iii) securities investment segment.

During the current year, in view of the continuing significance of the operation of the property holding segment, the CODM revised the organisation of segments that are used to allocate resources and assess performance, and considered to change its analysis based on nature of the property holding, being (i) commercial property holding and (ii) residential property holding, which is currently the basis used for the purpose of allocating resources and assessing their performance, and also the basis of organisation of the Group for managing the business operations. Other than the commercial property holding and residential property holding segments, the CODM continues to review the performance of securities investment segment as similar basis as prior years. Trading of commercial properties and hotels operation and strategic alliances with the joint venture partners of the joint ventures and associates, and investment and trading of residential properties and strategic alliances with the joint venture partners of the joint ventures and associates are aggregated into single reportable segments, respectively, as the CODM considered that they have similar economic characteristics.

Therefore, there are three reportable and operating segments in current year as follows:

(a) commercial property holding segment, which engages in the investment and trading of commercial properties and hotels operation, and also the strategic alliances with the joint venture partners of the joint ventures and associates;

(b) residential property holding segment, which engages in the investment and trading of residential properties, and also the strategic alliances with the joint venture partners of the joint ventures and associates; and

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

Consequently, the comparative segment information for the year ended 31 March 2015 have been re-presented in order to conform with the presentation adopted in current year. The changes in the segment information do not have any impact on the Group's consolidated financial statements.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

	Commercial property holding HK$'000	Residential property holding HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2016				
EXTERNAL REVENUE				
Rental income and hotels operation	220,307	–	–	220,307
Rental income	–	5,971	–	5,971
Sales of properties held for sale	1,752,973	222,243	–	1,975,216
Revenue of the Group	1,973,280	228,214	–	2,201,494
Interest income and dividend income	–	–	102,605	102,605
Gain on disposal of joint ventures	14,706	–	–	14,706
Share of results of joint ventures *(Note ii)*	531,992	155,760	–	687,752
Share of results of associates *(Note ii)*	1,212	(127)	–	1,085
Segment revenue/income	2,521,190	383,847	102,605	3,007,642
RESULTS				
Segment profit	1,594,606	236,776	98,771	1,930,153
Unallocated other income				60,008
Other gains and losses				7,919
Central administration costs				(148,255)
Finance costs				(138,609)
Profit before taxation				1,711,216

Notes:

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

(ii) Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Commercial property holding HK$'000	Residential property holding HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2015 (Restated)				
EXTERNAL REVENUE				
Rental income and hotels operation	197,228	–	–	197,228
Rental income	–	5,413	–	5,413
Sales of properties held for sale	542,970	–	–	542,970
Revenue of the Group	740,198	5,413	–	745,611
Interest income and dividend income	–	–	132,426	132,426
Share of results of joint ventures *(Note ii)*	61,610	(44,979)	–	16,631
Share of results of associates *(Note ii)*	57,738	(1)	–	57,737
Segment revenue/income	859,546	(39,567)	132,426	952,405
RESULTS				
Segment profit (loss)	431,854	(44,902)	40,733	427,685
Unallocated other income				65,506
Other gains and losses				1,147
Central administration costs				(90,888)
Finance costs				(122,089)
Profit before taxation				281,361

Notes:

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

(ii) Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment, interest income, dividend income, fair value change of investments, gain on disposal of joint ventures and share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, central administrative costs, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
Segment assets		
Commercial property holding	**8,041,417**	6,194,591
Residential property holding	**4,507,192**	3,460,070
Securities investment	**1,901,379**	1,311,742
Total segment assets	**14,449,988**	10,966,403
Property, plant and equipment	**175,469**	202,805
Cash held by securities brokers	**3,983**	5,340
Bank balances and cash	**3,525,228**	1,274,443
Other unallocated assets	**86,843**	112,750
Consolidated assets	**18,241,511**	12,561,741
Segment liabilities		
Commercial property holding	**183,110**	170,975
Residential property holding	**139,522**	41,543
Securities investment	**18,541**	7,625
Total segment liabilities	**341,173**	220,143
Guaranteed notes	**1,040,130**	1,170,000
Bank borrowings	**6,971,109**	2,755,917
Taxation payable	**185,864**	138,854
Other unallocated liabilities	**21,883**	10,041
Consolidated liabilities	**8,560,159**	4,294,955

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

- all assets are allocated to operating segments other than certain property, plant and equipment, taxation recoverable, cash held by securities brokers, bank balances and cash and assets used jointly by reportable and operating segments; and
- all liabilities are allocated to operating segments other than guaranteed notes, bank borrowings, taxation payable and liabilities for which reportable and operating segments are jointly liable.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2016

	Commercial property holding HK$'000	Residential property holding HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets and liabilities:						
Interests in joint ventures	**307,503**	**1,000,847**	**–**	**1,308,350**	**–**	**1,308,350**
Amounts due from joint ventures	**744,617**	**998,703**	**–**	**1,743,320**	**–**	**1,743,320**
Interests in associates	**1,085**	**136,770**	**–**	**137,855**	**–**	**137,855**
Amounts due from associates	**27**	**4,125**	**–**	**4,152**	**–**	**4,152**
Net increase in fair value of investments held for trading	**–**	**–**	**(12,581)**	**(12,581)**	**–**	**(12,581)**
Depreciation and amortisation	**15,609**	**–**	**–**	**15,609**	**29,986**	**45,595**
Impairment loss on properties held for sale	**119,063**	**6,666**	**–**	**125,729**	**–**	**125,729**

For the year ended 31 March 2015 (Restated)

	Commercial property holding HK$'000	Residential property holding HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets and liabilities:						
Interests in joint ventures	744,623	909,373	–	1,653,996	–	1,653,996
Amounts due from joint ventures	1,300,206	637,191	–	1,937,397	–	1,937,397
Interests in associates	11,515	6,052	–	17,567	–	17,567
Amounts due from associates	–	18,497	–	18,947	–	18,947
Net decrease in fair value of investments held for trading	–	–	86,420	86,420	–	86,420
Gain on derecognition of investments in convertible notes (included in available-for-sale investments)	–	–	(1,575)	(1,575)	–	(1,575)
Depreciation and amortisation	15,550	–	–	15,550	20,326	35,876
Impairment loss on properties held for sale	19,660	16,681	–	36,341	–	36,341

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations in commercial property holding, residential property holding and securities investment are mainly located in Hong Kong, the People's Republic of China (the "PRC") and Macau.

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

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

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

	Revenue from external customers Year ended 31 March		Non-current assets *(Note)*	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,097,399**	368,273	**1,469,154**	1,836,276
PRC	**57,300**	55,230	**600,064**	500,105
Macau	**46,795**	322,108	**294**	–
	2,201,494	745,611	**2,069,512**	2,336,381

Note: Non-current assets exclude financial instruments and club membership.

Information about major tenants and buyers of properties

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

	2016	2015
	HK$'000	HK$'000
Buyer A	**700,000**	N/A[1]
Buyer B	**493,330**	N/A[1]
Buyer C	**N/A[1]**	221,000
	1,193,330	221,000

1 The corresponding revenue from this buyer 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

	2016 HK$'000	2015 HK$'000
Interest income from		
– investments held for trading	**101,620**	128,556
– available-for-sale investments	**–**	983
Dividend income from investments held for trading	**985**	2,887
Increase (decrease) in fair values of investments held for trading	**12,581**	(86,420)
Gain on derecognition of convertible notes in available-for-sale investments	**–**	1,575
Impairment loss on available-for-sale investments	**(2,908)**	–
	112,278	47,581

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

	2016 HK$'000	2015 HK$'000
Investments held for trading	**115,186**	45,023
Available-for-sale investments	**(2,908)**	2,558
	112,278	47,581

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Bank interest income	**8,975**	11,075
Loan interest income	**1,504**	6,011
Interest income from amounts due from joint ventures	**35,603**	33,202
Amortisation of financial guarantee contracts	**2,597**	1,328
Assets management income	**11,875**	6,711
Others	**11,329**	13,890
	71,883	72,217

9. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	**579**	285
Net exchange gain	**7,340**	1,031
Gain on disposal of a joint venture *(Note)*	**14,706**	–
Impairment loss of amounts due from joint ventures	**(3,500)**	–
Other sundry losses	**–**	(169)
	19,125	1,147

Note: During the year ended 31 March 2016, the Group disposed its entire 50% equity interest in a joint venture, which principally engaged in properties holding, for a consideration of HK$9,868,000. The negative carrying amount of the Group's interest in this joint venture was HK$4,838,000, and hence a gain arising on this disposal resulted in HK$14,706,000 and recognised in the profit or loss in current year.

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on:		
Bank borrowings	**98,462**	62,371
Guaranteed notes	**73,404**	76,050
Total borrowing costs	**171,866**	138,421
Less: Amounts capitalised in the cost of qualifying assets	**(33,257)**	(16,332)
	138,609	122,089

11. INCOME TAX EXPENSE

	2016 **HK$'000**	2015 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**52,330**	10,170
– Underprovision in prior years	**2,015**	4,398
Macau Complementary Tax		
– Current year	**2,637**	953
	56,982	15,521
Deferred taxation *(Note 29)*	**(3,034)**	787
	53,948	16,308

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

According to the Macau Complementary Tax Law, complementary tax is imposed on a progressive rate scale ranging from 3% to 9% for taxable profits below or equal to Macau Pataca ("MOP")300,000 and 12% for taxable profits over MOP300,000. Taxable profits below MOP32,000 are exempt from tax.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdictions.

Income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**1,711,216**	281,361
Taxation at Hong Kong Profits Tax rate of 16.5%	**282,351**	46,425
Tax effect of expenses not deductible for tax purpose	**85,387**	76,888
Tax effect of income not taxable for tax purpose	**(211,609)**	(106,703)
Tax effect of share of results of joint ventures	**(113,479)**	(2,744)
Tax effect of share of results of associates	**(179)**	(9,527)
Tax effect of tax losses not recognised	**11,303**	10,104
Utilisation of tax loss previously not recognised	**(812)**	(2,178)
Underprovision in prior years	**2,015**	4,398
Effect of different tax rates of group entities operating in other jurisdictions	**(1,029)**	(355)
Income tax expense for the year	**53,948**	16,308

12. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(Note 13)*:		
Fees	**558**	600
Salaries and other benefits	**21,584**	20,218
Performance-related incentive bonus	**41,530**	11,271
Contributions to retirement benefits schemes	**910**	661
	64,582	32,750
Other staff costs:		
Salaries and other benefits	**36,365**	24,077
Performance-related incentive bonus	**10,211**	8,194
Contributions to retirement benefits schemes	**2,402**	2,673
	48,978	34,944
Total staff costs	**113,560**	67,694
Auditor's remuneration	**1,800**	1,438
Cost of properties held for sale recognised as an expense	**798,202**	307,331
Depreciation of property, plant and equipment	**45,595**	35,876
Gain on disposal of property, plant and equipment	**(579)**	(285)
Impairment loss on properties held for sale (included in cost of sales)	**125,729**	36,341

13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of nine (2015: nine) directors were as follows:

For the year ended 31 March 2016

	Mr. Chung Cho Yee, Mico HK$'000	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000	Mr. Fong Man Bun, Jimmy HK$'000	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lo Wing Yan, William HK$'000	Total HK$'000
Directors' remuneration										
Fees	–	–	–	–	–	165	63	165	165	558
Salaries and other benefits	11,072	3,149	2,700	1,558	3,105	–	–	–	–	21,584
Performance-related incentive bonus *(Note)*	33,800	3,200	2,400	450	1,680	–	–	–	–	41,530
Contributions to retirement benefits schemes	18	318	255	80	239	–	–	–	–	910
	44,890	6,667	5,355	2,088	5,024	165	63	165	165	64,582

For the year ended 31 March 2015

	Mr. Chung Cho Yee, Mico HK$'000	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000	Mr. Fong Man Bun, Jimmy HK$'000	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lo Wing Yan, William HK$'000	Total HK$'000
Directors' remuneration										
Fees	–	–	–	–	–	150	150	150	150	600
Salaries and other benefits	10,616	2,763	2,581	1,561	2,697	–	–	–	–	20,218
Performance-related incentive bonus *(Note)*	8,000	1,000	900	371	1,000	–	–	–	–	11,271
Contributions to retirement benefits schemes	17	188	174	97	185	–	–	–	–	661
	18,633	3,951	3,655	2,029	3,882	150	150	150	150	32,750

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

13. DIRECTORS' REMUNERATION (Continued)

The Company has not appointed Chief Executive Officer, and the role and function of the Chief Executive Officer has been performed by the Executive Committee collectively.

The above emoluments to executive directors were mainly for their services in connection with the management of the affairs of the Company and of the Group. The above emoluments to independent non-executive directors were mainly for their services as directors of the Company. 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

Of the five individuals with the highest emoluments in the Group four (2015: four) were directors and the chief executive of the Company whose emoluments are included in note 13 above. The emoluments of the remaining one (2015: one) individual were as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**2,039**	1,940
Performance-related incentive bonus *(Note)*	**900**	576
Contributions to retirement benefits schemes	**147**	126
	3,086	2,642

Their emoluments were within the following bands:

	2016 **Number of** **employee**	2015 Number of employee
HK$3,000,001 to HK$3,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1

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

15. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK0.378 cent per share in respect of financial year ended 31 March 2015 (2015: Final dividend of HK1.14 cents per share in respect of financial year ended 31 March 2014)	**39,641**	104,732
– Special dividend of HK0.252 cent per share in respect of financial year ended 31 March 2015	**26,427**	–
Dividend proposed after the end of the reporting period		
– Final dividend of HK1.973 cents per share (2015: Final dividend of HK0.378 cent per share)	**198,032**	39,641
– Special dividend: nil (2015: Special dividend of HK0.252 cent per share)	**–**	26,427

16. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Earnings for the purposes of basic earnings per share: (profit for the year attributable to owners of the Company)	**1,645,022**	262,936
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	**10,391,797**	9,908,854

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both reporting periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST							
At 1 April 2014	575,000	157,539	16,792	1,386	3,738	44,737	799,192
Additions	–	912	3,509	244	1,818	–	6,483
Transfer	–	34,000	–	–	–	–	34,000
Disposal	–	–	–	–	(924)	–	(924)
At 31 March 2015	575,000	192,451	20,301	1,630	4,632	44,737	838,751
Additions	–	163	1,246	317	2,368	–	4,094
Disposal	–	–	–	(28)	(505)	–	(533)
At 31 March 2016	575,000	192,614	21,547	1,919	6,495	44,737	842,312
DEPRECIATION							
At 1 April 2014	103,668	19,746	7,086	831	3,738	3,912	138,981
Provided for the year	13,863	8,345	4,051	147	563	8,907	35,876
Eliminated on disposal	–	–	–	–	(924)	–	(924)
At 31 March 2015	117,531	28,091	11,137	978	3,377	12,819	173,933
Provided for the year	13,863	17,406	4,306	178	935	8,907	45,595
Eliminated on disposal	–	–	–	(18)	(505)	–	(523)
At 31 March 2016	131,394	45,497	15,443	1,138	3,807	21,726	219,005
CARRYING VALUES							
At 31 March 2016	443,606	147,117	6,104	781	2,688	23,011	623,307
At 31 March 2015	457,469	164,360	9,164	652	1,255	31,918	664,818

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

Hotel property	2.78%
Land and buildings	Over the shorter of the terms of the relevant lease of the relevant land on which buildings are erected, or 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	33%
Vessel	20%

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the opinion of the director of the Company, the land and buildings element of the hotel property cannot be separately measured, no allocation between land and buildings to hotel property is done.

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 33.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Available-for-sale investments comprises:		
Unlisted equity security, at cost *(Note i)*	**5,005**	5,005
Unlisted equity securities, at fair value *(Note ii)*	**54,625**	59,574
	59,630	64,579
Analysed for reporting purposes as:		
Non-Current	**59,630**	64,579

Notes:

(i) Unlisted equity security, at cost

Included in the unlisted equity security, the carrying value of HK$5,005,000 (2015: HK$5,005,000) represents a 8.27% (2015: 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 unlisted equity security is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

(ii) Unlisted equity securities, at fair value

Included in the unlisted equity securities, the carrying value of HK$19,354,000 (2015: HK$37,932,000) represents a 5.25% (2015: 5.25%) interested in an investee engaged in holding properties interest located in the PRC, which the Group received HK$18,578,000 refund from an investee during the current year.

Included in the unlisted equity securities, the carrying value of HK$9,976,000 (2015: HK$6,062,000) represents a 4.83% (2015: 4.83%) interest in an investee engaged in provision of financial services in the PRC, which the Group further invested HK$4,198,000 during the current year.

Included in the unlisted equity securities, the carrying value of HK$12,130,000 (2015: nil) represents a 25% (2015: nil) interest in an investee engaged in holding of properties interest located in Australia, which the Group invested during the current year.

During the year ended 31 March 2016, a decrease in fair value of the unlisted equity securities of HK$3,284,000 (2015: HK$409,000) was recognised in other comprehensive income under investments revaluation reserve. Due to a significant decline in the fair value of certain of such investments below its cost, an impairment loss amounting to HK$2,908,000 (2015: nil) has been recognised during the current year which was reclassified from the investments revaluation reserve to profit or loss.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Costs of unlisted investments in joint ventures	**710,708**	860,616
Share of post-acquisition profits, net of dividend received	**177,689**	297,168
Exchange difference arising on translation	**2,835**	44,950
Deemed capital contribution – financial guarantee contracts	**9,937**	8,034
Deemed capital contribution – interest-free loans *(Note i)*	**407,181**	443,228
	1,308,350	1,653,996
Amounts due from joint ventures included in non-current assets *(Note i)*	**1,743,320**	1,937,397
Amounts due to joint ventures included in current liabilities *(Note ii)*	**20,130**	169

Notes:

(i) Included in the amounts due from joint ventures are principal amounts of HK$505,930,000 (2015: HK$505,330,000), which are unsecured, bear interest at prime rate plus 1% per annum and repayable after one year. The remaining amounts with principal of HK$1,680,755,000 (2015: HK$1,888,493,000) are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, 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 joint ventures. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK$1,274,911,000 (2015: HK$1,445,265,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (2015: 5.7%). It is expected that the amounts will be repayable in 5 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from joint ventures is recognised against the interests in the joint ventures. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

In addition, included in the amounts due from joint ventures are the share of loss of joint ventures of HK$149,412,000 (2015: HK$85,793,000) representing share of the loss in excess of the cost of investment to the extent of the Group's legal or constructive obligations and interest income from amounts due from joint ventures of HK$109,468,000 (2015: HK$77,056,000).

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

During the year ended 31 March 2016, an impairment loss of HK$3,500,000 (2015: nil) was made individually on the impaired amount due from a joint venture which has been determined by reference to past default experience and assessment of recoverability by management.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

As at 31 March 2016 and 2015, the Group had interests in the following significant joint ventures:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group *(Note i)*		Proportion of voting power held		Principal activities
					2016	2015	**2016**	2015	
Chater Capital Limited and its subsidiaries	Incorporated	BVI	PRC	Ordinary	**50%**	50%	**50% *(Note ii)***	50% *(Note ii)*	Property development
Vastness Investment Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	**50%**	50%	**50% *(Note ii)***	50% *(Note ii)*	Property development
Eagle Wonder Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	**60%**	60%	**60% *(Note ii)***	60% *(Note ii)*	Property development
Hillcharm Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	**50%**	50%	**50% *(Note ii)***	50% *(Note ii)*	Property holding
Great Maker Limited and its subsidiaries	Incorporated	Hong Kong	Hong Kong	Ordinary	**30%**	–	**33% *(Note ii)***	–	Property development
Best Catch Ventures Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	**40%**	–	**40% *(Note ii)***	–	Property holding
Cleverland Global Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	**65%**	–	**50% *(Note ii)***	–	Property holding

Notes:

(i) All the interests shown are held indirectly by the Group.

