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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities referred to herein or an invitation to enter into an agreement to do such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement is not, and is not intended to be, an offer of securities of the Company for sale, or the solicitation of an offer to buy securities of the Company, in the United States. The securities referred to herein and the related Guarantee have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States or other jurisdiction 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 U.S. Securities Act and applicable state and local securities laws. The securities referred to herein will be offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States. None of the securities referred to herein will be offered to the public in Hong Kong other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made under that Ordinance and none of the securities referred to herein will be placed to any connected persons of the Company.

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.

* *For identification purpose only*

References are made to the Company's announcements dated 14 July 2021 and 16 July 2021 in relation to the Notes 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 15 July 2021 in relation to the Notes (the "Offering Circular"), which was published on the website of SGX-ST on 22 July 2021.

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 of
CSI Properties Limited
Chan Suet Kwan
Company Secretary

Hong Kong, 22 July 2021

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, Mr. Fong Man Bun, Jimmy, Mr. Ho Lok Fai and Mr. Leung King Yin, Kevin; and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Cheng Yuk Wo, Hon. Shek Lai Him, Abraham, GBS, JP and Dr. Lo Wing Yan, William, JP.

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.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Confirmation of your Representation: This Offering Circular is being sent at your request and by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

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 THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, UBS AG HONG KONG BRANCH, J.P.MORGAN SECURITIES PLC, CREDIT SUISSE (HONG KONG) LIMITED, THE BANK OF EAST ASIA, LIMITED, CMB INTERNATIONAL CAPITAL LIMITED, DBS BANK LTD. AND OVERSEA-CHINESE BANKING CORPORATION 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.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers nor any person who controls the Joint Lead Managers, nor any director, officer, employee or agent of the Joint Lead Managers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

ESTATE SKY LIMITED

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

U.S.$300,000,000
5.45 per cent. Guaranteed Notes due 2025
Unconditionally and Irrevocably Guaranteed by

CSI PROPERTIES LIMITED

資本策略地產有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

Issue Price: 100.00 per cent.

The U.S.$300,000,000 5.45 per cent. Guaranteed Notes due 2025 (the "**Notes**") will be issued by Estate Sky Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by CSI Properties Limited (the "**Guarantor**"), the holding or priority company of the Issuer. The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 *(Negative Pledge)* of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Notes constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Interest on the Notes is payable semi-annually in arrear on 21 January and 21 July in each year, commencing on 21 January 2022. Payments on the Notes will be made free and clear of, and without withholding or deduction for or on account of taxes of the British Virgin Islands and Bermuda to the extent described under "*Terms and Conditions of the Notes – Taxation*".

The Notes mature on 21 July 2025 at their principal amount but may be redeemed at the option of the Issuer, in whole or in part, at any time on or after 21 July 2024, at 101 per cent. of the principal amount of the Notes to be redeemed, together with accrued and unpaid interest to such date fixed for redemption specified in the Optional Redemption Notice. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Bermuda or Hong Kong. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons*". At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of a Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Change of Control Put Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount, together with accrued interest to but excluding the Change of Control Put Date. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control*".

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

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 12.

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

The Notes will be represented by beneficial interests in a global certificate (the "Global Note Certificate") in registered form, without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 21 July 2021 (the "Issue Date"), with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Note Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

HSBC **UBS** **J.P. Morgan** **Credit Suisse**

Joint Lead Managers and Joint Bookrunners

The Bank of East Asia, Limited **CMB International** **DBS Bank Ltd.** **OCBC Bank**

This Offering Circular is dated 15 July 2021.

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

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

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

EBITDA PRESENTATION

The Guarantor has included EBITDA data in this Offering Circular because it believes the measure is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA is calculated as profit before taxation adjusted for fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), fair value changes of derivative financial instruments, (net reversal of write-down) write-down of properties held for sale, gain on disposal of property, plant and equipment, gain on disposal of a subsidiary, bank and loan interest income, finance costs, income from amortisation of financial guarantee 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 Hong Kong Financial Reporting Standards ("**HKFRSs**"). EBITDA is not a measurement of the Group's financial performance or liquidity under HKFRSs 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 HKFRSs 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-HKFRSs 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 HKFRSs. 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 HKFRSs results and using EBITDA measures only supplementarily. See "*Summary Financial Information*" for a discussion on EBITDA.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, ACTING AS THE STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MARKET AND INDUSTRY DATA

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

FORWARD-LOOKING STATEMENTS

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

Guarantor or any member of the Group to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

CERTAIN TERMS AND CONVENTIONS

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC, "**PRC**" are to the People's Republic of China (excluding, for the purposes of this Offering Circular only, Hong Kong, the Macau Special Administrative Region of the PRC ("**Macau**") and Taiwan), "**U.S.**" or "**United States**" are to the United States of America, "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong, "**CNY**", or "**Renminbi**" are to the lawful currency of the PRC and references to "**U.S. dollars**" or "**U.S.$**" 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$7.776 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.

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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, development and property investment in Hong Kong, the PRC and Macau.

Corporate Information

The Guarantor is an exempted company incorporated in Bermuda with limited liability, 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 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Introduction

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

As at 31 March 2021, the Group owns and manages over 4.9 million square feet (attributable interest of approximately 2.2 million square feet) of prime properties in Hong Kong, Shanghai, Beijing and Macau.

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 2021, Mr. Chung had an interest of approximately 53.22 per cent. in the issued 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 growing commercial property market

Recent Developments

During the period subsequent to 31 March 2021 and up to 30 June 2021, the Group has entered into the following acquisition and disposal transactions.

In May 2021, the Group purchased an additional 10 per cent. stake in the No. 23 Po Shan Road residential project in Hong Kong to raise the Group's interest in this project to 30 per cent.

As of the end of June 2021, the Group has entered into sales agreements for around 30 units for Knightsbridge, the Beijing joint venture residential project.

Corporate Activity

In April 2021, the Group has refinanced a project loan with DBS Bank (Hong Kong) Limited for a total loan amount of HK$1.0 billion for a joint venture project.

SUMMARY FINANCIAL INFORMATION

The summary audited consolidated financial information set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 March 2020 (which have been audited by Deloitte Touche Tohmatsu in Hong Kong) and the Group's audited consolidated financial results as at and for the year ended 31 March 2021 (which have been audited by Deloitte Touche Tohmatsu in Hong Kong). This financial information should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 March 2020 and the Group's audited consolidated financial results as at and for the year ended 31 March 2021, which are included elsewhere in this Offering Circular.

The announcement of audited consolidated financial results of the Group as at and for the year ended 31 March 2021 is not a comprehensive audit report (and the results and comparative figures set out in this section and elsewhere in this Offering Circular are extracts from such announcement) and will not contain the same level of detail as that of a comprehensive audit report. As such, investors are advised to exercise due caution when reviewing the Group's extracted financial information as at and for the year ended 31 March 2021 set out in this section and elsewhere in this Offering Circular. Any investor who is in doubt is strongly advised to seek advice from your own professional advisors.