(ii) Regarding these joint ventures, the Group has entered into agreements with the joint venture partners in respect of the operations and control of these entities. Based on the legal form and terms of the contractual arrangements, the investment in these entities are treated as joint venture because major decisions require consent of all parties.

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

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Chater Capital Limited

	2016 HK$'000	2015 HK$'000
Current assets	**2,742,537**	2,242,967
Non-current assets	**444**	426
Current liabilities	**(651,160)**	(849,320)
Non-current liabilities	**(954,399)**	(365,775)

The above amounts of assets and liabilities include the following:

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	**342,468**	242,136
Current financial liabilities (excluding trade and other payables and provisions)	**(13,841)**	(14,561)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(954,399)**	(365,775)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Chater Capital Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$342,468,000 (2015: HK$242,136,000) and property held for sale under development of HK$2,368,744,000 (2015: HK$2,018,382,000). Current liabilities mainly comprise of advances from customers of HK$505,674,000 (2015: HK$594,390,000). Non-current liabilities represent bank loan of HK$954,399,000 (2015: HK$365,775,000).

	2016 **HK$'000**	2015 HK$'000
Revenue	**–**	–
Loss for the year	**(39,823)**	(5,109)
Other comprehensive (expense) income for the year	**(51,054)**	1,278
Total comprehensive expense for the year	**(90,877)**	(3,831)
The above loss for the year include the following:		
Depreciation and amortisation	**249**	385
Interest income	**329**	71

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 **HK$'000**	2015 HK$'000
Net assets of the joint venture	**1,137,422**	1,028,298
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
	568,711	514,149
Deemed capital contribution – financial guarantee contracts	**891**	891
Deemed capital contribution – interest-free loans	**4,554**	31,076
Carrying amount of the Group's interest in the joint venture	**574,156**	546,116

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Vastness Investment Limited

	2016 HK$'000	2015 HK$'000
Current assets	**570,767**	1,671,360
Non-current assets	**134,240**	15,113
Current liabilities	**(192,121)**	(1,013,067)
Non-current liabilities	**(290)**	–

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**18,926**	1,923
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(588,375)

Current assets mainly comprise of cash and cash equivalents of HK$18,926,000 (2015: HK$1,923,000) and property held for sale of HK$438,912,000 (2015: HK$1,292,332,000). Non-current assets mainly comprise of investment properties of HK$112,000,000 (2015: nil). Current liabilities mainly comprise of bank loan of nil (2015: HK$482,375,000).

	2016 HK$'000	2015 HK$'000
Revenue	**1,856,912**	–
Profit (loss) and total comprehensive income (expense) for the year	**439,191**	(19,341)
Dividends received from the joint venture during the year	**300,000**	–

The above profit (loss) for the year include the following:

Depreciation and amortisation	**401**	9,952
Interest income	**–**	2,970

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Vastness Investment Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of the joint venture	**512,596**	673,406
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
	256,298	336,703
Deemed capital contribution – interest-free loans	**–**	12,830
Carrying amount of the Group's interest in the joint venture	**256,298**	349,533

Eagle Wonder Limited

	2016 HK$'000	2015 HK$'000
Current assets	**1,607,090**	1,550,152
Current liabilities	**(1,171,656)**	(1,090,707)
Non-current liabilities	**(617,829)**	(582,386)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**3,116**	11,205
Current financial liabilities (excluding trade and other payables and provisions)	**(1,165,986)**	(1,088,357)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(617,829)**	(582,386)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Eagle Wonder Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$3,116,000 (2015: HK$11,205,000) and property held for sale under development of HK$1,603,972,000 (2015: HK$1,538,945,000). Current liabilities mainly comprise of bank loan of HK$754,100,000 (2015: HK$700,100,000). Non-current liabilities represent shareholders' loan of HK$617,829,000 (2015: HK$582,386,000).

	2016 HK$'000	2015 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(59,454)	(54,865)

The above loss for the year include the following:

	2016 HK$'000	2015 HK$'000
Interest expense	59,339	55,336

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net liabilities of the joint venture	(182,395)	(122,941)
Proportion of the Group's ownership interest in the joint venture	60%	60%
	(109,437)	(73,765)
Deemed capital contribution – financial guarantee contracts	2,760	2,760
Share of net liabilities by amount due from the joint venture	109,437	73,765
Carrying amount of the Group's interest in the joint venture	2,760	2,760

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Hillcharm Limited

	2016 HK$'000	2015 HK$'000
Current assets	**4,752**	6,394
Non-current assets	**760,000**	669,792
Current liabilities	**(397,252)**	(394,393)
Non-current liabilities	**(400,000)**	(280,671)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**4,752**	2,475
Current financial liabilities (excluding trade and other payables and provisions)	**(396,451)**	(389,350)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(400,000)**	(280,671)

Non-current assets mainly comprise of cash and cash equivalents of HK$4,752,000 (2015: HK$2,475,000) and property held for sale of HK$760,000,000 (2015: HK$669,792,000). Current liabilities mainly comprise of amount due to shareholders of HK$396,451,000 (2015: HK$389,350,000). Non-current liabilities represent bank loan of HK$400,000,000 (2015: HK$280,671,000).

	2016 HK$'000	2015 HK$'000
Revenue	**4,501**	1,919
(Loss) profit and total comprehensive (expense) income for the year	**(33,623)**	1,122
The above (loss) profit for the year include the following:		
Interest income	**2**	–
Income tax expense	**510**	226

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Hillcharm Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net (liabilities) assets of the joint venture	**(32,500)**	1,122
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
	(16,250)	561
Deemed capital contribution – financial guarantee contracts	**1,700**	1,700
Deemed capital contribution – interest-free loans	**47,986**	47,126
Share of net liabilities by amount due from the joint venture	**16,250**	–
Carrying amount of the Group's interest in the joint venture	**49,686**	49,387

During the year, the Group entered into agreement with independent third parties to set up Great Maker Limited, a joint venture company which principally engaged into certain property redevelopment projects.

Great Maker Limited

	HK$'000
Current assets	**3,098,095**
Current liabilities	**(1,577,620)**
Non-current liabilities	**(1,520,500)**

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**421**
Current financial liabilities (excluding trade and other payables and provisions)	**(1,574,238)**
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,520,500)**

Current assets mainly comprise of cash and cash equivalents of HK$421,000 and property held for sale under development of HK$3,097,615,000. Current liabilities mainly comprise of amount due to shareholders of HK$1,574,238,000. Non-current liabilities represent bank loan of HK$1,520,500,000. The property redevelopment projects were in early stage and no significant profit or loss was incurred during the year ended 31 March 2016.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Great Maker Limited (Continued)

	2016 HK$'000
Revenue	–
Loss and total comprehensive expense for the year	(26)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	HK$'000
Net liabilities of the joint venture	(25)
Proportion of the Group's ownership interest in the joint venture	30%
	(8)
Deemed capital contribution – financial guarantee contract	1,716
Deemed capital contribution – interest-free loans	114,326
Share of net liabilities by amount due from the joint venture	8
Carrying amount of the Group's interest in the joint venture	116,042

During the year, the Group entered into agreement with independent third parties to set up Best Catch Ventures Limited, a joint venture company which principally engaged into property investment.

Best Catch Ventures Limited

	HK$'000
Current assets	944,615
Current liabilities	(316,185)
Non-current liabilities	(650,000)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	10,224
Current financial liabilities (excluding trade and other payables and provisions)	(300,422)
Non-current financial liabilities (excluding trade and other payables and provisions)	(650,000)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Best Catch Ventures Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$10,224,000 and property held for sale of HK$918,000,000. Current liabilities mainly comprise of amount due to shareholders of HK$300,422,000. Non-current liabilities represent bank loan of HK$650,000,000.

	HK$'000
Revenue	–
Loss and total comprehensive expense for the year	(21,570)

The above loss for the year include the following:

Interest expense	269

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	HK$'000
Net liabilities of the joint venture	(21,570)
Proportion of the Group's ownership interest in the joint venture	40%
	(8,628)
Deemed capital contribution – financial guarantee contracts	501
Deemed capital contribution – interest-free loans	29,203
Share of net liabilities by amount due from the joint venture	8,628
Carrying amount of the Group's interest in the joint venture	29,704

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

During the year, the Group entered into agreement with independent third parties to set up Cleverland Global Limited, a joint venture company which principally engaged into property investment.

Cleverland Global Limited

	HK$'000
Current assets	1,853,974
Current liabilities	(953,423)
Non-current liabilities	(912,500)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	8,628
Current financial liabilities (excluding trade and other payables and provisions)	(951,300)
Non-current financial liabilities (excluding trade and other payables and provisions)	(912,500)

Current assets mainly comprise of cash and cash equivalents of HK$8,628,000 and property held for sale of HK$1,825,067,000. Current liabilities mainly comprise of amount due to shareholders of HK$951,300,000. Non-current liabilities represent bank loan of HK$912,500,000.

	HK$'000
Revenue	1,539
Loss and total comprehensive expense for the year	(11,958)

The above loss for the year include the following:

Interest expense	6,830

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Cleverland Global Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	HK$'000
Net liabilities of the joint venture	**(11,949)**
Proportion of the Group's ownership interest in the joint venture	**65%**
	(7,767)
Deemed capital contribution – financial guarantee contracts	**1,682**
Deemed capital contribution – interest-free loans	**150,387**
Share of net liabilities by amount due from the joint venture	**7,767**
Carrying amount of the Group's interest in the joint venture	**152,069**

Aggregate information of joint ventures that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of profit from continuing operations	**556,960**	65,562
The Group's share of post-tax profit from discontinued operations	**–**	–
The Group's share of other comprehensive expense	**–**	(4,184)
The Group's share of total comprehensive income	**556,953**	61,378
Dividends received from a joint venture during the year	**361,085**	50,000

Get Wisdom Limited ("Get Wisdom"), an entity incorporated in the BVI, was a joint venture of the Group, whose subsidiaries were engaged in property investment in the PRC. During the year, Get Wisdom together with the joint venture partner entered into a sale and purchase agreement with an independent third party to dispose its entire equity interests in the subsidiaries. The disposal of those subsidiaries was completed on 30 September 2015 and resulted in a gain on disposal of HK$548,154,000 which was recognised in profit or loss during the current year and taken into account in the investments in joint ventures.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Unrecognised share of losses of joint ventures

	2016 HK$'000	2015 HK$'000
The unrecognised share of losses of joint ventures for the year	–	(2,097)

	2016 HK$'000	2015 HK$'000
Cumulative unrecognised share of losses of joint ventures	–	–

Significant restriction

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	2016 HK$'000	2015 HK$'000
Costs of unlisted investments in associates	**135,003**	10,247
Share of post-acquisition profits and other comprehensive income, net of dividend received	**957**	1,269
Deemed capital contribution – financial guarantee contracts	**577**	–
Deemed capital contribution – interest-free loans	**1,318**	6,051
	137,855	17,567
Amounts due from associates included in non-current assets *(Note i)*	**4,152**	18,947
Amounts due to associates included in current liabilities *(Notes ii)*	**–**	10,218

Notes:

(i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors of the Company, settlement is neither planned nor likely to occur in the foreseeable future. The directors of the Company considered that the amounts as at the end of the reporting period form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. The directors of the Company consider that the carrying amounts of these balances approximates to their fair values.

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

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES (Continued)

At 31 March 2016 and 2015, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held indirectly by the Group		Proportion of voting power held		Principal activities
					2016	2015	**2016**	2015	
Trend Rainbow Limited ("Trend Rainbow")	Incorporated	Hong Kong	Hong Kong	Ordinary	**40%**	40%	**40%**	40%	Property holding
Wealth Explorer Holdings Limited ("Wealth Explorer")	Incorporated	BVI	Hong Kong	Ordinary	**20%**	20%	**20%**	20%	Property holding

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Trend Rainbow

	2016 HK$'000	2015 HK$'000
Current assets	**1,040**	135
Non-current assets	**1,746**	3,113
Current liabilities	**(73)**	(73)

Non-current assets mainly comprise of investment in an associate of HK$1,746,000 (2015: HK$3,113,000). Current liabilities mainly comprise of amounts due to shareholders of HK$67,000 (2015: HK$67,000).

	2016 HK$'000	2015 HK$'000
Revenue	**2,532**	3,657
Profit and total comprehensive income for the year	**2,538**	3,647
Dividends received from the associate during the year	**1,200**	4,080

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Trend Rainbow (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 **HK$'000**	2015 HK$'000
Net assets of the associate	**2,713**	3,175
Proportion of the Group's ownership interest in the associate	**40%**	40%
Carrying amount of the Group's interest in the associate	**1,085**	1,270

Wealth Explorer

	2016 **HK$'000**	2015 HK$'000
Current assets	**1,336,863**	–
Non-current assets	**–**	125,000
Current liabilities	**(899)**	(5)
Non-current liabilities	**(658,704)**	(124,992)

Current assets mainly comprise of properties held for sale of HK$1,330,191,000 (2015: nil). Non-current assets mainly comprise of deposit paid for acquisition of subsidiary of nil (2015: HK$125,000,000). Non-current liabilities mainly comprise of amount due to shareholders of HK$27,214,000 (2015: HK$124,992,000) and bank loan of HK$631,490,000 (2015: nil).

	2016 **HK$'000**	2015 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(630)**	(5)

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Wealth Explorer (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 **HK$'000**	2015 HK$'000
Net assets of the associate	**677,260**	3
Proportion of the Group's ownership interest in the associate	**20%**	20%
	135,452	1
Deemed capital contribution – interest-free loans	**1,318**	6,051
Carrying amount of the Group's interest in the associate	**136,770**	6,052

Aggregate information of associate that is not individually material

	2016 **HK$'000**	2015 HK$'000
The Group's share of profit and total comprehensive income for the year	**196**	56,279

Expert Dragon Limited ("Expert Dragon"), an entity incorporated in the BVI, was an associate of the Group engaged in property holding in Hong Kong. During the year, Expert Dragon was deregistered.

Significant restriction

There are no significant restrictions on the ability of the associates of transfer funds to the Group in the form of cash dividends, or to repay or advance made by the Group.

21. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Rental receivables are billed and payable in advance by tenants. In respect of sales of properties, the amounts are to be settled based on the terms of sales and purchase agreements of property. The aged analysis of the trade receivables, presented based on the debit note date for rental receivables and agreement date for receivables for sales of properties, both which approximated the revenue recognition date, at the end of the reporting period is as follows:

	2016 **HK$'000**	2015 HK$'000
Trade receivables:		
0 – 30 days	**6,713**	910
31 – 90 days	**2,281**	5,095
	8,994	6,005
Prepayments and deposits	**48,339**	22,879
Other receivables	**82,940**	88,711
	140,273	117,595

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

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

22. PROPERTIES HELD FOR SALE

	2016 **HK$'000**	2015 HK$'000
The Group's carrying amounts of properties held for sale, stated at cost less impairment, comprise:		
– Completed properties	**6,468,579**	3,690,646
– Properties under development	**2,381,644**	1,865,947
	8,850,223	5,556,593

In the opinion of the directors of the Company, all properties held for sale are expected to be realised in the normal operating cycle of two to four 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 33.

22. PROPERTIES HELD FOR SALE (Continued)

Valuation of the properties held for sale as at 31 March 2016 and 2015 has been carried out by an independent valuer by reference to open market value and the market evidence of transaction prices for similar properties in the same locations and conditions. Based on the assessment carried out by the directors of the Company, an impairment loss on properties held for sale (included in cost of sales) of HK$125,729,000 (2015: HK$36,341,000) is recognised in profit or loss.

23. INVESTMENTS HELD FOR TRADING

Investments held for trading, at fair values, comprise:

	2016 **HK$'000**	2015 HK$'000
Listed equity securities *(Note i)*	**32,487**	43,199
Unlisted mutual funds *(Note ii)*	**13,418**	11,700
	45,905	54,899
Listed debt securities *(Note iii)*	**1,767,759**	1,176,479
	1,813,664	1,231,378
Total and reported as:		
Listed		
Hong Kong	**537,284**	472,869
Elsewhere	**1,262,962**	746,809
Unlisted	**13,418**	11,700
	1,813,664	1,231,378

Notes:

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

(ii) Unlisted mutual funds represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by government, central banks, banks and corporate entities in Asia.

The Group has the right to 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.

(iii) The listed debt securities at 31 March 2016 represent bonds with fixed interest of 4.38% to 12.25% (2015: 2.7% to 11.75%) per annum. The maturity dates of the listed debt securities range from 22 April 2016 to 29 March 2049 (2015: 1 April 2015 to 9 March 2020). Their fair values are determined based on quoted market bid prices available from the market.

Certain of the listed debt securities is pledged to secure the general banking facilities granted to the Group. Details are set out in note 33.

24.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 0.025% to 0.16% (2015: 0.025% to 0.15%) 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:

	2016 HK$'000	2015 HK$'000
United States dollars ("USD")	**3,393**	1,303

Bank balances and cash comprises bank balances and cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rates ranging from 0.01% to 4.4% (2015: 0.01% to 4.3%) 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:

	2016 HK$'000	2015 HK$'000
Renminbi ("RMB")	**760**	23,068
USD	**72,469**	103,805
Euro ("EUR")	**1,769**	1,646
	74,998	128,519

25.OTHER PAYABLES AND ACCRUALS

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

	2016 HK$'000	2015 HK$'000
Rental and related deposits received	**97,233**	52,433
Receipt in advance for sales of properties	**–**	11,137
Other tax payables	**3,610**	2,050
Other payables	**7,087**	6,761
Accrued construction costs	**65,907**	19,619
Accruals	**62,761**	28,089
	236,598	120,089

26. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
The Group's secured borrowings are repayable as follows:		
Within one year	**346,551**	418,996
More than one year, but not exceeding five years	**5,214,015**	1,433,652
More than five years	**1,195,993**	612,061
	6,756,559	2,464,709
The Group's secured borrowings that contain a repayment on demand clause in the loan agreements:		
Repayable within one year	**–**	6,431
Not repayable within one year	**214,550**	284,777
	214,550	291,208
	6,971,109	2,755,917
Less: Amounts due within one year or contain a repayment on demand clause in the loan agreements shown under current liabilities	**(561,101)**	(710,204)
	6,410,008	2,045,713

The secured bank borrowings were secured by certain of the Group's property, plant and equipment, properties held for sale and investments held for trading. The carrying amounts of the assets pledged are disclosed in note 33.

All amounts of the Group's bank borrowings are denominated in the functional currency of the relevant group entity.

The bank borrowings carried floating rate interests, of which borrowings amounting to HK$6,777,890,000 (2015: HK$2,542,557,000) bear interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.15% to 2.95% (2015: HIBOR plus 0.55% to 2.95%) per annum and borrowings amounting to HK$193,219,000 (2015: HK$213,360,000) bear interest at the quoted lending rate of People's Bank of China minus a fixed margin for both years. At 31 March 2016, the effective interest rates ranged from 1.24% to 7.8% (2015: 0.64% to 6.49%) per annum, which are also equal to contracted interest rates for bank borrowings.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2014, 31 March 2015 and 2016	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2014	9,518,119,676	76,145
Placing of shares *(Note i)*	1,300,000,000	10,400
Share repurchases *(Note ii)*	(331,080,000)	(2,649)
At 31 March 2015	10,487,039,676	83,896
Share repurchases *(Note iii)*	(449,950,000)	(3,600)
At 31 March 2016	10,037,089,676	80,296

Notes:

(i) On 25 September 2014, the Company completed a placing of 1,300,000,000 shares at a subscription price of HK$0.35 per placing share. Details of the placing are set out in the Company's announcement dated 16 September 2014.

(ii) During the year ended 31 March 2015, the Company repurchased 331,080,000 of its own shares through the HKSE. The above shares were cancelled upon repurchase and the total amount paid to acquire these cancelled shares of HK$94,332,000 was deducted from equity holder's equity. The details were as follows:

Month of repurchase	Number of ordinary shares repurchased and cancelled	Price per share Highest HK$	Price per share Lowest HK$	Aggregate price paid HK$'000
April 2014	42,000,000	0.280	0.270	11,577
May 2014	207,050,000	0.280	0.275	57,018
July 2014	46,390,000	0.315	0.290	14,165
August 2014	35,640,000	0.330	0.320	11,572
	331,080,000			94,332

27. SHARE CAPITAL (Continued)

Notes: (Continued)

(iii) During the year ended 31 March 2016, the Company repurchased 449,950,000 of its own shares through the HKSE. The above shares were cancelled upon repurchase and the total amount paid to acquire these cancelled shares of HK$114,152,000 was deducted from equity holder's equity. The details are as follows:

Months of repurchase	Number of ordinary shares repurchased and cancelled	Price per share Highest HK$	Price per share Lowest HK$	Aggregate price paid HK$'000
December 2015	266,880,000	0.265	0.236	67,029
January 2016	183,070,000	0.265	0.249	47,123
	449,950,000			114,152

All the shares repurchased by the Company during the year ended 31 March 2016 and 2015 rank pari passu with the then existing ordinary shares in all respects.

28. GUARANTEED NOTES

On 9 January 2013, a wholly-owned subsidiary of the Company, Estate Sky Limited ("Estate Sky"), issued guaranteed notes, of which the Company is the guarantor. As at 31 March 2016, the aggregate principal amount was US$133,350,000 (equivalent to approximately HK$1,040,130,000) (2015: US$150,000,000, equivalent to approximately HK$1,170,000,000) which bears interest at 6.5% per annum, and payable semi-annually in arrears. The guaranteed notes will be repaid upon maturity on 16 January 2018. In addition, during the year ended 31 March 2016, the Group repurchased HK$129,870,000 of such guaranteed notes through open market.

29. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2014	9,008	(1,265)	7,743
Charge (credit) to consolidated statement of profit or loss for the year	1,102	(315)	787
At 31 March 2015	10,110	(1,580)	8,530
Credit to consolidated statement of profit or loss for the year	(2,701)	(333)	(3,034)
At 31 March 2016	7,409	(1,913)	5,496

As at 31 March 2016, the Group had unused tax losses of approximately HK$215,150,000 (2015: HK$146,823,000) available for offset against future profits of which certain of these tax losses have not yet been agreed with the tax authority. A deferred tax asset has been recognised in respect of tax loss of HK$11,595,000 (2015: HK$9,576,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$203,555,000 (2015: HK$137,247,000) 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, the deferred tax assets and liabilities have been offset.

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2016

(a) Acquisition of Able Wealth Enterprise Limited ("Able Wealth") and Go Clear Investments Limited ("Go Clear")

(i) During the year ended 31 March 2016, the Group completed the acquisition of the entire interest of Able Wealth through a wholly owned subsidiary for a consideration of HK$321,597,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

(ii) During the year ended 31 March 2016, the Group completed the acquisition of the entire interest of Go Clear through a wholly owned subsidiary for a consideration of HK$90,135,000. 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 follow:

	Able Wealth HK$'000	**Go Clear** HK$'000	**Total** HK$'000
Net assets acquired:			
Properties held for sales	322,650	90,000	412,650
Other receivables	17	135	152
Shareholder's loan	(267,757)	(16,399)	(284,156)
Other payables	(1,070)	–	(1,070)
	53,840	73,736	127,576
Assignment of shareholder's loan *(Note)*	267,757	16,399	284,156
	321,597	90,135	411,732
Total consideration satisfied by:			
Cash paid	321,597	90,135	411,732
Net cash outflow arising on acquisition:			
Cash consideration paid	(321,597)	(90,135)	(411,732)

Note: As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$284,156,000 as consideration for the assignment of the shareholder's loan to Able Wealth and Go Clear.

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016 (Continued)

(b) Acquisition of additional interest of Surplus King Grand Investment Holding Limited ("Surplus King")

During the year ended 31 March 2016, the Group completed the acquisition of an additional 50% equity interest of Surplus King through a wholly owned subsidiary for a consideration of HK$1,463,644,000 from Cyrus Point Limited, the joint venture partner of the Company (the "Acquisition"). 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 Acquisition are as follow:

	HK$'000
Properties held for sales	3,123,000
Other receivables	29,938
Bank balances and cash	68,688
Other payables	(61,382)
Bank borrowings	(1,696,600)
	1,463,644
Total consideration satisfied by:	
Cash paid	1,463,644
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,463,644)
Bank balances and cash	68,688
	(1,394,956)

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016 (Continued)

(b) Acquisition of additional interest of Surplus King Grand Investment Holding Limited ("Surplus King") (Continued)

	November 2015 HK$'000
Analysis of fair value of Surplus King which control was gained:	
Cost of investment	420,813
Share of result of a joint venture	1,042,831
	1,463,644
Deemed disposal of interest in a joint venture:	
Carrying value of previously held interest	1,463,644
Net assets derecognised	(1,463,644)
	–

For the year ended 31 March 2015

(i) During the year ended 31 March 2015, the Group completed the acquisition of the entire interest of Smart Event Trading Limited ("Smart Event") through two wholly owned subsidiaries for a consideration of HK$179,835,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

(ii) During the year ended 31 March 2015, the Group completed the acquisition of the entire interest of Excess Gain Company Limited ("Excess Gain") through a wholly owned subsidiary for a consideration of HK$328,334,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

(iii) During the year ended 31 March 2015, the Group completed the acquisition of the entire interest of Hin Kuok Investment and Development Real Estate Limited ("Hin Kuok") through two subsidiaries for a consideration of HK$52,658,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2015 (Continued)

(iv) During the year ended 31 March 2015, the Group completed the acquisition of the entire interest of Wui Tak Investment Limited ("Wui Tak") through two subsidiaries for a consideration of HK$52,658,000. 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 follow:

	Smart Event HK$'000	Excess Gain HK$'000	Hin Kuok HK$'000	Wui Tak HK$'000	Total HK$'000
Net assets acquired:					
Properties held for sales	197,744	330,000	112,500	112,500	752,744
Other receivables	–	910	–	–	910
Bank balances and cash	40,225	30	–	–	40,255
Shareholder's loan	(73,579)	–	–	–	(73,579)
Other payables	(58,134)	(2,576)	(17,772)	(17,772)	(96,254)
Taxation payable	–	(30)	–	–	(30)
	106,256	328,334	94,728	94,728	624,046
Assignment of shareholder's loan *(Note a)*	73,579	–	–	–	73,579
Deposits received for sales of properties to the third party *(Note b)*	–	–	(6,965)	(6,965)	(13,930)
Contributed by non-controlling interests	–	–	(35,105)	(35,105)	(70,210)
	179,835	328,334	52,658	52,658	613,485
Total consideration satisfied by:					
Cash paid	179,835	328,334	52,658	52,658	613,485
Net cash outflow arising on acquisition:					
Cash consideration paid	(179,835)	(328,334)	(52,658)	(52,658)	(613,485)
Bank balances and cash	40,225	30	–	–	40,255
	(139,610)	(328,304)	(52,658)	(52,658)	(573,230)

Notes:

(a) As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$73,579,000 as consideration for the assignment of the shareholder's loan to Smart Event.

(b) As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$6,965,000 as consideration for the deposits received for sale of properties to third party.

31. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2016

During the year ended 31 March 2016, the Group disposed of, to an independent third party, the entire interest in Abner Holdings Limited, Abundant Idea Limited, ACE Emperor Limited, ACME Elite Limited and Afar Success Limited (the "disposed subsidiaries") for a cash consideration of HK$1,193,330,000. Since the disposed subsidiaries were principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the disposed subsidiaries in the consolidated statement of profit or loss as disposal of the underlying property held for sale. The consideration allocated to the sale of properties were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets attributable to the disposed subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sales	317,485
Other receivables	1,350
Bank balances and cash	4,309
Other payables	(5,699)
	317,445
Transaction cost for disposal of subsidiaries	11,118
Gain on disposal	864,767
Total consideration satisfied by:	
Cash received	1,193,330
Net cash inflow arising on disposal:	
Cash consideration received	1,193,330
Bank balances and cash	(4,309)
	1,189,021

31. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2015

During the year ended 31 March 2015, the Group disposed of, to an independent third party, the entire interest in Affluent Wheel Limited ("Affluent Wheel") for a cash consideration of HK$221,000,000. Since Affluent Wheel was principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of Affluent Wheel in the consolidated statement of profit or loss as disposal of the underlying property held for sale. The consideration allocated to the sale of properties were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the net assets attributable to Affluent Wheel on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sales	63,941
Other payables	(1)
	63,940
Transaction cost for disposal of subsidiaries	3,280
Gain on disposal	153,780
Net cash inflow arising on disposal and total consideration satisfied by:	
Cash received	221,000

32. CONTINGENT LIABILITIES

	2016 HK$'000	2015 HK$'000
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	**3,628,959**	2,503,188
An associate	**262,919**	–
	3,891,878	2,503,188
and utilised by:		
Joint ventures	**2,638,712**	1,929,676
An associate	**126,298**	–
	2,765,010	1,929,676

In addition, as at 31 March 2015, the other joint venture partner of a joint venture of which the Group held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant joint venture amounting to approximately HK$625 million. The banking facilities utilised by the relevant joint venture amounted to approximately HK$482 million at the end of the reporting period. A counter-indemnity in favour of the other joint venture partner is executed pursuant to which the Group undertakes to indemnify the other joint venture partner 50% of the liabilities arising from the above loan facilities. During the year ended 31 March 2016, the corresponding bank borrowings were fully repaid by the relevant joint ventures, and hence both the corporate guarantees and banking facilities were released during the year.

The directors of the Company assessed the risk of default of the joint ventures and the associates at the end of the reporting period and consider the risk to be insignificant and it is unlikely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK$7,010,000 (2015: HK$6,689,000).

33. PLEDGE OF ASSETS

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

	2016	2015
	HK$'000	HK$'000
Property, plant and equipment	**584,375**	606,966
Properties held for sale	**8,414,618**	5,172,481
Investments held for trading	**74,326**	37,870
	9,073,319	5,817,317

34. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year, the Group incurred HK$3,344,000 (2015: HK$1,621,000) minimum lease payments in respect of office premises.

At 31 March 2016, the Group had outstanding commitments for the following future lease payments under non-cancellable operating leases:

	2016	2015
	HK$'000	HK$'000
Within one year	**4,889**	1,193
In second to fifth years inclusive	**–**	1,193
	4,889	2,386

34. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the year was HK$193,425,000 (2015: HK$167,809,000). Certain of the properties, which are classified as properties held for sale, have committed tenants for the next two to six years (2015: two to five years).

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**131,308**	136,044
In the second to fifth years inclusive	**142,163**	132,945
Over five years	**1,541**	–
	275,012	268,989

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.

35. RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes 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 statement of profit or loss of HK$3,312,000 (2015: HK$3,334,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

36. RELATED PARTY DISCLOSURES

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

		2016 HK$'000	2015 HK$'000
Joint ventures	Asset management income	**11,875**	6,711
Joint venture	Interest income	**35,603**	33,202

(b) The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. Details of the amounts due from (to) joint ventures and associates are set out in the consolidated statement of financial position and on notes 19 and 20.

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

	2016 HK$'000	2015 HK$'000
Short-term benefits	**66,053**	34,005
Post-employment benefits	**1,057**	787
	67,110	34,792

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

37. SHARE OPTION SCHEMES

2012 Scheme

On 16 August 2012, the Company adopted a share option scheme (the "2012 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2012 Scheme will be expired on 15 August 2022. Under the 2012 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, non-executive directors, any consultant, adviser or agent engaged by the Company and its subsidiaries and any vendor, supplier of goods or services or customer 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 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at 16 August 2012 unless the Company obtains a fresh approval from its shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the number of shares in issue unless the Company obtains a fresh approval from its shareholders.

37. SHARE OPTION SCHEMES (Continued)

2012 Scheme (Continued)

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 during the specific exercise period as determined by the board of directors. 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 of the Company's shares on the date of grant, (ii) the average closing 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.

As at 31 March 2016 and 2015, none of the share options had been granted.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all share option schemes of the Company is not permitted to exceed 30% of the shares of the Company in issue from time to time. No share option may be granted under any share option scheme of the Company if such limit is exceeded.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 26, net of cash and cash equivalents 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 of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Investments held for trading	**1,813,664**	1,231,378
Loans and receivables		
Trade and other receivables	**91,934**	94,716
Amounts due from joint ventures	**1,743,320**	1,937,397
Amounts due from associates	**4,152**	18,947
Cash held by securities brokers	**3,983**	5,340
Bank balances and cash	**3,525,228**	1,274,443
	5,368,617	3,330,843
Available-for-sale financial assets		
Available-for-sale investments	**59,630**	64,579
Financial liabilities		
At amortised cost		
Other payables	**97,233**	52,334
Amounts due to joint ventures	**20,130**	169
Amounts due to associates	–	10,218
Amounts due to non-controlling shareholders of subsidiaries	**100,832**	91,178
Guaranteed notes	**1,040,130**	1,170,000
Bank borrowings	**6,971,109**	2,755,917
	8,229,434	4,079,816

(b) Financial risk management objectives and policies

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risks

(i) Foreign currency risk management

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 foreign currency risk in relation to RMB, USD and EUR arising from foreign currency bank balances and cash, and cash held by securities brokers as set out in note 24.

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**760**	23,068	**–**	–
USD	**75,862**	105,108	**1,040,130**	1,170,000
EUR	**1,769**	1,646	**–**	–

Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial as most US$ denominated monetary assets are held by group entities having HK$ as their functional currency, and the other financial assets denominated RMB and EUR are not material, and therefore no sensitivity analysis has been prepared.

The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved not significant.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to amounts due from (to) joint ventures, associates, investments held for trading and guaranteed notes issued by the Company as set out in notes 19, 20, 23 and 28 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 borrowings as set out in notes 24 and 26 respectively. It is the Group's policy to keep its borrowings (other than guaranteed notes issued) at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings and interest rate determined by the People's Bank of China arising from the Group's RMB denominated borrowings.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(ii) Interest rate risk management (Continued)

Sensitivity analyses for cash flow interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable rate cash held by securities brokers, bank balances and bank borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. An increase or decrease of 10 basis points (2015: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2015: 50 basis points) for bank borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For cash held by securities brokers and bank balances, if interest rates had been 10 basis points (2015: 10 basis points) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 would increase/decrease by HK$2,947,000 (2015: HK$1,069,000).

For bank borrowings, if interest rates had been 50 basis points (2015: 50 basis points) basis points higher/lower and all variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 would decrease/increase by HK$29,104,000 (2015: HK$11,506,000).

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 management

The Group is exposed to equity and other price risks through its investments in investments held for trading. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks are mainly concentrated on listed equity securities, listed debt securities and unlisted mutual funds quoted in the open markets. The management considers that there is no significant equity and other price risks through available-for-sale investments. 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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(iii) Equity and other price risks management (Continued)

Sensitivity analyses

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

If the prices of the respective listed equity securities and unlisted mutual funds had been 5% (2015: 5%) higher/lower, post tax profit for the year ended 31 March 2016 would increase/decrease by HK$1,917,000 (2015: increase/decrease by HK$2,292,000) as a result of the changes in fair value of equity securities mutual funds held by the Group.

If the prices of the respective debt securities had been 5% (2015: 5%) higher/lower, post tax profit for the year ended 31 March 2016 would increase/decrease by HK$73,804,000 (2015: increase/decrease by HK$49,118,000) 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.

Credit risk management

As at 31 March 2016, 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 32.

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 trade debt and debt instrument 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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The credit quality of the listed debt securities as set out in note 23, 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:

	2016	2015
	%	%
Ba1	**13.1**	15.5
Ba2	**20.0**	21.1
Ba3	**14.5**	13.7
B1 to Caal	**33.0**	19.3
Unrated	**19.4**	30.4
	100.0	100.0

Significant concentration of credit risk

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

As at 31 March 2016, the Group has concentration of credit risk on bank balances as 69% (2015: 43%) of balances are placed in one (2015: one) independent bank. The management of the Group considers that the credit risk on the bank balance is limited as it is a reputable company whose shares are listed on the HKSE.

The Group also has concentration of credit risk as 91% (2015: 87%) of the amounts due from joint ventures are due from five (2015: five) joint ventures. The joint ventures are private companies and mainly located in Hong Kong. In order to minimise the credit risk, the management of the Group has monitored the repayment ability of the joint ventures continuously. The counterparties of the entire amounts due from joint ventures that are repayable on demand had no default record based on historical information.

The Group's geographical concentration of credit risk is mainly in Hong Kong, which accounted for approximately 90% of the Group's total recognised financial assets as at 31 March 2016 and 2015.

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by monitoring and maintaining 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.

Liquidity tables

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise the rights.

The table includes both interest and principal cash flows. The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate %	On demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 March 2016 HK$'000
31 March 2016									
Non-derivative financial liabilities									
Other payables	–	97,233	–	–	–	–	–	97,233	97,233
Amount due to a joint venture	–	20,130	–	–	–	–	–	20,130	20,130
Amounts due to non-controlling shareholders of subsidiaries	–	100,832	–	–	–	–	–	100,832	100,832
Guaranteed notes	6.5	–	8,451	33,804	1,107,738	–	–	1,149,993	1,040,130
Bank borrowings	2.24	214,550	18,938	422,306	902,677	4,835,230	1,330,085	7,723,786	6,971,109
		432,745	27,389	456,110	2,010,415	4,835,230	1,330,085	9,091,974	8,229,434
Financial guarantee contracts *(Note)*	–	–	998,412	4,648	190,807	1,571,258	–	2,765,125	7,220

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 March 2015 HK$'000
31 March 2015									
Non-derivative financial liabilities									
Other payables	–	52,334	–	–	–	–	–	52,334	52,334
Amount due to a joint venture	–	169	–	–	–	–	–	169	169
Amounts due to associates	–	10,218	–	–	–	–	–	10,218	10,218
Amounts due to non-controlling shareholders of subsidiaries	–	91,178	–	–	–	–	–	91,178	91,178
Guaranteed notes	6.5	–	9,506	38,025	76,050	1,398,150	–	1,521,731	1,170,000
Bank borrowings	2.4	291,208	7,242	447,965	721,468	857,051	683,999	3,008,933	2,755,917
		445,107	16,748	485,990	797,518	2,255,201	683,999	4,684,563	4,079,816
Financial guarantee contracts *(Note)*	–	–	860,233	8,676	69,600	990,767	–	1,929,276	7,313

Note: The amount is categorised based on contractual term of repayment of the relevant underlying financial guarantee contracts guaranteed by the Group.