Consolidated Statement of Profit or Loss for the years ended 31 March 2019, 2020 and 2021

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Revenue			
Sales of properties held for sale	3,136,961	3,498,030	141,800
Rental income	302,219	211,926	226,912
Total revenue	3,439,180	3,709,956	368,712
Cost of sales and services	(2,374,504)	(2,212,520)	(132,444)
Gross profit	1,064,676	1,497,436	236,268
Income from investments	157,369	172,029	229,218
Gains (losses) from investments	(24,933)	(294,847)	19,591
Other income	131,086	191,708	197,646
Other gains and losses	2,294	(13,321)	30,751
Impairment loss on loan receivables	(40,000)	–	–
Administrative expenses	(247,065)	(312,579)	(240,307)
Finance costs	(326,065)	(333,897)	(275,280)
Share of results of joint ventures	30,375	402,036	246,079
Share of results of associates	(9,953)	432	521
Profit before taxation	737,784	1,308,997	444,487
Income tax expense	(69,556)	(65,269)	(25,982)
Profit for the year	668,228	1,243,728	418,505
Profit (loss) attributable to:			
Owners of the Guarantor	529,852	1,155,643	330,809
Holders of perpetual capital securities	89,700	89,700	89,700
Non-controlling interests	48,676	(1,615)	(2,004)
	668,228	1,243,728	418,505
Earnings per share (HK cents)			
Basic	5.28	11.77	3.43

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 March 2019, 2020 and 2021

	For the year ended 31 March		
	2019	2020	2021
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Profit for the year	668,228	1,243,728	418,505
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(23,352)	(22,910)	42,618
Share of exchange differences of joint ventures, net of related income tax	(104,680)	(118,304)	170,221
	(128,032)	(141,214)	212,839
Total comprehensive income for the year	540,196	1,102,514	631,344
Total comprehensive income (expense) attributable to:			
Owners of the Guarantor	401,820	1,014,429	540,163
Holders of perpetual capital securities	89,700	89,700	89,700
Non-controlling interests	48,676	(1,615)	1,481
	540,196	1,102,514	631,344

Consolidated Statement of Financial Position as at 31 March 2019, 2020 and 2021

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Non-Current Assets			
Property, plant and equipment	252,055	297,235	262,165
Financial assets at fair value through profit or loss ("**FVTPL**")	172,360	170,955	180,350
Club memberships	11,915	11,915	11,915
Interests in joint ventures	4,826,529	4,474,685	4,743,982
Amounts due from joint ventures	4,600,561	5,067,900	5,983,637
Interests in associates	190,683	193,052	362,154
Amounts due from associates	4,548	10,611	1,422,774
Loan receivables	222,219	203,248	129,683
Deposits paid for acquisition of property, plant and equipment	64,358	–	–
	10,345,228	10,429,601	13,096,660
Current Assets			
Loan receivables	73,680	45,407	104,902
Trade and other receivables	480,092	274,058	241,345
Promissory note receivables	30,000	–	–
Contract costs	30,249	–	–
Amount due from a non-controlling shareholder of a subsidiary	2,460	3,470	–
Properties held for sale	12,017,774	11,502,578	12,179,207
Financial assets at FVTPL	1,919,470	2,172,310	1,520,555
Taxation recoverable	20,025	9,889	450
Cash held by securities brokers	2,899	6,432	37,899
Bank balances and cash	1,406,878	2,668,787	1,462,929
	15,983,527	16,682,931	15,547,287

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Current Liabilities			
Other payables and accruals	324,871	346,103	578,080
Contract liabilities	1,041,353	–	–
Taxation payable	231,741	265,415	231,496
Amounts due to joint ventures	559,377	556,195	749,096
Amounts due to non-controlling shareholders of subsidiaries	167,333	167,333	165,210
Bank borrowings – due within one year	2,122,755	1,811,884	1,714,909
Guaranteed notes – due within one year	–	–	1,859,520
	4,447,430	3,146,930	5,298,311
Net Current Assets	11,536,097	13,536,001	10,248,976
Total assets less current liabilities	21,881,325	23,965,602	23,345,636
Capital and Reserves			
Share capital	80,296	78,460	76,117
Treasury shares	–	–	(6,572)
Reserves	11,956,774	12,805,654	13,228,358
Equity attributable to owners of the Guarantor	12,037,070	12,884,114	13,297,903
Holders of perpetual capital securities	1,539,443	1,539,443	1,539,443
Non-controlling interests	37,868	36,253	33,879
Total Equity	13,614,381	14,459,810	14,871,225
Non-Current Liabilities			
Bank borrowings – due after one year	6,304,952	7,516,079	8,364,534
Guaranteed notes – due after one year	1,950,000	1,924,260	–
Derivative financial instruments	–	45,868	81,798
Deferred tax liabilities	11,992	19,585	28,079
	8,266,944	9,505,792	8,474,411
	21,881,325	23,965,602	23,345,636

Other Unaudited Financial Information

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

	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021
	(HK$'m)	*(HK$'m)*	*(HK$'m)*
Profit before taxation	737.8	1,309.0	444.5
Adjusted for:			
Fair value changes of financial assets at FVTPL, net	24.9	258.0	(81.7)
Fair value changes of derivative financial instruments, net	–	36.9	62.1
(Net reversal of write-down) write-down of properties held for sale	(11.3)	345.9	(32.5)
Gain on disposal of property, plant and equipment	–	(0.8)	–
Gain on disposal of a subsidiary	–	–	(18.3)
Bank and loan interest income	(28.8)	(43.7)	(21.0)
Income from amortisation of financial guarantee contracts	(6.0)	(7.5)	(7.4)
Finance costs	326.1	333.9	275.3
EBIT	1,042.7	2,231.7	621.0
Depreciation of property, plant and equipment	23.9	33.7	35.3
EBITDA[(1)]	1,066.6	2,265.4	656.3

Note:

(1) EBITDA is calculated as profit before taxation adjusted for fair value changes of financial assets at FVTPL, fair value changes of derivative financial instruments, (net reversal of write-down) write-down of properties held for sale, gain on disposal of property, plant and equipment, gain on disposal of a subsidiary, bank and loan interest income, finance costs, income from amortisation of financial guarantee contracts and depreciation of property, plant and equipment.