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK$214,550,000 (2015: HK$291,208,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repayable, together with interest, in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	1 – 3 months HK$'000	**3 months to 1 year** HK$'000	**1 – 2 years** HK$'000	**2 – 5 years** HK$'000	**More than 5 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Total carrying amounts** HK$'000
31 March 2016	**601**	**216,956**	**–**	**–**	**–**	**217,557**	**214,550**
31 March 2015	855	9,854	13,258	254,548	44,303	322,818	291,208

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees. 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 measurements recognised in the consolidated statement of financial position

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.3.2016 HK$'000	31.3.2015 HK$'000				
1) Held-for-trading non-derivative financial assets classified as investments held for trading in the statement of financial position	Listed equity securities in: – Hong Kong: 32,487	Listed equity securities in: – Hong Kong: 43,199	Level 1	Quoted bid prices in an active market	N/A	N/A
	Listed debt securities in: – Hong Kong: 504,797 – Elsewhere: 1,262,962	Listed debt securities in: – Hong Kong: 429,670 – Elsewhere: 746,809	Level 1	Quoted bid prices in an active market	N/A	N/A
	Unlisted mutual funds 13,418	Unlisted mutual funds 11,700	Level 2	Quoted prices for identical assets in market that are not active	N/A	N/A
2) Unlisted equity securities classified as available-for-sale investments in the consolidated statement of financial position	54,625	59,574	Level 2	Quoted prices for identical assets in market that are not active	N/A	N/A

39. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries	**460,069**	466,694
Amounts due from subsidiaries	**6,951,692**	5,955,166
Investments in joint ventures	**10,607**	8,126
Amounts due from joint ventures	**–**	570,717
Club memberships	**5,200**	5,200
	7,427,568	7,005,903
Current assets		
Other receivables	**2,429**	6,280
Bank balances and cash	**301,714**	179,203
	304,143	185,483
Current liabilities		
Other payables and accruals	**21,227**	18,059
Bank borrowings – due within one year	**30,000**	–
	51,227	18,059
Net Current assets	**252,916**	167,424
	7,680,484	7,173,327
Capital and reserves		
Share capital	**80,296**	83,896
Reserves *(Note)*	**7,337,688**	7,089,431
Total Equity	**7,417,984**	7,173,327
Non-current liabilities		
Bank borrowings – due after one year	**262,500**	–
	7,680,484	7,173,327

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2014	1,619,636	371	338,410	3,968,043	5,926,460
Profit and other comprehensive income for the year	–	–	–	927,340	927,340
Placing of shares	432,499	–	–	–	432,499
Share repurchases	–	2,649	(91,683)	(2,649)	(91,683)
Expenses related to shares repurchased and cancelled	–	–	(453)	–	(453)
Dividend recognised as distribution	–	–	–	(104,732)	(104,732)
At 31 March 2015	**2,052,135**	**3,020**	**246,274**	**4,788,002**	**7,089,431**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**425,668**	**425,668**
Share repurchases	**–**	**3,600**	**(110,552)**	**(3,600)**	**(110,552)**
Expenses related to shares repurchased and cancelled	**–**	**–**	**(791)**	**–**	**(791)**
Dividend recognised as distribution	**–**	**–**	**–**	**(66,068)**	**(66,068)**
At 31 March 2016	**2,052,135**	**6,620**	**134,931**	**5,144,002**	**7,337,688**

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31 March 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Principal activities
Able Market Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property development
Absolute Keen Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property development
Apex Harvest Limited	Hong Kong	HK$100	**–**	–	**92**	92	Property development
Bravo Wave Limited *(Note i)*	BVI	US$1	**–**	–	**100**	–	Property holding
Capital Delight Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Capital Strategic Property (Shanghai) Limited *(Note ii)*	PRC	Registered and paid-up capital RMB300,000,000	**–**	–	**100**	100	Property holding and leasing of property

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2016 %	2015 %	**2016** %	2015 %	
Century Unicorn Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
CH Property Services Limited	Hong Kong	HK$1	**–**	–	**100**	100	Provision of property management service
Clear Luck Group Limited	BVI	US$1	**–**	–	**100**	100	Property holding
Couture Homes Limited	BVI	US$1	**100**	100	**–**	–	Investment holding
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
Digital Option Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property
Eagle Shore Limited	BVI	US$1	**–**	–	**100**	100	Sales of securities and investment holding
Earn Centre Limited	Hong Kong	HK$2	**–**	–	**100**	100	Property holding and leasing of property
Earthmark Limited *(Note i)*	BVI	US$1	**–**	–	**100**	–	Loan financing
Estate Sky Limited	BVI	US$1	**100**	100	**–**	–	Bond issuer
Ever Novel Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding
Excess Gain Company Limited	Hong Kong	HK$1,000,000	**–**	–	**100**	100	Property holding and leasing of property
Fortress Jet Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Geotalent Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Principal activities
Golden United Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Greater Bond Limited *(Note i)*	BVI	US$1	**–**	–	**100**	–	Sale of securities and investment holding
Growth Safe Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Highland Management Services Limited	Hong Kong	HK$1	**–**	–	**92**	92	Management services
High Supreme Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property
Hoyden Holdings Limited	BVI	US$1	**–**	–	**100**	100	Property development
ICC Financial Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Mark Well Investment Limited	Hong Kong	HK$100	**100**	100	**–**	–	Sale of securities and investment holding
Million Base Properties Limited	Hong Kong	HK$2	**–**	–	**100**	100	Property holding and leasing of property
Million Basis Property Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property
Modern Value Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property
Smart Charm Holdings Limited	Hong Kong	HK$1	**–**	–	**100**	100	Hotel operation
Smart Future Holdings Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Smart Kept Limited	BVI	US$1	**–**	–	**100**	100	Property holding and leasing of property

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2016 %	2015 %	**2016** %	2015 %	
Smart Tide Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding
Surplus King Centre Limited *(Note iii)*	Hong Kong	HK$2	**–**	–	**100**	50	Property holding and leasing of property
Spring Wonder Limited	Hong Kong	HK$100	**–**	–	**92**	100	Property development
Trinity Value Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property holding and leasing of property
Well Clever International Limited	BVI	US$1	**–**	–	**100**	100	Sale of securities and investment holding

Notes:

(i) These companies were incorporated during the year ended 31 March 2016.

(ii) Capital Strategic Property (Shanghai) Limited is a wholly foreign owned enterprise established in the PRC.

(iii) This company has become an indirect wholly-owned subsidiary of the Group during the year ended 31 March 2016 upon the acquisition of remaining interest.

None of the subsidiaries had issued any debt securities or any other securities (other than ordinary/registered share capital) during the year and at the end of the year except for Estate Sky Limited which has issued HK$1,170 million of guaranteed notes, in which the Group has HK$1,170 million interest.

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.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities of business	Principal place	Number of subsidiaries	
		2016	2015
Corporate services	HK/Macau	**8**	7
Investment holding	BVI/HK	**202**	152
Inactive	BVI/HK	**14**	18
Securities investment	BVI/HK	**9**	9
		233	186

Independent Auditor's Report

Deloitte. 德勤

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

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

OPINION

We have audited the consolidated financial statements of CSI Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 132, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Write-down of properties held for sale	
We identified the write-down of the Group's properties held for sale (the "PHS") as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant estimates involved in determining the net realisable value ("NRV") including the estimation of future costs to completion of the properties under development ("PUD") included in the carrying amount of the PHS. As disclosed in note 23 to the consolidated financial statements, the Group had the PHS of HK$11,752,540,000, of which comprised of completed properties for sale of HK$9,725,052,000 and PUD of HK$2,027,488,000 as at 31 March 2017. As disclosed in note 4 to the consolidated financial statements, the Group's PHS are stated at the lower of cost and NRV. The determination of the NRV of these properties requires use of estimations. Based on the Group's experience and the nature of the subject properties, the management of the Group makes estimates of the selling prices, the costs to completion for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions with reference to the valuations carried out by the independent property valuers for certain properties. For the year ended 31 March 2017, a reversal of write-down of PHS amounted to approximately HK$41,695,000 has been recognised in the consolidated statement of profit or loss.	Our procedures in relation to assessing the appropriateness of the valuation of the PHS included: • evaluating Group management's valuation assessments and the external valuation reports prepared by independent property valuers and on which the management assessment of the NRV of the completed properties for sale and PUD was based; • assessing the qualifications, experience and expertise of the independent property valuers; • discussing with the management of the Group and the external property valuers on the valuation methodologies adopted and to understand the performance of property markets, significant assumptions, critical judgemental areas and data used in valuations; • assessing the appropriateness of key estimates and assumptions used in the valuations, including expected future selling prices by comparing expected future selling prices to recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development; and the future costs to completion of the PUD with reference to the publicly available construction cost information for properties of a similar nature and location and by utilising the industry knowledge, after taking into account of the estimated sale-related taxes; and • evaluating the reasonableness of the assessment performed by the management of the Group on the key inputs to evaluate the magnitude of their impact of the market value and adequacy of the reversal of write-down being made.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interests in joint ventures and amounts due from joint ventures	
We identified impairment assessment of interests in joint ventures and amounts due from joint ventures as a key audit matter due to its significance to the consolidated statement of financial position, combined with the estimations involved in management's impairment assessment of the interests in joint ventures and amounts due from joint ventures. As at 31 March 2017, the carrying amounts of interests in joint ventures and amounts due from joint ventures amounted to HK$1,604,511,000 and HK$2,804,860,000 respectively as disclosed in note 19 in the consolidated financial statements, the aggregate of which representing approximately 19% of the Group's total assets. As disclosed in note 3 to the consolidated financial statements, interests in joint ventures are carried in the consolidated statement of financial position using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures, less impairment loss with respect to the Group's interests in joint ventures. The amounts due from joint ventures are measured at amortised costs using the effective interest method, less any impairment.	Our procedures in relation to impairment assessment of interests in joint ventures and amounts due from joint ventures included: • assessing the appropriateness of management's accounting for interests in joint ventures and amounts due from joint ventures; • understanding management's process for identifying the existence of impairment indicators in respect of the interests in joint ventures and amounts due from joint ventures and evaluating the effectiveness of such process; • for those joint ventures with the underlying assets are properties held for sale (including completed properties for sale and PUD), evaluating the Group's management valuation assessments and the external valuation reports prepared by independent property valuers and on which the management assessed of the NRV of the completed properties for sale and PUD was based; • assessing the qualifications, experience and expertise of the independent property valuers;

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interests in joint ventures and amounts due from joint ventures	
The management of the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in joint ventures and amounts due from joint ventures may be impaired. For those joint ventures in which such indication exists, the management of the Group assessed the carrying amounts for impairment. The management of the Group compared the recoverable amounts (which is higher of value in use and fair value less costs of disposal) with the carrying amounts of interests in joint ventures and amounts due from joint ventures. For those joint ventures engaged in property holding or development, the management of the Group determines the impairment and recoverability with reference to the fair value less costs of disposal of joint ventures and expected repayment of amounts due from joint ventures which are dependent on the expected market prices of properties held for sale and/or property development projects held by joint ventures. As disclosed in note 19 to the consolidated financial statements, no impairment loss on interests in joint ventures and amounts due from joint ventures was considered to be necessary by the management of the Group for the year ended 31 March 2017.	• discussing with management and the external property valuers on the valuation methodologies adopted to understand the performance of property markets significant assumptions used, critical judgemental areas and data used in valuations; • assessing any appropriateness of key estimates and assumptions used in the valuations: including expected future selling prices by comparing expected future selling prices to recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and the future costs to completion of the PUD with reference to the publicly available construction cost information for properties of a similar nature and location and by utilising the industry knowledge, after taking into account of the estimated sale-related taxes: and • assessing any impairment is required for the amounts due from joint ventures by comparing the recoverable amounts with their carrying amounts, including taking into account of the market values with reference to external valuation reports prepared by independent property valuers of respective properties held for sales and/or property development projects held by joint ventures.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lau Ngai Kee, Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	1,868,279	2,201,494
Cost of sales and services		(1,266,931)	(1,029,524)
Gross profit		601,348	1,171,970
Income and gains (losses) from investments	7	179,083	112,278
Other income	8	89,444	71,883
Other gains and losses	9	956,571	19,125
Administrative expenses		(274,506)	(214,268)
Finance costs	10	(243,084)	(138,609)
Share of results of joint ventures		53,995	687,752
Share of results of associates		4,297	1,085
Profit before taxation		1,367,148	1,711,216
Income tax expense	11	(21,387)	(53,948)
Profit for the year	12	1,345,761	1,657,268
Attributable to:			
Owners of the Company		1,346,734	1,645,022
Non-controlling interests		(973)	12,246
		1,345,761	1,657,268
Earnings per share (HK cents)	16		
Basic		13.42	15.83

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	1,345,761	1,657,268
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(22,404)	(22,027)
Share of other comprehensive expense of joint ventures:		
Share of exchange differences of joint ventures	(38,882)	(25,527)
Reclassification of translation reserve upon disposal of joint ventures	–	(13,690)
Others	1,587	(376)
	(59,699)	(61,620)
Total comprehensive income for the year	1,286,062	1,595,648
Total comprehensive income (expense) attributable to:		
Owners of the Company	1,286,233	1,583,402
Non-controlling interests	(171)	12,246
	1,286,062	1,595,648

Consolidated Statement of Financial Position

As at 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-Current Assets			
Property, plant and equipment	*17*	154,455	623,307
Available-for-sale investments	*18*	191,508	59,630
Loan receivables	*21*	46,813	–
Club memberships		11,385	11,385
Interests in joint ventures	*19*	1,604,511	1,308,350
Amounts due from joint ventures	*19*	2,804,860	1,743,320
Interests in associates	*20*	152,303	137,855
Amounts due from associates	*20*	38,129	4,152
		5,003,964	3,887,999
Current Assets			
Trade and other receivables	*22*	372,227	140,273
Properties held for sale	*23*	11,752,540	8,850,223
Investments held for trading	*24*	2,298,774	1,813,664
Taxation recoverable		10,845	20,141
Cash held by securities brokers	*25*	30,760	3,983
Bank balances and cash	*25*	3,572,022	3,525,228
		18,037,168	14,353,512
Current Liabilities			
Other payables and accruals	*26*	940,529	236,598
Taxation payable		194,889	185,864
Amounts due to joint ventures	*19*	180,528	20,130
Amounts due to non-controlling shareholders of subsidiaries	*37(b)*	163,640	100,832
Bank borrowings – due within one year	*27*	1,324,437	561,101
Guaranteed notes – due within one year	*29*	817,830	–
		3,621,853	1,104,525
Net Current Assets		14,415,315	13,248,987
		19,419,279	17,136,986

	NOTES	2017 HK$'000	2016 HK$'000
Capital and Reserves			
Share capital	28	80,296	80,296
Reserves		10,675,016	9,586,815
Equity attributable to owners of the Company		10,755,312	9,667,111
Non-controlling interests		14,070	14,241
Total Equity		10,769,382	9,681,352
Non-Current Liabilities			
Guaranteed notes – due after one year	29	1,950,000	1,040,130
Bank borrowings – due after one year	27	6,696,726	6,410,008
Deferred tax liabilities	30	3,171	5,496
		8,649,897	7,455,634
		19,419,279	17,136,986

The consolidated financial statements on pages 42 to 132 were approved and authorised for issue by the Board of Directors on 30 June 2017 and are signed on its behalf by:

Chung Cho Yee, Mico
DIRECTOR

Chow Hou Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 *(Note)*	Translation reserve HK$'000	Other reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015	83,896	2,052,135	3,020	183,922	79,177	(409)	5,862,979	8,264,720	2,066	8,266,786
Profit for the year	–	–	–	–	–	–	1,645,022	1,645,022	12,246	1,657,268
Exchange differences arising on translation of foreign operations	–	–	–	–	(22,027)	–	–	(22,027)	–	(22,027)
Share of exchange differences of joint ventures	–	–	–	–	(25,527)	–	–	(25,527)	–	(25,527)
Reclassified to profit and loss on derecognition of a subsidiary of joint venture	–	–	–	–	(13,690)	–	–	(13,690)	–	(13,690)
Others	–	–	–	–	–	(376)	–	(376)	–	(376)
Total comprehensive (expense) income for the year	–	–	–	–	(61,244)	(376)	1,645,022	1,583,402	12,246	1,595,648
Share repurchases *(note 28)*	(3,600)	–	3,600	(110,552)	–	–	(3,600)	(114,152)	–	(114,152)
Expenses related to shares repurchased and cancelled	–	–	–	(791)	–	–	–	(791)	–	(791)
Acquisition of additional interest of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(224)	(224)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(500)	(500)
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	(66,068)	(66,068)	–	(66,068)
Partial disposal of interest in subsidiaries without loss of control	–	–	–	–	–	–	–	–	653	653
At 31 March 2016	80,296	2,052,135	6,620	72,579	17,933	(785)	7,438,333	9,667,111	14,241	9,681,352
Profit for the year	–	–	–	–	–	–	1,346,734	1,346,734	(973)	1,345,761
Exchange differences arising on translation of foreign operations	–	–	–	–	(22,404)	–	–	(22,404)	–	(22,404)
Share of exchange differences of joint ventures	–	–	–	–	(38,882)	–	–	(38,882)	–	(38,882)
Others	–	–	–	–	–	785	–	785	802	1,587
Total comprehensive (expense) income for the year	–	–	–	–	(61,286)	785	1,346,734	1,286,233	(171)	1,286,062
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	(198,032)	(198,032)	–	(198,032)
At 31 March 2017	80,296	2,052,135	6,620	72,579	(43,353)	–	8,587,035	10,755,312	14,070	10,769,382

Note: 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 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	1,367,148	1,711,216
Adjustments for:		
Finance costs	243,084	138,609
Depreciation of property, plant and equipment	37,057	45,595
Gain on disposal of property, plant and equipment	(955,461)	(579)
Gain on disposal of joint ventures	–	(14,706)
Gain on disposal of subsidiaries	(930)	–
Income from amortisation of financial guarantee contracts	(2,705)	(2,597)
Increase in fair value of investments held for trading	(44,580)	(12,581)
Interest income	(27,101)	(10,479)
Impairment loss on amount due from a joint venture	–	3,500
(Reversal of) write-down of properties held for sale	(41,695)	125,729
Impairment loss on available-for-sale investments	–	2,908
Share of results of joint ventures	(53,995)	(687,752)
Share of results of associates	(4,297)	(1,085)
Operating cash flow before movements in working capital	516,525	1,297,778
Increase in investments held for trading	(440,530)	(569,705)
Increase in other payables and accruals	692,572	54,173
Increase in properties held for sale	(1,918,687)	(1,319,109)
Increase in trade and other receivables	(28,038)	(20,132)
(Increase) decrease in cash held by securities brokers	(26,777)	1,357
Net cash used in operations	(1,204,935)	(555,638)
Income tax paid	(5,391)	(22,410)
NET CASH USED IN OPERATING ACTIVITIES	(1,210,326)	(578,048)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES		
(Advances to) repayment from joint ventures	(1,449,341)	160,226
Purchases of property, plant and equipment	(2,488)	(4,094)
Investments in associates	(3,707)	(124,559)
(Advance to) repayment from an associate	(38,534)	19,529
Dividends received from associates	–	1,200
Dividends received from joint ventures	88,640	661,085
Interest received	27,101	10,479
Loan receivables newly granted	(302,504)	(25,056)
Proceeds on maturity of loan receivables	12,416	52,191
Proceeds from disposal of property, plant and equipment	1,389,744	589
Proceeds from disposal of joint ventures	–	9,868
Acquisition of available-for-sale investments	(142,393)	–
Proceeds from capital refund of available-for-sale investments	11,300	1,665
Investments in joint ventures	(5)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(409,771)	763,123
FINANCING ACTIVITIES		
Repayments of bank borrowings	(238,286)	(1,253,424)
Repurchase of guaranteed notes	(222,300)	(129,870)
Dividends paid	(198,032)	(66,568)
Repayments to associates	–	(10,218)
Advances from joint ventures	160,398	19,961
Advances from non-controlling shareholders of subsidiaries	62,808	9,654
Issuance of guaranteed notes	1,919,710	–
New bank borrowings raised	435,282	3,782,555
Payment on repurchase of shares and related expenses	–	(114,943)
Interest paid	(252,689)	(171,866)
Acquisition of additional interest of non-wholly owned subsidiaries	–	(224)
Partial disposal of interest in subsidiaries without loss of control	–	653
NET CASH FROM FINANCING ACTIVITIES	1,666,891	2,065,710
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,794	2,250,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,525,228	1,274,443
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	3,572,022	3,525,228

1. GENERAL INFORMATION

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 ("HKSE"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report. The directors of the Company considers that Earnest Equity Limited, a private company incorporated in the British Virgin Islands ("BVI"), is its immediate holding company while Digisino Assets Limited, also a private company incorporated in the BVI, is its ultimate holding company. Its ultimate controlling party is Mr. Chung Cho Yee, Mico, a director and the Chairman of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, joint ventures and associates are set out in notes 42, 19 and 20 respectively.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

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

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

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *"Financial instruments"*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 *"Financial instruments" (Continued)*

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company will assess the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *"Revenue from contracts with customers"*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review.