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

THE ISSUE

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

Issuer	Estate Sky Limited.
Guarantor	CSI Properties Limited.
Principal amount of the Notes	U.S.$300,000,000 aggregate principal amount of 5.45 per cent. Guaranteed Notes due 2025.
Guarantee of the Notes	The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes.
Issue Price	100.00 per cent. of the principal amount.
Form and Denomination	The Notes will be issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	21 July 2021
Maturity Date	21 July 2025
Offering	The Notes are being offered only outside the United States in reliance on Regulation S under the Securities Act. The Notes and the Guarantee of the Notes have not been registered, and will not be registered, under the Securities Act and, subject to certain exemptions, may not be offered or sold in the United States.
Interest	The Notes will bear interest from, and including, the Issue Date at the rate of 5.45 per cent. per annum, until the Maturity Date, payable semi-annually in arrear on 21 January and 21 July in each year.

Status	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Notes constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3 of the Terms and Conditions of the Notes.
Cross Default	The Notes will contain a cross default provision as further described in Condition 8(c) of the Terms and Conditions of the Notes.
Events of Default	Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions of the Notes, upon written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office (as defined in the Agency Agreement referred to in the Terms and Conditions of the Notes) of the Fiscal Agent, Noteholders holding not less than five per cent. of the aggregate principal amount of the Notes outstanding may declare the Notes immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and sale. See "*Subscription and Sale*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21 July 2025.
Redemption for Tax Reasons	The Issuer may redeem all and not some of the Notes at their principal amount, together with interest accrued to, but excluding, the date fixed for redemption, in the event of certain changes in British Virgin Islands, Bermuda or Hong Kong taxation, as further described in Condition 5(b) of the Terms and Conditions of the Notes.

Redemption at the option of the Issuer	The Issuer may redeem the Notes, in whole or in part, at any time on or after 21 July 2024, at 101 per cent. of the principal amount of the Notes to be redeemed, together with accrued and unpaid interest to such date fixed for redemption specified in the Optional Redemption Notice.
Redemption for Change of Control	At any time following the occurrence of a Change of Control, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Date at 101 per cent. of their principal amount, together with accrued interest to, but excluding the Change of Control Put Date, as further described in Condition 5(c) of the Terms and Conditions.
Further Issues	The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.
Fiscal Agent	Citicorp International Limited.
Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Governing Law	English law
Ratings	The Notes will not be rated.
Listing	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Notes are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, its subsidiaries, its associated companies, its joint ventures or the Notes.
Use of Proceeds	See section entitled "*Use of Proceeds*".
ISIN	XS2360202829
Common Code	236020282
Legal Entity Identifier	213800N7Q1FQC8CEUC74

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

Risks Relating to the Group and its Business

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

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 economic crisis, the Eurozone debt crisis, slowdown in the economy in the PRC, efforts by the PRC government to control inflation and property prices in the PRC, the potential interest rate increase in the United States, the social unrest in Hong Kong and the volatility of the global equity markets, including the United States, Europe, the PRC and Hong Kong, 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. While the property market showed improvement during the period from 2004 to the third quarter of 2008, property prices and rents in Hong Kong were inevitably affected by the global financial turmoil from September 2008. Property prices remained substantially flat during 2019, but they have generally increased from 2010 onwards. 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.

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. On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract. 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. Since 2019, Hong Kong's property market has weakened under the strain of the economic slowdown of the PRC and global trade disputes. There is no guarantee that the property market will not be further adversely affected if the PRC and global economies continue to slow.

Measures adopted from time to time by the Hong Kong Government to restrict the real estate market could slow industry growth rate or cause the 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. On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract. On 29 June 2018, the Hong Kong Government proposed a tax on vacant first-hand private residential units at two times the annual rateable value of the units (the "**Vacancy Tax**") to encourage developers to release residential units more quickly into the market. Under the proposal, developers of first-hand private residential units with an occupation permit issued for 12 or more months will be required to make annual returns disclosing the occupancy status of their units. Units that have not been occupied or rented out for more than six of the previous 12 months will be considered vacant and subject to the Vacancy Tax, which will be collected annually. On 13 September 2019, the Hong Kong Government gazetted an amendment bill to implement the proposed Vacancy Tax at the Legislative Council. Although Hong Kong lawmakers decided in June 2020 to shelve the proposal to introduce the Vacancy Tax on property developers due to the lack of time to vet it, there is no assurance that the Hong Kong Government will not reintroduce the amendment bill in the future. If implemented, the Vacancy Tax may present a financial burden to the Group, which may have an adverse effect on its business, operating results and financial condition.

On 16 October 2019, the Hong Kong Government announced plans to expand the eligibility under the Mortgage Insurance Programme of the Hong Kong Mortgage Corporation Limited. For a first-time home buyer, the cap on the value of property eligible for a mortgage loan with a maximum cover of 90 per cent. loan-to-value ratio will be raised from the existing HK$4 million to HK$8 million. The cap on the value of property eligible for a mortgage loan with a maximum cover of 80 per cent. loan-to-value ratio will also be raised from HK$6 million to HK$10 million. On 26 November 2020, the Hong Kong Government abolished the double ad valorem stamp duty on non-residential properties. As the introduction of these measures is 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 adverse market conditions caused by COVID-19 had negatively impacted and may continue to negatively impact the Group's operating results

The Group's business is subject to global market fluctuations and general economic conditions in Hong Kong, the PRC and the global economy. In particular, the 2019 novel coronavirus ("**COVID-19**") global pandemic has caused major upheavals on the global economies, and had negatively impacted the Group's business, financial condition and results of operations. Any prolonged downturn, recession or other condition that adversely affects the Group's business and economic environment could have a material adverse impact on the Group's business, financial condition and results of operations.

For the year ended 31 March 2021, the Group's profit attributable to owners of the Guarantor was HK$330.8 million, as compared to HK$1,155.6 million last year. Earnings per share was HK3.43 cents, as compared to HK11.77 cents last year. The Group's revenue for the year ended 31 March 2021 was HK$368.7 million, representing a decrease of HK$3,341.3 million, as compared to last year. Consolidated profit for the year ended 31 March 2021 was HK$418.5 million, as compared to HK$1,243.7 million last year. The decrease in profit was mainly attributable to the reduction in the recorded sales of the Group's properties under the continuing adverse market conditions caused by the COVID-19 pandemic. Total revenue attributable to the Group from sales of properties for the year ended 31 March 2021, including those contributed by joint ventures was HK$1,732.1 million, as compared to HK$5,198.2 million last year.

As the situation relating to the COVID-19 pandemic is still evolving, the heightened uncertainties surrounding the pandemic, which include, but not limited to, the length of the pandemic, required lockdowns, development and effectiveness of vaccines or other potential treatments, resurgence of infection cases, extent of production disruptions and restoration of business and consumer confidence, may continue to negatively impact the global economies and result in a prolonged global economic crisis or recession that could adversely affect the Group's businesses, financial conditions and results of operations.

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

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. Since late 2019, the outbreak of COVID-19 has resulted in a widespread and global health crisis, restrictions on travel and public transport and prolonged closures of workplaces, which has a material adverse effect on the global economy and creates an interruption of the Group's business. Governments in a number of countries have revised the GDP forecasts for 2020 downward in response to the economic impact caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 will cause a prolonged global economic crisis, recession or depression despite fiscal and monetary interventions by central banks and governments globally. The outbreak of communicable diseases such as the ones listed above on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect economic activities worldwide. There can be no assurance that there will not be a serious outbreak or recurrence of an outbreak of influenza A/H1N1, MERS, COVID-19 or another contagious disease in Hong Kong, the PRC or other places 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.

The outbreak of the Severe Acute Respiratory Syndrome ("**SARS**") that began in the PRC and Hong Kong in early 2003 has 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.

Social unrest could have an adverse impact on the Group's business, financial condition or operating results

Social unrest occurring in close proximity to the Group's properties in Hong Kong may disrupt the Group's business. Protests, demonstrations or rioting causing mass disruption to businesses and transportation may result in a decrease in consumer spending. Consumers may avoid areas affected by social upheaval or may be unable to reach these areas due to a disruption in transportation or an outbreak of violence, and local businesses may be affected. There is no assurance that there will not be any unforeseeable interruptions to the business and operations of the Group's properties and affect the potential access to the Group's property sales activities therein. Moreover, inbound tourism may be affected, with less tourists travelling to Hong Kong, which in turn may negatively affect the Hong Kong retail market and hospitality industry. Furthermore, there is no assurance that prolonged social unrest will not have an adverse impact on residential and commercial property prices. Social unrest is outside the control of the Group, and any such demonstrations, protests or riots occurring in close proximity to the Group's properties or over a prolonged period could adversely impact the Group's business, financial condition and results of operations.

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. Since 2010, the PRC government at both the central and local levels have implemented measure such as home purchase restrictions that have affected market sentiment and reduced transaction volume in the PRC property market.

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 Beijing 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 and Beijing 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 and Beijing 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. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou, Hainan province and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. In September 2018, Beijing issued new rules further tightening the availability of housing provident fund loans. On 25 August 2019, the People's Bank of China (the "**PBOC**") issued the People's Bank of China No.16 [2019] Announcement, under which, starting from 8 October 2019, new commercial individual housing loans should be determined by adding basis points to the latest monthly loan prime rate ("**LPR**") of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflecting the loan risk profile, and remain fixed during the contract period. The interest rate of loans for first-time home purchasers should not be lower than the LPR of corresponding maturity, and the interest rate of loans for second-time home purchasers should not be lower than the LPR of corresponding maturity plus 60 basis points. On 30 December 2020, the PBOC and the China Banking and Insurance Regulatory Commission jointly issued the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions which becomes effective from 1 January 2021. This notice classifies the banks into five categories and set the upper limits on the proportion of real estate loans and the proportion of personal housing loans according the classification, the former being 40% and the latter being 32.5%, which is subject to certain range of adjustment based on the characteristics of the local economic and financial development level. 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, 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; and such economic adjustments may affect the PRC property market. 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 and political events

Economic events outside Hong Kong, the PRC and Macau may adversely affect the Group's business. In recent years, volatility in the global credit markets has affected the availability of credit and the confidence of the financial markets, globally as well as in Hong Kong, the PRC and Macau. 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, the political instability in the Korean Peninsula and the enhanced market volatility stemming from the exit of the United Kingdom from the European Union ("**Brexit**") effective from 31 January 2021. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. Furthermore, the rising trade tensions between the United States, China and other major nations create uncertainties in the world economy and global financial market. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on the United States' products. Although the United States and China entered into "phase one" of an economic and trade agreement in early 2020, the effect of such an agreement remains elusive, and the lasting impacts any trade war may have on Hong Kong's and China's economies and the industries the Group operates in remain uncertain.

Following the enactment of the Law of the People's Republic of China on Safeguarding National Security in Hong Kong (the "**Hong Kong National Security Law**"), the United States government signed into law the Hong Kong Autonomy Act (the "**HKAA**") in July 2020 authorising the United States administration to impose blocking sanctions against individuals and entities determined to "materially contribute to the erosion of Hong Kong's autonomy". The United States government also issued executive order that withdrew certain privileges granted to Hong Kong. The combined effect of the Hong Kong National Security Law, the HKAA and the executive order have caused, and may continue to cause, substantial market uncertainties, and certain other foreign governments and organisations have also taken actions in response to or expressed concern regarding the enactment of the Hong Kong National Security Law. There can be no assurance that the Group's business, results of operations and financial condition will not be affected by these political and legal developments.

In addition, any deterioration in the financial markets may contribute to a slowdown in the global economy, including in the growth forecasts, and may lead to significant declines in employment, household wealth, consumer demand and lending. These events have had, or may continue to have, a significant adverse impact on economic growth in Hong Kong, the PRC and elsewhere. An economic downturn may also have a negative impact on the overall level of business and leisure travel to Hong Kong and the PRC. There can be no assurance that these conditions will not lead to reduced property prices and rentals, reduced hotel occupancy levels and rates and reduced consumer spending in Hong Kong and the PRC. There can be no assurance that any stimulus measures implemented or proposed by governments will improve economic growth or consumer sentiment in these countries. In addition, if this situation were to worsen, or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost. The Group may also be subject to solvency risks of banks and of its counterparties in its financial investments and arrangements. These may have a material adverse impact on the operations of the Group.

The Group's property businesses require substantial capital investment

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

The Group operates in highly competitive industries

The Group's principal business operations face significant competition across the markets in which it operates. New market entrants and intensified price competition among existing market players could adversely affect the Group's financial condition or results of operations. New properties and facilities built in areas where the Group's properties are located may compete with the Group for tenants and occupants, which may affect the Group's ability to maintain high occupancy and utilisation levels, rental rates and other charges in respect of its investment properties and buyers, which may affect the Group's ability to sell its development properties. Competition risks faced by the Group include: (i) an increasing number of developers undertaking property investment and development in Hong Kong and the PRC, in particular Shanghai and Beijing 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 could 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 and 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 its 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 HKFRSs, the Group reviews the net realisable value ("**NRV**") of its properties classified as properties held for sale at every reporting balance sheet date at the lower of cost or NRV on the basis of an external professional valuation. Any increase in the NRV of these properties above their relevant cost to completion will not be credited to the income statement. However, any decrease in the NRV of the Group's properties below that of their relevant cost to completion 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 to be in compliance with the new regulations. If the Group is subject to penalties or incurs 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 its current, construction contracts during the life of a project, which may span over several years, or that the Group hires the employees directly or purchases 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 itself. 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 the Group's borrowings are primarily denominated in Hong Kong dollars, as at 31 March 2021 the Group had Renminbi denominated loans with an aggregate outstanding amount of approximately RMB611 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 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 on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial condition or results of operations.