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

HKFRS 16 *"Leases"*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$17,758,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values: and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments to HKFRS 10 "Consolidated financial statements" and HKAS 28 "Investments in associates and joint ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Other than as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on HKSE and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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 the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

Interest income 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.

Assets management income relating to properties is recognised when services are rendered.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets 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 the 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

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

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

Properties under development for sale under current assets

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments, including the cost of acquiring the land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

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

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Club memberships

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

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

Financial instruments

Financial assets and financial liabilities are recognised 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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL, when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in income and gains (losses) from investments line item. Fair value is determined in the manner described in note 40(c).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from joint ventures, associates, cash held by securities brokers and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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 (see accounting policy below).

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities including other payables, amount(s) due to joint ventures, non-controlling shareholders of subsidiaries, guaranteed notes and bank borrowings are subsequently measured at amortised cost using the effective interest method.

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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

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 before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 bases 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 joint arrangements, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Current and deferred tax is recognised in profit or loss.

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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated translation differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38 to the Group's consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When 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 profit.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going basis.

Key sources of estimation uncertainty

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

Write-down of properties held for sale

As explained in note 3, the Group's properties held for sales are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the management of the Group makes estimates of the selling prices, the costs to completion for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions with reference to the valuations carried out by the independent property valuers for certain properties.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of value of the properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and write-down for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the estimates would affect profit or loss in future years.

During the year ended 31 March 2017, the directors of the Company determined there is clear evidence of an increase in net realisable value of the Group's property interests held for sale that carried at net realisable value and still on hand at the end of the reporting period because of the recovery of property markets in Hong Kong. A reversal of write-down of properties held for sale amounted to approximately HK$41,695,000 (2016: write-down of HK$125,729,000) has been recognised in the consolidated statement of profit or loss.

Impairment assessment of interests in joint ventures and amounts due from joint ventures

Interests in joint ventures are carried in the consolidated statement of financial position using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures, less impairment loss with respect to the Group's interests in joint ventures. The amounts due from joint venture are measured at amortised costs using the effective interest method, less any impairment. The management of the Group has assessed at the end of each reporting period whether there is any indication that the carrying amounts of interests in joint ventures and amounts due from joint ventures may be impaired. For those joint ventures in which such indication exists, the management has assessed the carrying amounts for impairment. No impairment loss on interests in joint ventures and amounts due from joint ventures was considered to be necessary by the management of the Group as at 31 March 2017.

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:

	2017 HK$'000	2016 HK$'000
Rental income and hotel operation *(Note)*	281,107	226,278
Sales of properties held for sale	1,587,172	1,975,216
	1,868,279	2,201,494

Note: This mainly comprises of rental income from properties.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM"), representing the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

In prior year, there were three reportable and operating segments, namely (i) commercial property holding segment, (ii) residential property holding segment, and (iii) securities investment segment.

During the current year, in view of the continuing significance of the operation of the property holding segment, the CODM revised the organisation of segments that are used to allocate resources and assess performance, and considered to change its analysis based on nature and geographical location of the property holding, being (i) commercial property holding; (ii) residential property holding; and (iii) Macau property holding, which is currently the basis used for the purpose of allocating resources and assessing their performance, and also the basis of organisation of the Group for managing the business operations. Other than the commercial property holding, residential property holding and Macau property holding segments, the CODM continues to review the performance of securities investment segment as similar basis as prior years.

Therefore, there are four reportable and operating segments in current year as follows:

(a) commercial property holding segment, which engages in the investment and trading of commercial properties, properties under development, investment in hotel property, and also the strategic alliances with the joint venture partners of the joint ventures and associates in Singapore, Hong Kong, the People's Republic of China (the "PRC") excluding Macau;

(b) residential property holding segment, which engages in the investment and trading of residential properties, properties under development and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong and the PRC excluding Macau;

(c) Macau property holding segment, which engages in the investment and trading of properties located in Macau; and

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

6. SEGMENT INFORMATION (Continued)

Consequently, the comparative segment information for the year ended 31 March 2016 have been re-presented in order to conform with the presentation adopted in current year. The changes in the segment information do not have any impact on the Group's consolidated financial statements.

Segment revenues and results

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

	Commercial property holding HK$'000	Residential property holding HK$'000	Macau property holding HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2017					
External revenue					
Rental income and hotel operation	271,516	7,625	1,966	–	281,107
Sales of properties held for sale	429,412	1,157,760	–	–	1,587,172
Revenue of the Group	700,928	1,165,385	1,966	–	1,868,279
Interest income and dividend income	–	–	–	134,503	134,503
Segment revenue/income	700,928	1,165,385	1,966	134,503	2,002,782
Results					
Share of results of joint ventures *(Note)*	(15,256)	69,251	–	–	53,995
Share of results of associates *(Note)*	4,399	(102)	–	–	4,297
Segment profit (loss) excluding share of results of joint ventures and associates	1,383,089	133,986	(3,203)	174,802	1,688,674
Segment profit (loss)	1,372,232	203,135	(3,203)	174,802	1,746,966
Unallocated other income					32,945
Other gains and losses					922
Central administrative costs					(170,601)
Finance costs					(243,084)
Profit before taxation					1,367,148

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Commercial property holding HK$'000	Residential property holding HK$'000	Macau property holding HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March 2016 *(Restated)*					
External revenue					
Rental income and hotel operation	219,613	5,971	694	–	226,278
Sales of properties held for sale	1,706,873	222,243	46,100	–	1,975,216
Revenue of the Group	1,926,486	228,214	46,794	–	2,201,494
Interest income and dividend income	–	–	–	102,605	102,605
Segment revenue/income	1,926,486	228,214	46,794	102,605	2,304,099
Results					
Share of results of joint ventures *(Note)*	531,992	155,760	–	–	687,752
Share of results of associates *(Note)*	1,212	(127)	–	–	1,085
Gain on disposal of joint ventures	14,706	–	–	–	14,706
Segment profit excluding share of results of joint ventures and associates and gain on disposal of joint ventures	1,059,994	83,569	19,880	98,771	1,262,214
Segment profit	1,607,904	239,202	19,880	98,771	1,965,757
Unallocated other income					24,404
Other gains and losses					7,919
Central administrative costs					(148,255)
Finance costs					(138,609)
Profit before taxation					1,711,216

Note: Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment, interest income from investments held for trading, dividend income, fair value change of investments, gain on disposal of joint ventures, gain on disposal of some properties, plant and equipment, gain on disposal of subsidiaries, share of results of joint ventures and associates and impairment loss of amounts due from joint ventures, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, central administrative costs, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2017 HK$'000	2016 HK$'000 (Restated)
Segment assets		
Commercial property holding	9,565,686	7,847,832
Residential property holding	6,887,998	4,507,192
Macau property holding	193,663	193,648
Securities investment	2,508,450	1,901,379
Total segment assets	19,155,797	14,450,051
Property, plant and equipment	154,455	175,469
Taxation recoverable	10,845	20,141
Cash held by securities brokers	30,760	3,983
Bank balances and cash	3,572,022	3,525,228
Other unallocated assets	117,253	66,639
Consolidated assets	23,041,132	18,241,511
Segment liabilities		
Commercial property holding	170,039	122,219
Residential property holding	1,035,403	139,522
Macau property holding	61,129	60,903
Securities investment	15,404	18,541
Total segment liabilities	1,281,975	341,185
Guaranteed notes	2,767,830	1,040,130
Bank borrowings	8,021,163	6,971,109
Taxation payable	194,889	185,864
Other unallocated liabilities	5,893	21,871
Consolidated liabilities	12,271,750	8,560,159

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

- all assets are allocated to operating segments other than certain property, plant and equipment, taxation recoverable, cash held by securities brokers, bank balances and cash and assets used jointly by reportable and operating segments; and

- all liabilities are allocated to operating segments other than guaranteed notes, bank borrowings, taxation payable and liabilities for which reportable and operating segments are jointly liable.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2017

	Commercial property holding HK$'000	Residential property holding HK$'000	Macau property holding HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss) or segment assets and liabilities:							
Interests in joint ventures	354,803	1,249,708	–	–	1,604,511	–	1,604,511
Amounts due from joint ventures	1,058,695	1,746,165	–	–	2,804,860	–	2,804,860
Interests in associates	6,434	145,869	–	–	152,303	–	152,303
Amounts due from associates	3,383	34,746	–	–	38,129	–	38,129
Net increase in fair value of investments held for trading	–	–	–	(44,580)	(44,580)	–	(44,580)
Depreciation and amortisation	13,863	–	–	–	13,863	23,194	37,057
Reversal of write-down of properties held for sale	(41,695)	–	–	–	(41,695)	–	(41,695)

For the year ended 31 March 2016 (Restated)

	Commercial property holding HK$'000	Residential property holding HK$'000	Macau property holding HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets and liabilities:							
Interests in joint ventures	307,503	1,000,847	–	–	1,308,350	–	1,308,350
Amounts due from joint ventures	744,617	998,703	–	–	1,743,320	–	1,743,320
Interests in associates	1,085	136,770	–	–	137,855	–	137,855
Amounts due from associates	27	4,125	–	–	4,152	–	4,152
Net increase in fair value of investments held for trading	–	–	–	(12,581)	(12,581)	–	(12,581)
Depreciation and amortisation	15,609	–	–	–	15,609	29,986	45,595
Write-down of properties held for sale	119,063	6,666	–	–	125,729	–	125,729

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations in commercial property holding, residential property holding, Macau property holding and securities investment are mainly located in Hong Kong, the PRC and Macau.

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

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

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

	Revenue from external customers Year ended 31 March		**Non-current assets** *(Note)*	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**1,768,362**	2,097,399	**1,322,484**	1,480,539
PRC	**97,951**	57,301	**600,057**	600,064
Macau	**1,966**	46,794	**113**	294
	1,868,279	2,201,494	**1,922,654**	2,080,897

Note: Non-current assets exclude financial instruments.

Information about major tenants and buyers of properties

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

	2017 HK$'000	2016 HK$'000
Buyer A	**500,000**	Nil
Buyer B	**500,000**	Nil
Buyer C	**Nil**	700,000
Buyer D	**Nil**	493,330
	1,000,000	1,193,330

Revenue by type of income

The relevant information is set out in note 5.

7. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2017 HK$'000	2016 HK$'000
Interest income from investments held for trading	133,025	101,620
Dividend income from		
– investments held for trading	851	985
– available-for-sale investments	627	–
Net change in fair value of investments held for trading		
– net realised gain (loss)	470	(2,043)
– net unrealised gain	44,110	14,624
Impairment loss on available-for-sale investments	–	(2,908)
	179,083	112,278

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

	2017 HK$'000	2016 HK$'000
Investments held for trading	178,456	115,186
Available-for-sale investments	627	(2,908)
	179,083	112,278

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	22,170	8,975
Loan interest income	4,931	1,504
Interest income from amounts due from joint ventures and associates	46,610	35,603
Amortisation of financial guarantee contracts	2,705	2,597
Assets management income	9,890	11,875
Others	3,138	11,329
	89,444	71,883

9. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Other gains and losses comprise:		
Gain on disposal of property, plant and equipment	955,461	579
Gain on disposal of subsidiaries	930	–
Net exchange gain	180	7,340
Gain on disposal of a joint venture *(Note)*	–	14,706
Impairment loss of amounts due from joint ventures	–	(3,500)
	956,571	19,125

Note: During the year ended 31 March 2016, the Group disposed of its entire 50% equity interest in a joint venture, which principally engaged in properties holding, for a consideration of HK$9,868,000. The negative carrying amount of the Group's interest in this joint venture was HK$4,838,000, and hence a gain arising on this disposal of HK$14,706,000 was recognised in the profit or loss in prior year.

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on:		
Bank borrowings	149,113	98,462
Guaranteed notes	119,610	73,404
Total borrowing costs	268,723	171,866
Less: Amounts capitalised in the cost of qualifying assets	(25,639)	(33,257)
	243,084	138,609

Borrowing costs capitalised are interest expenses incurred for financing the development of properties under development. Capitalisation rate of borrowing costs to expenditure on qualifying assets ranged from 2.05% to 3.22% (2016: 2.04% to 3.06%) per annum for the year ended 31 March 2017.

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	24,947	52,330
– (Over) underprovision in prior years	(1,242)	2,015
Macau Complementary tax		
– Current year	7	2,637
	23,712	56,982
Deferred taxation *(Note 30)*	(2,325)	(3,034)
	21,387	53,948

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

According to the Macau Complementary Tax Law, complementary tax is imposed on a progressive rate scale ranging from 3% to 9% for taxable profits below or equal to Macau Pataca ("MOP") 300,000 and 12% for taxable profits over MOP300,000. Taxable profits below MOP32,000 are exempt from tax.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

Income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	1,367,148	1,711,216
Taxation at Hong Kong Profits Tax rate of 16.5%	225,579	282,351
Tax effect of expenses not deductible for tax purpose	18,283	85,387
Tax effect of income not taxable for tax purpose	(237,449)	(211,609)
Tax effect of share of results of joint ventures	(8,909)	(113,479)
Tax effect of share of results of associates	(709)	(179)
Tax effect of tax losses not recognised	27,365	11,303
Utilisation of tax losses previously not recognised	(1,528)	(812)
(Over) underprovision in prior years	(1,242)	2,015
Effect of different tax rates of group entities operating in other jurisdictions	(3)	(1,029)
Income tax expense for the year	21,387	53,948

12. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(Note 13)*	68,493	64,582
Other staff costs:		
Salaries and other benefits	38,738	36,365
Performance-related incentive bonus	12,430	10,211
Contributions to retirement benefits schemes	2,974	2,402
	54,142	48,978
Total staff costs	122,635	113,560
Auditors' remuneration	3,472	2,552
Cost of properties held for sale recognised as an expense	1,217,224	798,202
Depreciation of property, plant and equipment	37,057	45,595
Gain on disposal of property, plant and equipment	(955,461)	(579)
(Reversal of) write-down of properties held for sale (included in cost of sales)	(41,695)	125,729

13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of eight (2016: nine) directors were as follows:

For the year ended 31 March 2017

	Executive Directors					Independent Non-executive Directors			
	Mr. Chung Cho Yee, Mico HK$'000	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000 *(note ii)*	Mr. Fong Man Bun, Jimmy HK$'000	Dr. Lam Lee G. HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lo Wing Yan, William HK$'000	Total HK$'000
Directors' remuneration									
Fees	–	–	–	–	–	165	165	165	495
Salaries and other benefits	11,400	3,900	3,000	604	3,465	–	–	–	22,369
Performance-related incentive bonus *(Note i)*	35,950	4,000	3,000	–	2,000	–	–	–	44,950
Contributions to retirement benefits schemes	18	240	198	–	223	–	–	–	679
	47,368	8,140	6,198	604	5,688	165	165	165	68,493

For the year ended 31 March 2016

	Executive Directors					Independent Non-executive Directors				
	Mr. Chung Cho Yee, Mico HK$'000	Mr. Kan Sze Man HK$'000	Mr. Chow Hou Man HK$'000	Mr. Wong Chung Kwong HK$'000 *(note ii)*	Mr. Fong Man Bun, Jimmy HK$'000	Dr. Lam Lee G. HK$'000	Dato' Wong Sin Just HK$'000 *(note ii)*	Mr. Cheng Yuk Wo HK$'000	Dr. Lo Wing Yan, William HK$'000	Total HK$'000
Directors' remuneration										
Fees	–	–	–	–	–	165	63	165	165	558
Salaries and other benefits	11,072	3,149	2,700	1,558	3,105	–	–	–	–	21,584
Performance-related incentive bonus *(Note i)*	33,800	3,200	2,400	450	1,680	–	–	–	–	41,530
Contributions to retirement benefits schemes	18	318	255	80	239	–	–	–	–	910
	44,890	6,667	5,355	2,088	5,024	165	63	165	165	64,582

Notes:

(i) Performance-related incentive bonus is recommended by the Remuneration Committee and is approved by the board of directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Wong Chung Kwong and Dato' Wong Sin Just retired on 16 August 2016 and 25 August 2015 respectively.

The Company has not appointed Chief Executive Officer, and the role and function of the Chief Executive Officer has been performed by the Executive Committee collectively.

13. DIRECTORS' REMUNERATION (Continued)

The above emoluments to executive directors were for their services in connection with the management of the affairs of the Company and of the Group. The above emoluments to independent non-executive directors were for their services as directors of the Company. 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

Of the five individuals with the highest emoluments in the Group, four (2016: four) were directors of the Company whose emoluments are included in note 13 above. The emoluments of the remaining one (2016: one) individual were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	2,472	2,039
Performance-related incentive bonus *(Note)*	812	900
Contributions to retirement benefits schemes	164	147
	3,448	3,086

Their emoluments were within the following band:

	2017 Number of employee	2016 Number of employee
HK$3,000,001 to HK$3,500,000	1	1

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

15. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK1.973 cents per share in respect of financial year ended 31 March 2016 (2016: Final dividend of HK0.378 cent per share in respect of financial year ended 31 March 2015)	198,032	39,641
– Special dividend of HK0.252 cent per share in respect of financial year ended 31 March 2015	–	26,427
Dividend proposed after the end of the reporting period		
– Final dividend of HK1.620 cents per share (2016: Final dividend of HK1.973 cents per share)	162,601	198,032

16. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purposes of basic earnings per share: (profit for the year attributable to owners of the Company)	1,346,734	1,645,022
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	10,037,090	10,391,797

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST							
At 1 April 2015	575,000	192,451	20,301	1,630	4,632	44,737	838,751
Additions	–	163	1,246	317	2,368	–	4,094
Disposal	–	–	–	(28)	(505)	–	(533)
At 31 March 2016	575,000	192,614	21,547	1,919	6,495	44,737	842,312
Additions	–	–	1,253	490	745	–	2,488
Disposal	–	(386)	–	(16)	–	–	(402)
Disposal of subsidiaries *(note 32(a))*	(575,000)	–	(8,958)	(1,103)	–	–	(585,061)
At 31 March 2017	–	192,228	13,842	1,290	7,240	44,737	259,337
DEPRECIATION							
At 1 April 2015	117,531	28,091	11,137	978	3,377	12,819	173,933
Provided for the year	13,863	17,406	4,306	178	935	8,907	45,595
Eliminated on disposal	–	–	–	(18)	(505)	–	(523)
At 31 March 2016	131,394	45,497	15,443	1,138	3,807	21,726	219,005
Provided for the year	13,863	9,018	3,542	228	1,499	8,907	37,057
Eliminated on disposal	–	(198)	–	(11)	–	–	(209)
Eliminated on disposal of subsidiaries *(note 32(a))*	(145,257)	–	(5,339)	(375)	–	–	(150,971)
At 31 March 2017	–	54,317	13,646	980	5,306	30,633	104,882
CARRYING VALUES							
At 31 March 2017	–	137,911	196	310	1,934	14,104	154,455
At 31 March 2016	443,606	147,117	6,104	781	2,688	23,011	623,307

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

Hotel property	2.78%
Land and buildings	Over the shorter of the terms of the relevant lease of the relevant land on which buildings are erected, or 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	33%
Vessel	20%

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the opinion of the directors of the Company, the land and buildings element of the hotel property cannot be separately measured, no allocation between land and buildings to hotel property and land and building are done.

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 34.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Available-for-sale investments comprises:		
Unlisted equity securities, at cost	191,508	59,630
Analysed for reporting purposes as:		
Non-Current	191,508	59,630

Notes:

(i) The unlisted equity securities are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

Included in the unlisted equity securities, the carrying value of HK$100,915,000 (2016: HK$12,130,000) represents a 25% (2016: 25%) interest in an investee engaged in property investment and development in Australia, of which the Group further invested of HK$88,785,000 during the current year. The investment is not an associate of the Group although it owns 25% ownership interest in the investee. The Group has no significant influence over the investee as it does not have representation on its board of directors, nor right to nominate any board of directors. It is therefore classified as an available-for-sale investment.

Included in the unlisted equity securities, the carrying value of HK$47,106,000 (2016: nil) represents a 5.35% (2016: nil) interest in an investee engaged in loan financing in Hong Kong, which the Group newly invested during the current year.

Included in the unlisted equity securities, the carrying value of HK$5,005,000 (2016: HK$5,005,000) represents a 8.27% (2016: 8.27%) interest in MC Founder Limited ("MC Founder"). MC Founder is incorporated in Hong Kong and engaged in the trading of mobile phones.

Included in the unlisted equity securities, the carrying value of HK$10,730,000 (2016: HK$19,354,000) represents a 5.25% (2016: 5.25%) interested in an investee engaged in holding properties interest located in the PRC, which the Group received HK$8,406,000 (2016: HK$18,578,000) capital refund from the investee during the current year.

Included in the unlisted equity securities, the carrying value of HK$13,650,000 (2016: HK$9,976,000) represents a 4.94% (2016: 4.83%) interest in an investee engaged in provision of financial services in the PRC, which the Group further invested HK$2,827,000 (2016: HK$4,198,000) during the current year.

(ii) An impairment loss amounting to HK$2,908,000 had been recognised during the year ended 31 March 2016.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Costs of unlisted investments in joint ventures	710,677	710,708
Share of post-acquisition profits, net of dividend received	215,037	177,689
Exchange difference arising on translation	(31,139)	2,835
Deemed capital contribution – financial guarantee contracts	11,738	9,937
Deemed capital contribution – interest-free loans *(Note i)*	698,198	407,181
	1,604,511	1,308,350
Amounts due from joint ventures included in non-current assets *(Note i)*	2,804,860	1,743,320
Amounts due to joint ventures included in current liabilities *(Note ii)*	180,528	20,130

Notes:

(i) Included in the amounts due from joint ventures are principal amounts of HK$670,469,000 (2016: HK$505,170,000), which are unsecured, bear interest at Hong Kong prime rate plus 1% to 3% (2016: 1%) per annum and repayable after one year. The remaining amounts with principal of HK$2,912,162,000 (2016: HK$1,680,755,000) are unsecured, non-interest bearing and have no fixed repayment terms. The directors consider that the amounts form part of the net investments in the joint ventures. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK$2,213,963,000 (2016: HK$1,274,911,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (2016: 5.7%). It is expected that the amounts will be repayable in 5 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from joint ventures is recognised against the interests in the joint ventures. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

In addition, included in the amounts due from joint ventures are the share of loss of joint ventures of HK$234,564,000 (2016: HK$144,575,000) representing share of the loss in excess of the cost of investment to the extent of the Group's legal or constructive obligations and accrued interest from amounts due from joint ventures of HK$159,270,000 (2016: HK$112,660,000).

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

During the year ended 31 March 2016, an impairment loss of HK$3,500,000 (2017: nil) was made individually on the impaired amount due from a joint venture which had been determined by reference to assessment of recoverability by management.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

As at 31 March 2017 and 2016, the Group had interests in the following significant joint ventures:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital indirectly held by the Group		Proportion of voting rights held at the board		Principal activities
					2017	2016	2017	2016	
Chater Capital Limited and its subsidiaries	Incorporated	BVI	PRC	Ordinary	50%	50%	50% *(Note)*	50% *(Note)*	Property holding
Vastness Investment Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	50%	50%	50% *(Note)*	50% *(Note)*	Property holding
Eagle Wonder Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	60%	60%	60% *(Note)*	60% *(Note)*	Property development
Hillcharm Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	50%	50%	50% *(Note)*	50% *(Note)*	Property development
Great Maker Limited and its subsidiaries	Incorporated	Hong Kong	Hong Kong	Ordinary	30%	30%	33% *(Note)*	33% *(Note)*	Property development
Best Catch Ventures Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	40%	40%	40% *(Note)*	40% *(Note)*	Property holding
Cleverland Global Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary	65%	65%	50% *(Note)*	50% *(Note)*	Property holding
Sino City Ventures Limited and its subsidiaries	Incorporated	BVI	Hong Kong	Ordinary and non-voting	65%	N/A	50% *(Note)*	N/A	Property holding

Note:

Regarding these joint ventures, the Group has entered into agreements with the joint venture partners in respect of the operations and control of these entities. Based on the legal form and terms of the contractual arrangements, the investment in these entities are treated as joint venture because major decisions require consent of all parties.

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

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Chater Capital Limited

	2017 HK$'000	2016 HK$'000
Current assets	2,515,161	2,742,537
Non-current assets	369	444
Current liabilities	(756,860)	(651,160)
Non-current liabilities	(504,448)	(954,399)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	977,917	342,468
Current financial liabilities (excluding trade and other payables and provisions)	(2,028)	(13,841)
Non-current financial liabilities (excluding trade and other payables and provisions)	(504,448)	(954,399)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Chater Capital Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$977,917,000 (2016: HK$342,468,000) and property held for sale under development of HK$1,293,572,000 (2016: HK$2,368,744,000). Current liabilities mainly comprise of advances from customers of HK$353,237,000 (2016: HK$505,674,000). Non-current liabilities represent bank loan of HK$504,448,000 (2016: HK$954,399,000).

	2017 HK$'000	2016 HK$'000
Revenue	1,990,348	–
Profit (loss) for the year	184,748	(39,823)
Other comprehensive expense for the year	(67,948)	(51,054)
Total comprehensive income (expense) for the year	116,800	(90,877)
The above profit (loss) for the year includes the following:		
Depreciation and amortisation	117	249
Interest income	1,911	329

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the joint venture	1,254,222	1,137,422
Proportion of the Group's ownership interest in the joint venture	50%	50%
	627,111	568,711
Deemed capital contribution – financial guarantee contracts	1,006	891
Deemed capital contribution – interest-free loans	4,554	4,554
Carrying amount of the Group's interest in the joint venture	632,671	574,156

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Vastness Investment Limited

	2017 HK$'000	2016 HK$'000
Current assets	309,560	570,767
Non-current assets	170,957	134,240
Current liabilities	(101,827)	(192,121)
Non-current liabilities	(394)	(290)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	29,643	18,926

Current assets mainly comprise of cash and cash equivalents of HK$29,643,000 (2016: HK$18,926,000) and property held for sale of HK$250,978,000 (2016: HK$438,912,000). Non-current assets mainly comprise of investment properties of HK$116,000,000 (2016: HK$112,000,000).

	2017 HK$'000	2016 HK$'000
Revenue	289,409	1,856,912
Profit and total comprehensive income for the year	35,700	439,191
Dividends received from the joint venture during the year	85,000	300,000

	2017 HK$'000	2016 HK$'000
The above profit for the year includes the following:		
Depreciation and amortisation	266	401

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Vastness Investment Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the joint venture	378,296	512,596
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	189,148	256,298

Eagle Wonder Limited

	2017 HK$'000	2016 HK$'000
Current assets	1,755,656	1,607,090
Current liabilities	(1,324,417)	(1,171,656)
Non-current liabilities	(677,952)	(617,829)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	10,507	3,116
Current financial liabilities (excluding trade and other payables and provisions)	(1,304,068)	(1,165,986)
Non-current financial liabilities (excluding trade and other payables and provisions)	(677,952)	(617,829)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Eagle Wonder Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$10,507,000 (2016: HK$3,116,000) and property held for sale under development of HK$1,745,131,000 (2016: HK$1,603,972,000). Current liabilities mainly comprise of bank loan of HK$852,100,000 (2016: HK$754,100,000). Non-current liabilities represent shareholders' loan of HK$677,952,000 (2016: HK$617,829,000).

	2017 HK$'000	2016 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(64,318)	(59,454)

	2017 HK$'000	2016 HK$'000
The above loss for the year includes the following:		
Interest expense	64,204	59,339

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of the joint venture	(246,713)	(182,395)
Proportion of the Group's ownership interest in the joint venture	60%	60%
	(148,028)	(109,437)
Deemed capital contribution – financial guarantee contracts	2,760	2,760
Share of net liabilities by amount due from the joint venture	148,028	109,437
Carrying amount of the Group's interest in the joint venture	2,760	2,760

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Hillcharm Limited

	2017 HK$'000	2016 HK$'000
Current assets	779,612	764,752
Current liabilities	(413,782)	(397,252)
Non-current liabilities	(400,000)	(400,000)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	5,842	4,752
Current financial liabilities (excluding trade and other payables and provisions)	(413,738)	(396,451)
Non-current financial liabilities (excluding trade and other payables and provisions)	(400,000)	(400,000)

Current assets mainly comprise of cash and cash equivalents of HK$5,842,000 (2016: HK$4,752,000) and property held for sale of HK$773,721,000 (2016: HK$760,000,000). Current liabilities mainly comprise of amounts due to shareholders of HK$413,738,000 (2016: HK$396,451,000). Non-current liabilities represent bank loan of HK$400,000,000 (2016: HK$400,000,000).

	2017 HK$'000	2016 HK$'000
Revenue	–	4,501
Loss and total comprehensive expense for the year	(1,670)	(33,623)

	2017 HK$'000	2016 HK$'000
The above loss for the year include the following:		
Interest income	–	2
Income tax credit (expense)	20	(510)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Hillcharm Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of the joint venture	(34,170)	(32,500)
Proportion of the Group's ownership interest in the joint venture	50%	50%
	(17,085)	(16,250)
Deemed capital contribution – financial guarantee contracts	1,700	1,700
Deemed capital contribution – interest-free loans	50,078	47,986
Share of net liabilities by amount due from the joint venture	17,085	16,250
Carrying amount of the Group's interest in the joint venture	51,778	49,686

Great Maker Limited

	2017 HK$'000	2016 HK$'000
Current assets	3,244,776	3,098,095
Current liabilities	(1,611,686)	(1,577,620)
Non-current liabilities	(1,633,363)	(1,520,500)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	20,078	421
Current financial liabilities (excluding trade and other payables and provisions)	(1,603,406)	(1,574,238)
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,633,363)	(1,520,500)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Great Maker Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$20,078,000 (2016: HK$421,000) and property held for sale under development of HK$3,224,583,000 (2016: HK$3,097,615,000). Current liabilities mainly comprise of amount due to shareholders of HK$1,603,406,000 (2016: HK$1,574,238,000). Non-current liabilities represent bank loan of HK$1,633,363,000 (2016: HK$1,520,500,000). The property redevelopment projects were in early stage and no significant profit or loss was incurred during the year ended 31 March 2017.

	2017 HK$'000	2016 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(248)	(26)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of the joint venture	(273)	(25)
Proportion of the Group's ownership interest in the joint venture	30%	30%
	(82)	(8)
Deemed capital contribution – financial guarantee contract	1,716	1,716
Deemed capital contribution – interest-free loans	116,444	114,326
Share of net liabilities by amount due from the joint venture	82	8
Carrying amount of the Group's interest in the joint venture	118,160	116,042

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Best Catch Ventures Limited

	2017 HK$'000	2016 HK$'000
Current assets	941,567	944,615
Current liabilities	(309,397)	(316,185)
Non-current liabilities	(646,750)	(650,000)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	19,120	10,224
Current financial liabilities (excluding trade and other payables and provisions)	(299,642)	(300,422)
Non-current financial liabilities (excluding trade and other payables and provisions)	(646,750)	(650,000)

Current assets mainly comprise of cash and cash equivalents of HK$19,120,000 (2016: HK$10,224,000) and property held for sale of HK$918,000,000 (2016: HK$918,000,000). Current liabilities mainly comprise of amount due to shareholders of HK$299,642,000 (2016: HK$300,422,000). Non-current liabilities represent bank loan of HK$646,750,000 (2016: HK$650,000,000).

	2017 HK$'000	2016 HK$'000
Revenue	27,320	–
Profit (loss) and total comprehensive income (expense) for the year	6,990	(21,570)

	2017 HK$'000	2016 HK$'000
The above profit (loss) for the year includes the following:		
Interest expense	14,545	269

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Best Catch Ventures Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of the joint venture	(14,580)	(21,570)
Proportion of the Group's ownership interest in the joint venture	40%	40%
	(5,832)	(8,628)
Deemed capital contribution – financial guarantee contracts	501	501
Deemed capital contribution – interest-free loans	29,014	29,203
Share of net liabilities by amount due from the joint venture	5,832	8,628
Carrying amount of the Group's interest in the joint venture	29,515	29,704

Cleverland Global Limited

	2017 HK$'000	2016 HK$'000
Current assets	1,896,069	1,853,974
Current liabilities	(1,025,937)	(953,423)
Non-current liabilities	(907,909)	(912,500)

The above amounts of assets and liabilities include the following:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	6,703	8,628
Current financial liabilities (excluding trade and other payables and provisions)	(1,025,270)	(951,300)
Non-current financial liabilities (excluding trade and other payables and provisions)	(907,909)	(912,500)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Cleverland Global Limited (Continued)

Current assets mainly comprise of cash and cash equivalents of HK$6,703,000 (2016: HK$8,628,000) and property held for sale of HK$1,872,751,000 (2016: HK$1,825,067,000). Current liabilities mainly comprise of amount due to shareholders of HK$1,025,270,000 (2016: HK$951,300,000). Non-current liabilities represent bank loan of HK$907,909,000 (2016: HK$912,500,000).

	2017 HK$'000	2016 HK$'000
Revenue	1,610	1,539
Loss and total comprehensive expense for the year	(25,828)	(11,958)

The above loss for the year includes the following:

	2017 HK$'000	2016 HK$'000
Interest expense	15,876	6,830

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of the joint venture	(37,777)	(11,949)
Proportion of the Group's ownership interest in the joint venture	65%	65%
	(24,555)	(7,767)
Deemed capital contribution – financial guarantee contracts	1,682	1,682
Deemed capital contribution – interest-free loans	161,318	150,387
Share of net liabilities by amount due from the joint venture	24,555	7,767
Carrying amount of the Group's interest in the joint venture	163,000	152,069

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Sino City Ventures Limited

During the year, the Group entered into agreement with independent third parties to set up Sino City Ventures Limited, a joint venture company which principally engaged into property investment.

	HK$'000
Current assets	2,412,048
Current liabilities	(1,303,588)
Non-current liabilities	(1,126,380)

The above amounts of assets and liabilities include the following:

	HK$'000
Cash and cash equivalents	751,434
Current financial liabilities (excluding trade and other payables and provisions)	(1,293,670)
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,126,380)

Current assets mainly comprise of cash and cash equivalents of HK$751,434,000 and deposits paid for acquisition of property held for sale of HK$1,574,764,000. Current liabilities mainly comprise of amount due to shareholders of HK$1,277,901,000. Non-current liabilities represent bank loan of HK$1,126,380,000.

	HK$'000
Revenue	–
Loss for the year	(10,377)
Other comprehensive expense for the year	(7,551)
Total comprehensive expense for the year	(17,928)

The above loss for the year include the following:

	HK$'000
Interest expense	5,995

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Sino City Ventures Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	HK$'000
Net liabilities of the joint venture	(17,920)
Proportion of the Group's ownership interest in the joint venture	65%
	(11,648)
Deemed capital contribution – financial guarantee contracts	1,208
Deemed capital contribution – interest-free loans	206,317
Share of net liabilities by amount due from the joint venture	11,648
Carrying amount of the Group's interest in the joint venture	207,525

Aggregate information of joint ventures that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of (loss) profit from continuing operations	(547)	556,960
The Group's share of post-tax profit from discontinued operations	–	–
The Group's share of other comprehensive expense	–	–
The Group's share of total comprehensive (expense) income	(547)	556,953
Dividends received from a joint venture during the year	3,640	361,085

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Unrecognised share of losses of joint ventures

	2017 HK$'000	2016 HK$'000
The unrecognised share of losses of joint ventures for the year	–	–

	2017 HK$'000	2016 HK$'000
Cumulative unrecognised share of losses of joint ventures	–	–

Significant restriction

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	2017 HK$'000	2016 HK$'000
Costs of unlisted investments in associates	138,710	135,003
Share of post-acquisition profits and other comprehensive income, net of dividend received	928	957
Deemed capital contribution – financial guarantee contracts	577	577
Deemed capital contribution – interest-free loans	12,088	1,318
	152,303	137,855
Amounts due from associates included in non-current assets *(Note)*	38,129	4,152

Note: The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the amounts form part of the net investments in the associates. At the end of the reporting period, the carrying amount of such non-interest bearing portion of HK$49,958,000 (2016: HK$5,470,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (2016: 5.7%) per annum. It is expected that the amounts will be repayable in 5 years. The directors of the Company considered that the amounts as at the end of the reporting period form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current.

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

As at 31 March 2017 and 2016, the Group had interests in the following significant associate:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held indirectly by the Group		Proportion of voting rights held at the board		Principal activities
					2017	2016	2017	2016	
Wealth Explorer Holdings Limited ("Wealth Explorer")	Incorporated	BVI	Hong Kong	Ordinary	20%	20%	20%	20%	Property holding

Summarised financial information of a material associate

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Wealth Explorer

	2017 HK$'000	2016 HK$'000
Current assets	1,725,624	1,336,863
Current liabilities	(1,014)	(899)
Non-current liabilities	(1,050,750)	(658,704)

Current assets mainly comprise of properties held for sale of HK$1,719,423,000 (2016: HK$1,330,191,000). Non-current liabilities mainly comprise of amounts due to shareholders of HK$229,214,000 (2016: HK$27,214,000) and bank loan of HK$821,536,000 (2016: HK$631,490,000).

	2017 HK$'000	2016 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(509)	(630)

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Wealth Explorer (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the associate	673,860	677,260
Proportion of the Group's ownership interest in the associate	20%	20%
	134,772	135,452
Deemed capital contribution – financial guarantee contracts	577	–
Deemed capital contribution – interest-free loans	11,098	1,318
Carrying amount of the Group's interest in the associate	146,447	136,770

Aggregate information of associates that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of profit and total comprehensive income for the year	4,399	1,211

Expert Dragon Limited ("Expert Dragon"), an entity incorporated in the BVI, was an associate of the Group engaged in property holding in Hong Kong. During the year ended 31 March 2016, Expert Dragon was deregistered.