The Guarantor is controlled by a single major shareholder

The ultimate major shareholder of the Guarantor is Mr. Chung Cho Yee, Mico, who is Chairman and Executive Director of the Guarantor and has an interest in approximately 53.22 per cent. of the issued share capital of the Guarantor as at 31 March 2021 with the remaining shares being held by other employees of the Group and by public shareholders. Mr. Chung, as the Guarantor's controlling shareholder, is therefore able to exert considerable influence over the management and affairs of the Group. As a result, transactions between the Guarantor and other companies in which Mr. Chung has an interest are subject to the rules of The 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.

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:

- economic and political structure;
- extent of government involvement and control;
- level of development;
- growth rate;
- regulation of capital investment;

- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 25 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-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 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.

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.

The Group may enter into certain land clearance agreements with relevant land authorities, and may be required to assist local governments with clearing land and relocating original residents with respect to potential development property projects in accordance with the relevant PRC laws and regulations. The complicated administrative process and possibility of unfavourable settlement regarding the amount of compensation may increase the cost of any such development and materially adversely affect the Group's cash flow, business operations and financial condition.

Under PRC law, if a developer fails to perform its obligations according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant local government authority may give a warning to or impose a penalty on the developer or forfeit the land granted to the developer. Under the current PRC laws and regulations, if a developer fails to pay any outstanding land premium by the stipulated deadline, it may be subject to a late payment penalty calculated on a per-day basis. In addition, if a developer fails to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land bureau, the relevant PRC land bureau may serve a warning notice on the developer and impose an idle land fee of up to 20 per cent. of the land premium unless such failure is caused by a government action or a force majeure event. Even if the commencement of the land development complies with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25 per cent. of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. The Notice on Promoting Economisation of Land Use issued by the State Council in January 2008 further confirmed the idle land fee at 20 per cent. of the land premium. If a developer fails to commence such development for more than two years, the land is subject to forfeiture without compensation to the PRC government unless the delay in development is caused by government actions or force majeure. In addition, a developer with idle land together with its shareholders may be restricted from participating in future land bidding.

Although the Group has never been subject to any such penalties or required to pay idle fees or forfeit any of its land in the PRC, there can be no assurance that circumstances leading to possible forfeiture of land or delays in the completion of a project may not arise in the future.

Further, the Group must obtain various permits, certificates, relevant approvals from the relevant administrative authorities at various stages of development, including land use rights document (including land use right certificate and land use planning permit), environmental assessment document, planning permits, construction permits and confirmation of completion and acceptance. Each approval is dependent on the satisfactory compliance with certain requirements or conditions. The Group can give no assurance that it will not encounter material delays or other impediments in fulfilling the conditions precedent to obtain these approvals.

These measures have to date focused on tier-one and tier-two cities, there is a risk that similar measures will be introduced in tier-three and tier-four cities which would have an adverse impact on the Group's potential developments in such cities.

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 that 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 recognise 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. The International Monetary Fund announced on 30 September 2016 that the Renminbi is joining its Special Drawing Rights currency basket. In August 2019, the U.S. Department of the Treasury labelled China a currency manipulator, while in January 2020, along with the signing of the phase-one trade deal between the United States and the PRC, the U.S. Department of the Treasury formally stepped back from its decision to designate China a currency manipulator. Such changes, 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 that 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（關於全面推開營業税改徵增值税試點的通知）and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax（營業税改徵增值税試點實施辦法）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 become subject to the value-added tax regime from its financial year ended 31 March 2017. The Group believes the scheme does 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 has re-formulated the Group's business and financial management procedures and adjusted 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.

Risks Relating to the Notes and the Guarantee of the Notes

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 Notes to the Guarantor and/or any other members of the Group which will be used for general working capital of the Group and repayment of certain debt obligations. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Notes will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

Risks associated with the Guarantor's holding company structure

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

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3 (Negative Pledge)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Notes constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3 (Negative Pledge)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will rank above the Noteholders' claims with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then principal, interest or other sums payable under all or a portion of the Notes then outstanding would remain unpaid.

The Notes and the Guarantee of the Notes are unsecured obligations

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

- the Guarantor or the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

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

The Notes may not be a suitable investment for all investors

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

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

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

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

(v) understand the tax consequence of the purchase, ownership and disposition of the Notes; and

(vi) be able to evaluate (either alone or with the help of a financial advisor) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment and regulations, or review or regulation by certain authorities.

Changes in interest rates may have an adverse effect on the price of the Notes

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

As the Notes will carry a fixed interest rate, the trading price of the Notes will consequently vary with the fluctuations in the U.S. dollar interest rates. If the Noteholders propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

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

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

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Optional redemption features as contained in the Terms and Conditions of the Notes are likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem any Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may happen prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer and the Guarantor may not be able to meet their obligations under the Notes and the Guarantee

The Issuer may (and at maturity, will) be required to redeem all of the Notes. In case of failure by the Issuer to fulfil its payment obligations under the Notes, the Guarantor will also be required to pay on behalf of the issuer under the Guarantee. If any such event were to occur, the Issuer or, as the case may be, the Guarantor may not have sufficient cash in hand and may not be able to arrange financing in time, or on acceptable terms, or at all. The ability of the Issuer to redeem the Notes or the ability of the Guarantor to pay under the Guarantee may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer or, as the case may be, failure by the Guarantor to pay under the Guarantee would constitute an event of default under the Notes, which may also constitute a default under the terms of the Group's other indebtedness.

The Issuer or the Guarantor may not be able to raise the funds necessary to finance the purchase of Notes upon occurrence of a Change of Control at the option of the holder

Following the occurrence of a Change of Control, Noteholders may require the Issuer to redeem their Notes. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control*". The source of funds for any such redemption would be the Issuer's or the Guarantor's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

The Notes will be represented by the Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the Clearing Systems

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

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

A holder of a beneficial interest in the Global Note Certificate must rely on the procedures of the Clearing Systems to receive payments under the Notes. 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 Note Certificate.

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

The insolvency laws of the British Virgin Islands and Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and Bermuda, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve the British Virgin Islands or Bermuda insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Issuer may issue additional Notes in the future

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Noteholders, create and issue further Notes (see "*Terms and Conditions of the Notes – 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 Notes.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of he Notes may be adverse to the interest of the individual Noteholders.

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

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

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

A change in English law which governs the Notes may adversely affect holders of the Notes

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issuer of the Note and any such change could materially adversely impact the value of any Notes affected by it.