Significant restriction

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

21. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivables	312,953	22,865
Analysed as:		
Current portion (included in trade and other receivables in note 22)	266,140	22,865
Non-current portion	46,813	–
	312,953	22,865

The Group offers loans to buyers of properties sold by the Group and its joint ventures, and the repayment terms of the loans are specified in the loan agreements. Included in the loan receivables, the carrying amount of HK$75,953,000 (2016: HK$22,865,000) is mortgage loans over the properties held by the purchasers.

21. LOAN RECEIVABLES (Continued)

Included in the loan receivables, the carrying amount of HK$217,000,000 (2016: nil) is a loan to a joint venture partner, which is interest bearing at 5% per annum, unsecured and guaranteed by the borrower's controlling shareholder. Besides, included in the loan receivables, the carrying amount of HK$20,000,000 (2016: nil) is a loan to an independent third party, which is unsecured and guaranteed by the borrower's ultimate holding company. A deed of personal guarantee is also received from a substantial shareholder of the borrower's ultimate holding company.

Before granting loans, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group's loan receivables are denominated in Hong Kong dollars, the functional currency of the relevant group entity. During the year ended 31 March 2017, the range of interest rate on the Group's loan receivables is 3.5% to 12% per annum (2016: 4.25% to 10% per annum). Including in loan receivables, there is a loan receivable which is repayable in twenty years from the drawdown date, and hence classified as non-current. Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrower in full before the maturity of the loans.

The loan receivables are neither past due nor impaired at the reporting date, for which the Group believes that the amounts are considered recoverable given the fair values of the pledged properties or guarantees received are sufficient to cover the entire balance on individual basis.

The Group has a policy for assessing the impairment on the loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of money lending.

At the end of each reporting date, the Group's loan receivables were individually assessed for impairment. As at 31 March 2017 and 2016, no impairment loss was identified.

22. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Rental receivables are billed and receivable based on the terms of tenancy agreements. The Group allows an average credit period of 0-60 days to its tenants. In respect of sales of properties, the amounts are to be settled based on the terms of sales and purchase agreements of property. The aged analysis of the trade receivables, presented based on the debit note date for rental receivables and agreement date for receivables for sales of properties, both which approximated the revenue recognition date, at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
Trade receivables:		
0 – 30 days	7,644	6,713
31 – 90 days	1,115	2,281
	8,759	8,994
Loan receivables – due within one year *(Note 21)*	266,140	22,865
Prepayments and deposits	61,731	48,339
Other receivables	35,597	60,075
	372,227	140,273

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

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

23. PROPERTIES HELD FOR SALE

	2017 HK$'000	2016 HK$'000
The Group's carrying amounts of properties held for sale, stated at lower of cost and net realisable value, comprise:		
– Completed properties	9,725,052	6,468,579
– Properties under development	2,027,488	2,381,644
	11,752,540	8,850,223

In the opinion of the directors of the Company, all properties held for sale are expected to be realised in the normal operating cycle of two to four 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 34.

Valuation of the properties held for sale as at 31 March 2017 and 2016 has been carried out by an independent valuer with reference to open market value and the market evidence of transaction prices for similar properties in the same locations and conditions. Based on the assessment carried out by the directors of the Company, a reversal of write-down of properties held for sale (included in cost of sales) of HK$41,695,000 (2016: write-down of HK$125,729,000) is recognised in the consolidated statement of profit or loss.

24. INVESTMENTS HELD FOR TRADING

Investments held for trading, at fair values, comprise:

	2017 HK$'000	2016 HK$'000
Listed equity securities *(Note i)*	57,207	32,487
Unlisted mutual funds *(Note ii)*	17,794	13,418
	75,001	45,905
Listed debt securities *(Note iii)*	2,223,773	1,767,759
	2,298,774	1,813,664
Total and reported as:		
Listed		
Hong Kong	481,041	537,284
Elsewhere	1,799,939	1,262,962
Unlisted	17,794	13,418
	2,298,774	1,813,664

Notes:

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

(ii) Unlisted mutual funds represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by government, central banks, banks and corporate entities in Asia.

The Group has the right to 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 fair value of the underlying assets of the funds.

(iii) The listed debt securities as at 31 March 2017 represent bonds with fixed interest of 1.05% to 12% (2016: 4.38% to 12.25%) per annum. The maturity dates of the listed debt securities range from 4 May 2017 to perpetual (2016: 22 April 2016 to perpetual). Their fair values are determined based on quoted market bid prices available from the market.

The summary of listed debt securities of financial assets at fair value through profit or loss as at 31 March 2017 and 31 March 2016 and their corresponding unrealised gain (loss) and interest income for the year ended 31 March 2017 and 2016 are as follows:

	As at 31 March 2017				As at 31 March 2016			
	Issued by PRC-based real estate companies HK$'000	Issued by financial institutions HK$'000	Others HK$'000	Total HK$'000	Issued by PRC-based real estate companies HK$'000	Issued by financial institutions HK$'000	Others HK$'000	Total HK$'000
Market value	1,706,319	383,681	133,773	2,223,773	1,689,927	–	77,832	1,767,759
Coupon rate	3.875% to 12%	1.05% to 1.5%	2.75% to 10.625%	1.05% to 12%	4.375% to 12.25%	–	4.75% to 10.625%	4.375% to 12.25%
Maturity	Aug 2017 – Mar 2024	May 2017 – Sep 2017	May 2017 – Perpetual	May 2017 – Perpetual	Apr 2016 – Nov 2020	–	May 2017 – Perpetual	Apr 2016 – Perpetual
Rating	NR to BBB+	BBB to A1	NR to BBB+	NR to BBB+	NR to BBB+	–	NR to BB+	NR to BBB+

24. INVESTMENTS HELD FOR TRADING (Continued)

Notes: (Continued)

(iii) (Continued)

	For the year ended 31 March 2017				For the year ended 31 March 2016			
	Issued by PRC-based real estate companies HK$'000	Issued by financial institutions HK$'000	Others HK$'000	Total HK$'000	Issued by PRC-based real estate companies HK$'000	Issued by financial institutions HK$'000	Others HK$'000	Total HK$'000
Credited (charged) to profit or loss:								
Interest income	118,922	234	13,869	133,025	96,681	–	4,939	101,620
Net unrealised gain (loss)	24,208	(65)	2,731	26,874	29,007	–	(138)	28,869

The five largest listed debt securities held as at 31 March 2017 and 31 March 2016 are as follows:

	Market value as at 31 March 2017 HK$'000	% of the portfolio of listed debt securities	Interest income for the year ended 31 March 2017 HK$'000	Unrealised gain (loss) for the year ended 31 March 2017 HK$'000
4.375% notes due Aug 2017 issued by Greenland Hong Kong Holdings Limited	179,817	8.1%	7,155	(744)
7.5% notes due Mar 2020 issued by Country Garden Holdings Company Limited	159,793	7.2%	11,219	3,224
1.35% notes due Jun 2017 issued by Bank of China (Singapore)	155,934	7.0%	234	(65)
9.5% notes due Mar 2024 issued by China Evergrande Group Limited	110,146	5.0%	30	8,594
8.75% notes due Oct 2018 issued by China Evergrande Group Limited	80,980	3.6%	4,550	1,539

	Market value as at 31 March 2016 HK$'000	% of the portfolio of listed debt securities	Interest income for the year ended 31 March 2016 HK$'000	Unrealised gain (loss) for the year ended 31 March 2016 HK$'000
6.625% notes due Feb 2020 issued by Shimao Property Holdings Limited	164,354	9.3%	1,908	298
7.5% notes due Mar 2020 issued by Country Garden Holdings Company Limited	154,934	8.8%	4,100	(614)
4.75% notes due Oct 2016 issued by Greenland Hong Kong Holdings Limited	155,798	8.8%	7,336	(727)
8.5% notes due Feb 2018 issued by Greentown China Holdings Limited	97,858	5.5%	4,571	2,514
8.75% notes due Oct 2018 issued by China Evergrande Group Limited	79,441	4.5%	1,989	469

Certain of the listed debt securities are pledged to secure the general banking facilities granted to the Group. Details are set out in note 34.

25. CASH HELD BY SECURITIES BROKERS/BANK BALANCES AND CASH

Cash held by securities brokers are short term deposits which carry variable interest rate ranged from 0.025% to 0.16% (2016: 0.025% to 0.16%) 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:

	2017 HK$'000	2016 HK$'000
United States dollars ("US$")	26,963	3,393

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 0.02% to 1.35% (2016: 0.01% to 4.4%) 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:

	2017 HK$'000	2016 HK$'000
Renminbi ("RMB")	7,919	760
US$	662,613	72,469
Euro ("EUR")	1,646	1,769
	672,178	74,998

26. OTHER PAYABLES AND ACCRUALS

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

	2017 HK$'000	2016 HK$'000
Rental and related deposits received	93,571	97,233
Receipt in advance for sales of properties	690,000	–
Other tax payables	4,287	3,610
Deferred income of financial guarantee contracts to joint ventures	6,458	7,010
Accrued construction costs	47,215	65,907
Accrued consultancy fee	12,208	–
Accruals and other payables	86,790	62,838
	940,529	236,598

27. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
The Group's borrowings are repayable as follows:		
Within one year	1,109,887	346,551
More than one year, but not exceeding two years	2,638,981	758,940
More than two years, but not exceeding five years	3,912,827	4,455,075
More than five years	144,918	1,195,993
	7,806,613	6,756,559
The Group's borrowings that contain a repayment on demand clause in the loan agreements are repayable as follows:		
More than one year, but not exceeding two years	214,550	–
More than two years, but not exceeding five years	–	214,550
	214,550	214,550
	8,021,163	6,971,109
Less: Amounts due within one year or contain a repayment on demand clause in the loan agreements shown under current liabilities	(1,324,437)	(561,101)
	6,696,726	6,410,008
Secured *(Note)*	6,271,654	5,478,609
Unsecured	1,749,509	1,492,500
	8,021,163	6,971,109

Note: The secured bank borrowings were secured by certain of the Group's property, plant and equipment, properties held for sale and investments held for trading. The carrying amounts of the assets pledged are disclosed in note 34.

All amounts of the Group's bank borrowings are denominated in the functional currency of the relevant group entity.

The bank borrowings carried floating rate interests, of which borrowings amounting to HK$7,260,857,000 (2016: HK$6,777,890,000) bear interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 0.5% to 2.85% (2016: HIBOR plus 1.15% to 2.95%) per annum and borrowings amounting to HK$760,306,000 (2016: HK$193,219,000) bear interest at the quoted lending rate of People's Bank of China minus a fixed margin for both years. As at 31 March 2017, the effective interest rates ranged from 0.9% to 4.9% (2016: 1.24% to 7.8%) per annum, which are also equal to contracted interest rates for bank borrowings.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2015, 31 March 2016 and 2017	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2015	10,487,039,676	83,896
Share repurchases *(Note)*	(449,950,000)	(3,600)
At 31 March 2016 and 2017	10,037,089,676	80,296

Note: During the year ended 31 March 2016, the Company repurchased 449,950,000 of its own shares through the HKSE. The above shares were cancelled upon repurchase and the total amount paid to acquire these cancelled shares of HK$114,152,000 was deducted from equity holder's equity. The details are as follows:

Month of repurchase	Number of ordinary shares repurchased and cancelled	Price per share Highest HK$	Lowest HK$	Aggregate price paid HK$'000
December 2015	266,880,000	0.265	0.236	67,029
January 2016	183,070,000	0.265	0.249	47,123
	449,950,000			114,152

All the shares issued by the Company rank pari passu with the then existing ordinary shares in all respects.

29. GUARANTEED NOTES

On 9 January 2013, a wholly-owned subsidiary of the Company, Estate Sky Limited ("Estate Sky"), issued guaranteed notes, of which the Company is the guarantor. As at 31 March 2017, the aggregate principal amount was US$104,850,000 (equivalent to approximately HK$817,830,000) (2016: US$133,350,000, equivalent to approximately HK$1,040,130,000) which bears interest at 6.5% per annum, and payable semi-annually in arrears. The guaranteed notes will be repaid upon maturity on 16 January 2018. In addition, during the year ended 31 March 2017, the Group repurchased HK$222,300,000 (2016: HK$129,870,000) of such guaranteed notes through open market.

On 8 August 2016, Estate Sky further issued guaranteed notes, of which the Company is the guarantor, in the aggregate principal amount of US$250,000,000 (equivalent to approximately HK$1,950,000,000) at an interest rate of 4.875% per annum, payable semi-annually in arrears. The guaranteed notes will be matured on 8 August 2021.

30. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2015	10,110	(1,580)	8,530
Credit to consolidated statement of profit or loss for the year	(2,701)	(333)	(3,034)
At 31 March 2016	7,409	(1,913)	5,496
Credit to consolidated statement of profit or loss for the year	(972)	(1,353)	(2,325)
At 31 March 2017	6,437	(3,266)	3,171

As at 31 March 2017, the Group had unused tax losses of approximately HK$437,202,000 (2016: HK$255,887,000) available for offset against future profits of which certain of these tax losses have not yet been agreed with the tax authority. A deferred tax asset has been recognised in respect of tax loss of HK$19,797,000 (2016: HK$11,595,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$417,405,000 (2016: HK$244,292,000) due to unpredictability of future profits streams. The tax losses in Hong Kong can be carried forward indefinitely. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

Tax losses expiring in	2017 HK$'000	2016 HK$'000
2018	18,616	10,469
2019	10,919	–
2020	5,018	5,018
2021	6,184	6,184
2022	6,442	–
	47,179	21,671

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2017

(a) Acquisition of Go High Investments Limited

During the year ended 31 March 2017, the Group completed the acquisition of the entire equity interest of Go High Investments Limited through a wholly owned subsidiary for a cash consideration of HK$737,537,000 (the "Go High Acquisition"). This transaction has been accounted for as an acquisition of assets as the Go High Acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

The net assets acquired in the Go High Acquisition are as follow:

	HK$'000
Properties held for sales	1,592,413
Other receivables	507
Bank balances and cash	80,472
Other payables	(27,239)
Bank borrowings	(908,616)
	737,537
Total consideration satisfied by:	
Cash paid	737,537
Net cash outflow arising on acquisition:	
Cash consideration paid	(737,537)
Bank balances and cash	80,472
	(657,065)

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2017 (Continued)

(b) Acquisition of Glad & Nice Limited

During the year ended 31 March 2017, the Group completed the acquisition of the entire equity interest of Glad & Nice Limited through a wholly owned subsidiary for a cash consideration of HK$660,072,000 (the "Glad & Nice Acquisition"). This transaction has been accounted for as an acquisition of assets as the Glad & Nice Acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

The net assets acquired in the Glad & Nice Acquisition are as follow:

	HK$'000
Properties held for sales	660,000
Other receivables	72
Bank balances and cash	15
Shareholder's loan	(114,680)
Other payables	(15)
	545,392
Assignment of shareholder's loan *(Note)*	114,680
	660,072
Total consideration satisfied by:	
Cash paid	660,072
Net cash outflow arising on acquisition:	
Cash consideration paid	(660,072)
Bank balances and cash	15
	(660,057)

Note: As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$114,680,000 as consideration for the assignment of shareholder's loan to Glad & Nice Limited.

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2017 (Continued)

(c) Acquisition of Flourish Time Limited and Joyous Era Limited ("Flourish Time" and "Joyous Era")

During the year ended 31 March 2017, the Group completed the acquisition of additional 50% equity interests of Flourish Time and Joyous Era through a wholly owned subsidiary for a cash consideration of HK$544,680,000 from Marvel Leader Investments Limited, the joint venture partner of the Company (the "Flourish Time and Joyous Era Acquisition"). This transaction has been accounted for as an acquisition of assets as the Flourish Time and Joyous Era Acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

The net assets acquired in the Flourish Time and Joyous Era Acquisition are as follow:

	HK$'000
Properties held for sales	960,156
Bank balances and cash	4,086
Shareholder's loan	(419,330)
Other payables	(232)
	544,680
Assignment of shareholder's loan *(Note)*	419,330
	964,010
Total consideration satisfied by:	
Cash paid	964,010
Net cash outflow arising on acquisition:	
Cash consideration paid	(964,010)
Bank balances and cash	4,086
	(959,924)

Note: As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$419,330,000 as consideration for the assignment of shareholder's loan to Flourish Time and Joyous Era.

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016

(a) Acquisition of Able Wealth Enterprise Limited ("Able Wealth") and Go Clear Investments Limited ("Go Clear")

(i) During the year ended 31 March 2016, the Group completed the acquisition of the entire interest of Able Wealth through a wholly owned subsidiary for a cash consideration of HK$321,597,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

(ii) During the year ended 31 March 2016, the Group completed the acquisition of the entire interest of Go Clear through a wholly owned subsidiary for a cash consideration of HK$90,135,000. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

The net assets acquired in the acquisition are as follows:

	Able Wealth HK$'000	Go Clear HK$'000	Total HK$'000
Net assets acquired:			
Properties held for sales	322,650	90,000	412,650
Other receivables	17	135	152
Shareholder's loan	(267,757)	(16,399)	(284,156)
Other payables	(1,070)	–	(1,070)
	53,840	73,736	127,576
Assignment of shareholder's loan *(Note)*	267,757	16,399	284,156
	321,597	90,135	411,732
Total consideration satisfied by:			
Cash paid	321,597	90,135	411,732
Net cash outflow arising on acquisition:			
Cash consideration paid	(321,597)	(90,135)	(411,732)

Note: As part of the acquisition arrangement, the consideration paid by the Group included an amount of HK$284,156,000 as consideration for the assignment of the shareholder's loan to Able Wealth and Go Clear.

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016 (Continued)

(b) Acquisition of additional interest of Surplus King Grand Investment Holding Limited ("Surplus King")

During the year ended 31 March 2016, the Group completed the acquisition of the entire equity interest of Surplus King through a wholly owned subsidiary for a cash consideration of HK$1,463,644,000 from Cyrus Point Limited, the joint venture partner of the Company. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property business.

The net assets acquired in the acquisition are as follow:

	HK$'000
Properties held for sales	3,123,000
Other receivables	29,938
Bank balances and cash	68,688
Other payables	(61,382)
Bank borrowings	(1,696,600)
	1,463,644
Total consideration satisfied by:	
Cash paid	1,463,644
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,463,644)
Bank balances and cash	68,688
	(1,394,956)

32. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2017

(a) Disposals of Uttermost Holdings Limited, Smart Charm Holdings Limited, J Plus Hotels (HK) Limited, Capital Delight Limited, Digital Option Limited, High Supreme Limited and Smart Kept Limited (the "Uttermost Group")

During the year ended 31 March 2017, the Group disposed of the entire interest in the Uttermost Group for a cash consideration of HK$1,696,309,000. The details of the transaction was set out in the Company's announcements dated 9 January 2017 and 31 March 2017. The consideration was allocated to the respective property, plant and equipment and properties held for sale in accordance with the valuation assessed by the independent qualified valuer not connected with the Group. Since certain of the disposed subsidiaries were principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the related disposed subsidiaries in the consolidated statement of profit or loss as disposal of the underlying properties held for sale. The consideration allocated to the sale of properties held for sale of HK$303,432,000 were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets attributable to the disposed subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	434,090
Properties held for sales	161,498
Other receivables	1,188
Bank balances and cash	452
Other payables	(5,330)
	591,898
Transaction cost for disposal of subsidiaries	10,603
Gain on disposal	1,093,808
Total consideration satisfied by:	
Cash received	1,696,309
Net cash inflow arising on disposal:	
Cash consideration received	1,696,309
Bank balances and cash	(452)
	1,695,857

The above gain on disposal of HK$1,093,808,000, included the gain of HK$955,648,000 attributable to the disposal of property, plant and equipment, which is included in the other gains and losses recognised in profit or loss during the current year.

32. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2017 (Continued)

(b) Disposals of Future Radiance Limited, Sky Accord Limited, Prime North Limited, Century Unicorn Limited, Trinity Value Limited, Flourish Time Limited and Joyous Era Limited (the "2017 disposed subsidiaries")

During the year ended 31 March 2017, the Group disposed of the entire interest in the 2017 disposed subsidiaries for a cash consideration of HK$1,093,507,000. Since the 2017 disposed subsidiaries were principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the 2017 disposed subsidiaries in the consolidated statement of profit or loss as disposal of the underlying property held for sale. The consideration allocated to the sale of properties were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets attributable to the 2017 disposed subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sales	956,456
Other receivables	3
Bank balances and cash	4,654
Other payables	(653)
Bank borrowings	(207,238)
	753,222
Transaction cost for disposal of subsidiaries	3,589
Assignment of bank borrowings	207,238
Gain on disposal	129,458
Total consideration satisfied by:	
Cash received	1,093,507
Net cash inflow arising on disposal:	
Cash consideration received	1,093,507
Bank balances and cash	(4,654)
	1,088,853

32. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2016

Disposals of Abner Holdings Limited, Abundant Idea Limited, ACE Emperor Limited, ACME Elite Limited and Afar Success Limited (the "2016 disposed subsidiaries")

During the year ended 31 March 2016, the Group disposed of the entire interest in the 2016 disposed subsidiaries to an independent third party for a cash consideration of HK$1,193,330,000. Since the 2016 disposed subsidiaries were principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the 2016 disposed subsidiaries in the consolidated statement of profit or loss as disposal of the underlying property held for sale. The consideration allocated to the sale of properties were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets attributable to the 2016 disposed subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sales	317,485
Other receivables	1,350
Bank balances and cash	4,309
Other payables	(5,699)
	317,445
Transaction cost for disposal of subsidiaries	11,118
Gain on disposal	864,767
Total consideration satisfied by:	
Cash received	1,193,330
Net cash inflow arising on disposal:	
Cash consideration received	1,193,330
Bank balances and cash	(4,309)
	1,189,021

33. CONTINGENT LIABILITIES

	2017 HK$'000	2016 HK$'000
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	4,760,047	3,628,959
An associate	282,854	262,919
	5,042,901	3,891,878
and utilised by:		
Joint ventures	3,519,573	2,638,712
An associate	165,684	126,298
	3,685,257	2,765,010

The directors of the Company assessed the risk of default of the joint ventures and the associate at the end of the reporting period and consider the risk to be insignificant and it is unlikely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK$6,458,000 (2016: HK$7,010,000).

34. PLEDGE OF ASSETS

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

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	131,853	584,375
Properties held for sale	10,676,750	8,414,618
Investments held for trading	336,983	74,326
	11,145,586	9,073,319

35. OPERATING LEASE AND CAPITAL COMMITMENTS

(a) Operating lease commitments

The Group as lessee

During the year, the Group incurred HK$6,932,000 (2016: HK$3,344,000) minimum lease payments in respect of office premises.

As at 31 March 2017, the Group had outstanding commitments for the following future lease payments under non-cancellable operating leases, the lease terms and rentals are fixed from one year to three years:

	2017 HK$'000	2016 HK$'000
Within one year	6,662	4,889
In the second to fifth years inclusive	11,096	–
	17,758	4,889

The Group as lessor

Property rental income earned during the year was HK$279,567,000 (2016: HK$193,425,000). Certain of the properties, which are classified as properties held for sale, have committed tenants for the next two to six years (2016: two to six years).

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

	2017 HK$'000	2016 HK$'000
Within one year	236,500	131,308
In the second to fifth years inclusive	236,060	142,163
Over five years	4,000	1,541
	476,560	275,012

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.

35. OPERATING LEASE AND CAPITAL COMMITMENTS (Continued)

(b) Capital commitment

	2017 HK$'000	2016 HK$'000
Capital commitment in respect of the acquisition of property held for sale contracted for but not provided in the consolidated financial statements	347,400	–

36. RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes 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, subject to a cap of monthly relevant income of HK$30,000 effective 1 June 2014 for the MPF Scheme, which contribution is matched by the employee. 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 statement of profit or loss of HK$3,653,000 (2016: HK$3,312,000) represent contributions paid and payable to the scheme by the Group at rates specified in the rules of the schemes.

37. RELATED PARTY DISCLOSURES

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

		2017 HK$'000	2016 HK$'000
Joint venture	Sales of properties held for sale	21,507	–
Joint venture	Asset management income	9,560	11,875
Joint venture	Interest income	46,610	35,603

(b) The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. Details of the amounts due from (to) joint ventures and associates are set out in the consolidated statement of financial position and on notes 19 and 20.

37. RELATED PARTY DISCLOSURES (Continued)

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

	2017 HK$'000	2016 HK$'000
Short-term benefits	70,603	66,053
Post-employment benefits	843	1,057
	71,446	67,110

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

38. SHARE OPTION SCHEMES

2012 Scheme

On 16 August 2012, the Company adopted a share option scheme (the "2012 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2012 Scheme will be expired on 15 August 2022. Under the 2012 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, non-executive directors, any consultant, adviser or agent engaged by the Company and its subsidiaries and any vendor, supplier of goods or services or customer 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 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at 16 August 2012 unless the Company obtains a fresh approval from its shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the number of shares in issue unless the Company obtains a fresh approval from its shareholders.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time during the specific exercise period as determined by the board of directors. 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 of the Company's shares on the date of grant, (ii) the average closing 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.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all share option schemes of the Company is not permitted to exceed 30% of the shares of the Company in issue from time to time. No share option may be granted under any share option scheme of the Company if such limit is exceeded.

During the year ended 31 March 2017 and 2016, no share options had been granted.

39. 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 amounts due to joint ventures, amounts due to non-controlling shareholders of subsidiaries, bank borrowings and guaranteed notes disclosed in notes 19, 37(b), 27 and 29 respectively, net of cash and cash equivalents 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 of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
Investments held for trading	2,298,774	1,813,664
Loans and receivables		
Trade and other receivables	44,356	69,069
Loan receivables	312,953	22,865
Amounts due from joint ventures	2,804,860	1,743,320
Amounts due from associates	38,129	4,152
Cash held by securities brokers	30,760	3,983
Bank balances and cash	3,572,022	3,525,228
	6,803,080	5,368,617
Available-for-sale financial assets		
Available-for-sale investments	191,508	59,630
Financial liabilities		
At amortised cost		
Other payables	73,580	97,233
Amounts due to joint ventures	180,528	20,130
Amounts due to non-controlling shareholders of subsidiaries	163,640	100,832
Guaranteed notes	2,767,830	1,040,130
Bank borrowings	8,021,163	6,971,109
	11,206,741	8,229,434

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risks

(i) Foreign currency risk management

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 foreign currency risk in relation to RMB, US$ and EUR arising from foreign currency bank balances and cash, cash held by securities brokers and guaranteed notes as set out in notes 25 and 29 respectively.

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

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
RMB	7,919	760	–	–
US$	689,576	75,862	2,767,830	1,040,130
EUR	1,646	1,769	–	–

Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial as most US$ denominated monetary assets and liabilities are held by group entities having HK$ as their functional currency, and the other financial assets denominated in RMB and EUR are not material, and therefore no sensitivity analysis has been prepared.

The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved not significant.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to amounts due from (to) joint ventures, associates, investments held for trading and guaranteed notes issued by the Company as set out in notes 19, 20, 24 and 29 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 borrowings as set out in notes 25 and 27 respectively. It is the Group's policy to keep its borrowings (other than guaranteed notes issued) at floating rate of interests so as to minimise the fair value interest rate risk.

40. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(ii) Interest rate risk management (Continued)

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollars denominated borrowings and interest rate 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 at the end of the reporting period. For variable rate cash held by securities brokers, bank balances and bank borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. An increase or decrease of 10 basis points (2016: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2016: 50 basis points) for bank borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For cash held by securities brokers and bank balances, if interest rates had been 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would increase/decrease by HK$3,008,000 (2016: HK$2,947,000).

For bank borrowings, if interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would decrease/increase by HK$33,488,000 (2016: HK$29,104,000).

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 management

The Group is exposed to equity and other price risks through its investments held for trading. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks are mainly concentrated on listed equity securities, listed debt securities and unlisted mutual funds quoted in the open markets. The management considers that there is no significant equity and other price risks through available-for-sale investments. 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.

40. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(iii) Equity and other price risks management (Continued)

Sensitivity analyses

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

If the prices of the respective listed equity securities and unlisted mutual funds had been 5% (2016: 5%) higher/lower, post tax profit for the year ended 31 March 2017 would increase/decrease by HK$3,131,000 (2016: increase/decrease by HK$1,917,000) as a result of the changes in fair value of equity securities and mutual funds held by the Group.

If the prices of the respective debt securities had been 5% (2016: 5%) higher/lower, post tax profit for the year ended 31 March 2017 would increase/decrease by HK$92,843,000 (2016: increase/decrease by HK$73,804,000) 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.

Credit risk management

As at 31 March 2017, 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 33.

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 trade debt and debt instrument 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.

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The credit quality of the listed debt securities as set out in note 24, determined by external credit-ratings assigned by Moody's or Standard & Poor'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:

	2017 %	2016 %
A1/A+	12.0	–
A2/A	5.3	–
Ba1/BB+	2.7	13.1
Ba2/BB	7.9	20.0
Ba3/BB-	12.8	14.5
B1 to Caal/B+ to CCC+	40.7	33.0
Unrated	18.6	19.4
	100.0	100.0

Significant concentration of credit risk

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

As at 31 March 2017, the Group has concentration of credit risk on bank balances as 59% (2016: 69%) of balances are placed in one (2016: one) independent bank. The management of the Group considers that the credit risk on the bank balance is limited as it is a reputable company whose shares are listed on the HKSE.

The Group has concentration of credit risk as 78% (2016: 53%) for its available-for-sale investments as they are issued by two independent third parties (2016: two). The management of the Group considers that the credit risk on available-for-sale investments is limited as they were issued by companies with good reputation.

The Group has concentration of credit risk as 77% (2016: 91%) of the amounts due from joint ventures are due from five (2016: five) joint ventures. The joint ventures are private companies and mainly located in Hong Kong. In order to minimise the credit risk, the management of the Group has monitored the repayment ability of the joint ventures continuously. The counterparties of the entire amounts due from joint ventures that are repayable on demand had no default record based on historical information.

The Group has concentration of credit risk as 69% (2016: 54%) of the total loan receivables as at 31 March 2017 was due from one borrower (2016: one). The balance due from the borrower is in an aggregate amount of HK$217,000,000 (2016: HK$12,437,000) as at 31 March 2017, which is neither past due nor impaired, of which the whole amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of and the anticipated receipts for that individual account, at the end of the reporting period.

The Group's geographical concentration of credit risk is mainly in Hong Kong, which accounted for approximately 90% of the Group's total recognised financial assets as at 31 March 2017 and 2016.

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by monitoring and maintaining 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.

Liquidity tables

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise the rights.

The table includes both interest and principal cash flows. The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate %	On demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 March 2017 HK$'000
31 March 2017									
Non-derivative financial liabilities									
Other payables	–	73,580	–	–	–	–	–	73,580	73,580
Amount due to joint ventures	–	180,528	–	–	–	–	–	180,528	180,528
Amounts due to non-controlling shareholders of subsidiaries	–	163,640	–	–	–	–	–	163,640	163,640
Guaranteed notes	5.36	–	18,528	891,941	104,425	2,263,276	–	3,278,170	2,767,830
Bank borrowings	2.71	214,550	26,449	1,215,682	2,820,487	4,242,768	164,557	8,684,493	8,021,163
		632,298	44,977	2,107,623	2,924,912	6,506,044	164,557	12,380,411	11,206,741
Financial guarantee contracts *(Note)*		–	757,253	9,245	264,634	2,654,125	–	3,685,257	6,458

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 March 2016 HK$'000
31 March 2016									
Non-derivative financial liabilities									
Other payables	–	97,233	–	–	–	–	–	97,233	97,233
Amount due to a joint venture	–	20,130	–	–	–	–	–	20,130	20,130
Amounts due to non-controlling shareholders of subsidiaries	–	100,832	–	–	–	–	–	100,832	100,832
Guaranteed notes	6.5	–	8,451	33,804	1,107,738	–	–	1,149,993	1,040,130
Bank borrowings	2.24	214,550	18,938	422,306	902,677	4,835,230	1,330,085	7,723,786	6,971,109
		432,745	27,389	456,110	2,010,415	4,835,230	1,330,085	9,091,974	8,229,434
Financial guarantee contracts *(Note)*	–	–	998,412	4,648	190,807	1,571,143	–	2,765,010	7,010

Note: The amount is categorised based on contractual term of repayment of the relevant underlying financial guarantee contracts guaranteed by the Group.

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted principal amounts of these bank loans amounted to HK$214,550,000 (2016: HK$214,550,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repayable, together with interest, in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
31 March 2017	601	1,803	216,954	–	–	219,358	214,550
31 March 2016	601	1,803	2,404	216,954	–	221,762	214,550

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees. 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 measurements recognised in the consolidated statement of financial position

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.3.2017 HK$'000	31.3.2016 HK$'000				
Held-for-trading non-derivative financial assets classified as investments held for trading in the consolidated statement of financial position	Listed equity securities in: – Hong Kong: 57,207	Listed equity securities in: – Hong Kong: 32,487	Level 1	Quoted bid prices in an active market	N/A	N/A
	Listed debt securities in: – Hong Kong: 423,834 – Elsewhere: 1,799,939	Listed debt securities in: – Hong Kong: 504,797 – Elsewhere: 1,262,962	Level 1	Quoted bid prices in an active market	N/A	N/A
	Unlisted mutual funds 17,794	Unlisted mutual funds 13,418	Level 2	Share of the net asset values of the fund, determined with reference to the fair values of underlying investment portfolio and adjustments of related expenses	N/A	N/A

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	407,569	460,069
Amounts due from subsidiaries	6,384,855	6,951,692
Interests in joint ventures	12,408	10,607
Club memberships	5,200	5,200
	6,810,032	7,427,568
Current assets		
Other receivables	7,414	2,429
Bank balances and cash	1,983,568	301,714
	1,990,982	304,143
Current liabilities		
Other payables and accruals	19,761	21,227
Bank borrowings – due within one year	30,000	30,000
	49,761	51,227
Net Current assets	1,941,221	252,916
	8,751,253	7,680,484
Capital and reserves		
Share capital	80,296	80,296
Reserves *(Note)*	8,438,457	7,337,688
Total Equity	8,518,753	7,417,984
Non-current liabilities		
Bank borrowings – due after one year	232,500	262,500
	8,751,253	7,680,484

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2015	2,052,135	3,020	246,274	4,788,002	7,089,431
Profit and other comprehensive income for the year	–	–	–	425,668	425,668
Share repurchases	–	3,600	(110,552)	(3,600)	(110,552)
Expenses related to shares repurchased and cancelled	–	–	(791)	–	(791)
Dividend recognised as distribution	–	–	–	(66,068)	(66,068)
At 31 March 2016	2,052,135	6,620	134,931	5,144,002	7,337,688
Profit and other comprehensive income for the year	–	–	–	1,298,801	1,298,801
Dividend recognised as distribution	–	–	–	(198,032)	(198,032)
At 31 March 2017	2,052,135	6,620	134,931	6,244,771	8,438,457

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly 2017 %	Directly 2016 %	Indirectly 2017 %	Indirectly 2016 %	Principal activities
46 Lyndhurst Management Limited *(Note i)*	Hong Kong	HK$1	–	–	100	–	Management service
Able Market Limited	Hong Kong	HK$1	–	–	100	100	Property development
Absolute Keen Limited	Hong Kong	HK$1	–	–	100	100	Property development
Apex Harvest Limited	Hong Kong	HK$100	–	–	92	92	Property development
Golden Well Ventures Limited (formerly known as "Bravo Wave Limited")	BVI	US$1	–	–	100	100	Property holding
Capital Strategic Property (Shanghai) Limited	PRC	Registered and paid-up capital RMB300,000,000	–	–	100	100	Property holding and leasing of property
CH Property Services Limited	Hong Kong	HK$1	–	–	100	100	Provision of property management service
Clear Luck Group Limited	BVI	US$1	–	–	100	100	Property holding

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	2017 %	2016 %	
Couture Homes Limited	BVI	US$1	100	100	–	–	Investment holding
CSI Financial Holdings Limited	Hong Kong	HK$100	100	100	–	–	Sale of securities and investment holding
CSI Property Services Limited	Hong Kong	HK$2	100	100	–	–	Provision of property management service
Eagle Shore Limited	BVI	US$1	–	–	100	100	Sale of securities and investment holding
Earn Centre Limited	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Earthmark Limited	BVI	US$1	100	100	–	–	Loan financing
Estate Sky Limited	BVI	US$1	100	100	–	–	Bond issuer
Ever Novel Limited	Hong Kong	HK$1	–	–	100	100	Property holding
Fortress Jet Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Geotalent Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Golden United Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Greater Bond Limited	BVI	US$1	–	–	100	100	Sale of securities and investment holding
Growth Safe Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Handy Global Holdings Limited *(Note i)*	BVI	US$1	100	–	–	–	Investment holding
Highland Management Services Limited	Hong Kong	HK$1	–	–	100	92	Management service
Hoyden Holdings Limited	BVI	US$1	–	–	100	100	Property development
ICC Financial Limited	Hong Kong	HK$1	–	–	100	100	Money Lending

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	2017 %	2016 %	
Mark Well Investment Limited	Hong Kong	HK$100	100	100	–	–	Sale of securities and investment holding
Million Base Properties Limited	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Million Basis Property Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Modern Value Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Shanghai Huajian Business Management Company Limited *(Note i)*	PRC	Registered and paid-up capital RMB350,195,000	–	–	100	–	Property holding and leasing of property
Smart Future Holdings Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Smart Tide Limited	Hong Kong	HK$1	–	–	100	100	Property holding
Surplus King Centre Limited *(Note ii)*	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Surplus King Hotel Enterprises Limited *(Note ii)*	Hong Kong	HK$2	–	–	100	100	Hotel operation
Spring Wonder Limited	Hong Kong	HK$100	–	–	92	92	Property development
Well Clever International Limited	BVI	US$1	–	–	100	100	Sale of securities and investment holding
Wildmark Global Limited	BVI	US$1	–	–	100	100	Property holding

Notes:

(i) These companies were incorporated/acquired during the year ended 31 March 2017.

(ii) These companies had become indirect wholly-owned subsidiaries of the Group during the year ended 31 March 2016 upon the acquisition of remaining interest.

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

None of the subsidiaries had issued any debt securities or any other securities (other than ordinary/registered share capital) during the year and at the end of the year except for Estate Sky which has issued HK$2,768 million of guaranteed notes, in which the Group has HK$2,768 million interest.

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.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities of business	Place of incorporation/ operation	Number of subsidiaries	
		2017	2016
Corporate services	HK/Macau	5	8
Investment holding	BVI/HK/Macau/PRC	268	202
Inactive	BVI/HK	10	14
Securities investment	BVI/HK	7	9
		290	233

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