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

The U.S.$300,000,000 5.45 per cent. Guaranteed Notes due 2025 (the Notes, which expression includes any further notes issued pursuant to Condition 13 *(Further Issues)* and forming a single series therewith) of Estate Sky Limited (the Issuer) are constituted by a deed of covenant dated 21 July 2021 (as amended or supplemented from time to time, the Deed of Covenant) entered into by the Issuer and are subject to and with the benefit of (a) a deed of guarantee dated 21 July 2021 (as amended or supplemented from time to time, the Deed of Guarantee) entered into by CSI Properties Limited (the Guarantor) and, (b) a fiscal agency agreement dated 21 July 2021 (as amended or supplemented from time to time, the Agency Agreement) between the Issuer, the Guarantor, Citibank, N.A., London Branch as registrar (the Registrar, which expression includes any successor registrar appointed from time to time in connection with the Notes), Citicorp International Limited as fiscal agent (the Fiscal Agent, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agent named therein (the Transfer Agent, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and Citibank, N.A., London Branch as paying agent (the Paying Agent, which expression includes any successor or additional paying agent appointed from time to time in connection with the Notes). References herein to the Agents are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent and any reference to an Agent is to any one of them. Certain provisions of these terms and conditions (the Conditions) are summaries of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee applicable to them. Copies of the Agency Agreement, the Deed of Covenant and Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Status and Guarantee

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

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

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

2. Register, Title and Transfers

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

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

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

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

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

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

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

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

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

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

3. Negative Pledge

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

In these Conditions:

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

(a) any obligation to purchase such Indebtedness;

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

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

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

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

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

(b) amounts raised under any note purchase facility;

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

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

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

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

Material Subsidiary means any Subsidiary of the Guarantor:

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Interest

The Notes bear interest from 21 July 2021 (the **Issue Date**) at the rate of 5.45 per cent. per annum, (the **Rate of Interest**) payable semi-annually in arrear on 21 January and 21 July in each year (each, an **Interest Payment Date**), subject as provided in Condition 6 *(Payments)*.

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

The amount of interest payable on each Interest Payment Date shall be U.S.$5,450 in respect of each Note of U.S.$200,000 denomination and U.S.$27.25 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the **Calculation Amount**, where Calculation Amount means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. Redemption and Purchase

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 21 July 2025 (the **Maturity Date**), subject as provided in Condition 6 (Payments).

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

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 July 2021; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 7 *(Taxation)* or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 July 2021; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

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

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

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

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

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

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

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

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

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

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

(i) the Controlling Shareholder:

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

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

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

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

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

(d) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer, on giving not less than 30 days' nor more than 60 days' notice to the Noteholders, the Registrar and the Fiscal Agent (each an **Optional Redemption Notice**) (which shall be irrevocable), in whole or in part, at any time on or after 21 July 2024, at 101 per cent. of the principal amount of the Notes to be redeemed, together with accrued and unpaid interest to such date fixed for redemption specified in the Optional Redemption Notice.

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

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

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

6. Payments

(a) *Principal:* Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Paying Agent.

(b) *Interest:* Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Paying Agent.

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

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

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

(f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the Record Date).

7. Taxation

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

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

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

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

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

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

8. Events of Default

If any of the following events occur:

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

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

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

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

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

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

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$15 million (or its equivalent in any other currency or currencies); or

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

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

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

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

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

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

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

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

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

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

9. Prescription

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

10. Replacement of Note Certificates

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

11. Agents

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

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

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

In addition, (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 Notes 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 Noteholders (a "**Written Resolution**") and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Noteholders of not less than three quarters of the aggregate principal amount of Notes 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 Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

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

13. Further Issues

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

14. Notices

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

15. Currency Indemnity

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

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

16. Governing Law and Jurisdiction

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

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

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

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

(e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

THE GLOBAL NOTE CERTIFICATE

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

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

The Global Note Certificate will become exchangeable in whole, but not in part, for definitive notes (the "**Individual Note 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 of the circumstances described in Condition 8 *(Events of Default)* occurs.

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

If:

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

(b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then, at 5:00 p.m. (local time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (local time) on such due date (in the case of (b) above) the Registrar shall in respect of each person shown in the records of Euroclear and/or Clearstream (or any other relevant clearing system) as being entitled to interest in the Notes (each an "**Accountholder**"), enter in the Register the name of such Accountholder as the holder of direct rights under the deed of covenant dated 21 July 2021 (the "**Deed of Covenant**") in respect of the Notes in an aggregate principal amount equal to the principal amount shown in the records of Euroclear and/or Clearstream (or any other relevant clearing system) of such Accountholder's interest in the Notes. To the extent that the Registrar makes such entries in the Register, the holder will have no further rights under the Global Note Certificate, but without prejudice to the rights which the holder or Accountholders may have under the Deed of Covenant. Under the Deed of Covenant,

Accountholders will acquire directly against the Issuer, subject to their rights being entered in the Register as described above and subject as provided in the Deed of Covenant, all those rights to which they would have been entitled if, immediately before the date on which the Registrar is required to enter in the Register the rights of the Accountholders, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream or any other relevant clearing system (as the case may be).

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

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

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

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

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

USE OF PROCEEDS

The net proceeds from the offering of the Notes, after deducting underwriting commissions and expenses, are estimated to be approximately U.S.$296 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 general working capital of the Group and repayment of certain debt obligations.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Group as at 31 March 2021, which has been extracted from the consolidated statement of financial position of the Group as at the same date, and as adjusted to give effect to the issuance of the Notes offered hereby. The table should be read in conjunction with the audited consolidated financial results of the Group as at 31 March 2021 and the notes thereto:

- on an actual basis; and
- as adjusted to give effect to the gross amount of the Notes issued in this offering

	As at 31 March 2021 (audited)		
	HK$'000 (Actual)	*U.S.$'000* (Actual)[1]	*U.S.$'000* (as adjusted)
Bank borrowings - due within one year	1,714,909	220,539	220,539
Bank borrowings - due after one year	8,364,534	1,075,686	1,075,686
Guaranteed notes - due within one year	1,859,520	239,136	239,136
Notes to be issued	–	–	300,000
	11,938,963	1,535,360	1,835,360
Shareholders' funds:			
Share capital[2]	76,117	9,789	9,789
Treasury shares	(6,572)	(845)	(845)
Reserves	13,228,358	1,701,178	1,701,178
Equity attributable to owners of the Guarantor	13,297,903	1,710,121	1,710,121
Holders of perpetual capital securities[3]	1,539,443	197,974	197,974
Non-controlling interests	33,879	4,357	4,357
Total equity	14,871,225	1,912,452	1,912,452
Total Capitalisation	26,810,188	3,447,812	3,747,812

Notes:

(1) A rate of HK$7.776 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) As at 31 March 2021, 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$76.1 million consisting of 9,514.7 million ordinary shares of HK$0.008 each.

(3) As at 31 March 2021, the carrying amount of 5.75 per cent. senior perpetual capital securities is face value of U.S.$200,000,000 net of issuance cost.

Save as disclosed above and as disclosed in *"Description of the Group – Recent Developments – Corporate Activity"*, there has been no material change in the capitalisation of the Guarantor since 31 March 2021.

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. Subsequent to the year ended 31 March 2021, the Issuer has redeemed and cancelled U.S.$500,000 of its U.S.$238,400,000 in aggregate principal amount 4.875 per cent. guaranteed notes due 2021 (the "**2016 Notes**"). As at the date of this Offering Circular, the Issuer has approximately U.S.$237,900,000 of the 2016 Notes and the entire amount of its U.S.$200,000,000 in aggregate principal amount 5.75 per cent. senior perpetual capital securities (the "**2017 Perpetual Capital Securities**") outstanding.

DESCRIPTION OF THE ISSUER

Formation

Estate Sky Limited is a British Virgin Islands business company incorporated under the BVI Business Companies Act 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 Notes.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are 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.

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 31st Floor, 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 an exempted company incorporated in Bermuda with limited liability, 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 31st Floor, 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 2021, Mr. Chung had an interest in approximately 53.22 per cent. in the issued 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)

- **Mr. Mico Chung**
  - 100% → **Digisino Assets Limited**
    - 100% → **Earnest Equity Limited**
      - 53.33% → **CSI Properties Limited (HK stock code: 497)**
  - 0.030% → **CSI Properties Limited (HK stock code: 497)**

CSI Properties Limited — Directly/ Indirectly held:

100%	**Able Market Limited**	*Retail portions on G/F, UG, 1-3/F, and office floors on 22/F and 23/F LL Tower, No. 2 Shelley Street, Central, Hong Kong*
100%	**Absolute Keen Limited**	*No. 45 Barker Road, Hong Kong*
100%	**Capital Strategic Property (Shanghai) Limited**	*In Point Shopping Mall , No. 169 Wujiang Road and Basement Level 1, No. 1, Lane 333 Shimen Road (No. 1), Jiang'an District, Shanghai, PRC*
50%	**Century Bliss Limited**	*No. 44 Stanley Village Road, Stanley, Hong Kong*
100%	**CH Property Services Limited**	*Provision of management services*
100%	**City Mate Limited**	*G/F and 51 car parks of Capital Centre, No. 151 Gloucester Road, Hong Kong*
100%	**Clear Luck Group Limited**	*31/F and 4 car parks, 4/F, Bank of America Tower, No. 12 Harcourt Road, Central, Hong Kong*
65%	**Cleverland Global Limited**	*"8-12 Peak Road", 11 residential units, 31 car parks and 5 motor bike parking spaces at Nos. 8, 10 & 12 Peak Road, The Peak, Hong Kong*
100%	**Couture Homes Limited**	*Investment holding*
40%	**Creative Modern Limited**	*Lot Nos. 6, 7, 8, the remaining portion of Lot No. 10, section A of Lot No. 10 and Lot No. 12 in D.D. 95, North, New Territories, Hong Kong; and Lot No. 9 in D.D.95, Nos. 12 & 13 Lo Wu Camp Road, North Territories, Hong Kong.*
100%	**CSI Financial Holdings Limited**	*Securities investment*
100%	**CSI Property Services Limited**	*Provision of management services*
60%	**Eagle Wonder Limited**	*Dukes Place, 8 residential units, 17 car parks and 1 motorcycle parking space at No. 47 Perkins Road, Jardine's Lookout, Hong Kong*
100%	**Earthmark Limited**	*Loan financing*
100%	**Estate Sky Limited**	*Bond Issuer*
65%	**Faith Shores Limited**	*Knightsbridge, No. 90 and No. 92 Jinbao Street, 101 apartments and 124 car parks Dongcheng District, Beijing, PRC*
100%	**Go High Investments Limited**	*Richgate Plaza, Level 1, Level 2 and Basement Level 1, No. 1-6, Lane 222 Madang Road, Huangpu District, Shanghai, PRC*
30%	**Great Maker Limited**	*No. 38 Wai Yip Street, Kowloon Bay, Kowloon, Hong Kong*
100%	**Hoyden Holdings Limited**	*Commercial portions, COO Residence, 18 shops on Basement, G/F and 1/F, 8 signages on G/F, 2/F and 3/F, No. 8 Kai Fat Path, Tuen Mun, New Territories, Hong Kong*
100%	**ICC Financial Limited**	*Money lending*
15%	**King Empire International Limited**	*Wong Chuk Hang Station Package Five Property Development Site E of Aberdeen, Inland Lot No. 467*
50%	**Leading Avenue Limited**	*Lai Sun Yuen Long Centre, Nos. 21-35 Wang Yip Street East, Yuen Long, New Territories, Hong Kong*
100%	**Linking Plus Investments Limited**	*Hong Kong Health Check Tower (formerly known as Everest Building), Nos. 241 and 243 Nathan Road, Jordan, Kowloon, Hong Kong*
100%	**Major Mission Limited**	*48 Cochrane Street, the remaining portion of Inland Lot Nos. 4462, 4463 and 4464, Hong Kong*
100%	**Mark Well Investment Limited**	*Securities investment*
25%	**Modern Crescent Limited**	*Harbourside HQ , No. 8 Lam Chak Street, Kowloon Bay, Kowloon, Hong Kong*
60%	**Perry Global Limited**	*2 floors of Broadway Center, Macau*
50%	**Sincere Charm Limited**	*No. 92 Repulse Bay Road, Hong Kong*
50%	**Southwater Investments Limited**	*Developer's Portion at Inland Lot No. 9065, Urban Renewal Authority Project H18 (Site C), Gage Street/Graham Street, Central, Hong Kong*
92%	**Spring Wonder Limited**	*No. 333 Fan Kam Road, Sheung Shui, New Territories, Hong Kong*
100%	**Star Trail Limited**	*Nos. 92-96 Wellington Street (Redevelopment), Central, Hong Kong*
20%	**Success Apex Limited**	*Construction site at New Kowloon Inland Lot No. 6602, Kowloon, Hong Kong*
100%	**Surplus King Grand Investment Holding Limited**	*No. 348 Nathan Road (Redevelopment), Jordan, Kowloon, Hong Kong*
100%	**Venus Fortune Limited**	*House B, "8-12 Peak Road"(Redevelopment), No. 10 Peak Road, Hong Kong*
30%	**Wealth Explorer Holdings Limited**	*No. 23 Po Shan Road, Hong Kong*
100%	**Well Clever International Limited**	*Securities investment*

Competitive Strengths

Solid execution capabilities with proven track record and excellent market reputation

As at 31 March 2021, the Group's equity attributable to owners of the Guarantor was HK$13,298 million. The Group currently owns and manages approximately 4.9 million square feet (attributable interest of approximately 2.2 million square feet) of prime commercial and residential space in Hong Kong, Shanghai, Beijing and Macau. As at 31 March 2021, the Group held 26 major properties in prime locations across Hong Kong, Shanghai, Beijing and Macau, with a total attributable market value of approximately HK$37 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 with typical Hong Kong retail property and office property developers, the Group's inherent business model, coupled with its efficient practices, results in a shorter cash conversion cycle. 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 to 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. Chung Cho Yee, Mico**, Chairman, Founder and Executive Director, joined the Group in 2004. He is also a director of certain subsidiaries of the Group. He is also the Chairman of the Executive Committee and the Nomination Committee, and a member of the Remuneration Committee of the Board. He has over 30 years of corporate finance and real estate experience and had previously been involved in several landmark deals.

- **Mr. Kan Sze Man**, Chief Operating Officer and Executive Director, joined the Group as Group General Counsel in 2001 and has been the Chief Operating Officer of the Group since 2016. He is a director of certain subsidiaries and associates of the Group and a member of the Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan was a non-executive director of BCI Group Holdings Limited ("**BCI**") (a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange) up to February 2021. The Guarantor ceased to be BCI's substantial shareholder on 14 December 2020.

- **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 the 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 the 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 30 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 worked in Shanghai, PRC in the 1990s, and in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989.

- **Mr. Ho Lok Fai**, Executive Director, joined the Group in 2005. He has been involved in the commercial property investment and agency business since 1991, having over 30 years of solid and proven experience specialising in the investment in Grade A and B offices in Hong Kong. He has served the Group from 2005, and is responsible for investment in commercial properties, leasing matters, and the property management business for offices and industrial properties of the Group. He possesses exceptional acumen and insight in the property market business, with comprehensive understanding of extensive clientele in commercial property investments, and has extensive and reliable connections with reputable estate agents in the commercial property market which he can readily call upon to dispose of the Group's commercial and development projects into the market in the most profitable and efficient manner. Over many years, he has achieved very satisfactory results and performance for those projects or investments that he has been involved in. He also holds directorships in certain subsidiaries of the Group.

- **Mr. Leung King Yin, Kevin**, Executive Director, joined the Group in 2021 and was appointed as managing director of development. He is the head of the project management and development department of the Group, leading a team of project managers and surveyors in managing a variety of residential and commercial projects in Hong Kong. Prior to joining the Group, he was the general manager/project director of a number of sizable listed companies. He has over 30 years of experience in the property development field, with a varied portfolio that includes residential, commercial and hotel developments in Hong Kong, Mainland China and Canada. He holds a Bachelor degree of Architecture from the University of Melbourne. He is a registered architect and an authorized person under the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) (the "**BO**"), with extensive project management experience.

- **Mr. Ethan Wong**, Senior Director, Acquisition & Investment – commercial property division, joined the Group in 2017. Mr. Wong is responsible for sourcing, screening and executing real estate investment opportunities. He has over 10 years of real estate planning and acquisition experience in the United States and Asia Pacific, including China, Hong Kong, Vietnam and Singapore.

- **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, and member 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 property development and project management. He is an authorized person under the BO and registered architect with over 16 years of experience in luxury residential property development.

Furthermore, Mr. 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 and "Best Mid-Cap Company in Hong Kong" for 2018 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

As at 31 March 2021, the Group has a portfolio of 14 major commercial properties across different sectors, covering retail, office and hotel properties in Hong Kong, Shanghai and Macau, with a recurring income base. For the years ended 31 March 2019, 2020 and 2021, the Group's revenue from rental income has generally been stable and amounted to HK$302 million, HK$212 million and HK$227 million, respectively. 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 provides 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. As at 31 March 2021, the Group had a net gearing ratio of approximately 36.4 per cent. (net gearing ratio is calculated by the Group's bank borrowings and guaranteed notes less cash and bank balances divided by total assets) and total debt (banks and other borrowings) to total assets ratio of approximately 41.7 per cent. 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. As at 31 March 2021, the Group had consolidated cash and bank balances (including cash held by securities brokers) and marketable securities held for sale comprising of financial assets at FVTPL (which can easily be liquidated) of approximately HK$1,501 million and HK$1,701 million, respectively. In addition to its internally generated cash flow, the Group has access to diversified sources of funds for its operations. The Issuer issued the 2016 Notes in August 2016 and the 2017 Perpetual Capital Securities in September 2017. In addition, as at 31 March 2021, the Group has undrawn committed facilities of approximately HK$4,330 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 peer group norms. For the years ended 31 March 2019 and 2020, the Group declared dividends of HK$70.6 million and HK$49.0 million, respectively. For the years ended 31 March 2021, the Group proposed to declare dividends of HK$39.9 million, representing 10.6 per cent., 3.9 per cent. and 9.6 per cent., respectively, of the Group's profit for the years ended 31 March 2019, 2020 and 2021.

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 category 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 timeframe. The Group's close relationships with property brokers, which have been developed over a number of years, often allow 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, all units were sold and delivered for the Group's life-style oriented project in Causeway Bay, yoo Residence, kau to HIGHLAND project in Kau To Shan and the COO Residence in Tuen Mun. 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. Management's aim 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. In addition, the Group will also further its presence in the mass residential market with our participation in two residential sites at Yau Tong and Wong Chuk Hang MTR stations.

Continue to grow investments in the PRC to capture the market's rapid economic growth and its 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 currently has two projects in Shanghai, which are the In Point Shopping Mall, and the Richgate Plaza. The Group also has a project in Beijing, the renovation of residential apartments at Knightsbridge. The Group intends to further expand its investments in Tier 1 cities in the PRC when appropriate opportunities arise, while maintaining Shanghai and Beijing 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, Beijing and Macau. 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.

As at 31 March 2021, the Group owns and manages over 4.9 million square feet (attributable interest of approximately 2.2 million square feet) of prime properties in Hong Kong, Shanghai, Beijing 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 by uplifting 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 periods indicated:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Sales of properties held for sale	3,136,961	3,498,030	141,800
Rental income	302,219	211,926	226,912
	3,439,180	**3,709,956**	**368,712**

The following is an analysis of the Group's revenue and results by reportable and operating segments for the year ended 31 March 2021:

	Commercial property holding	Residential property holding	Macau property holding	Securities investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
External revenue					
Rental income	219,676	4,175	3,061	–	226,912
Sales of properties held for sale	141,800	–	–	–	141,800
Revenue of the Group	361,476	4,175	3,061	–	368,712
Interest income and dividend income	-	–	–	229,218	229,218
	361,476	4,175	3,061	229,218	597,930
Share of revenue of associates and joint ventures					
Rental income	75,565	265	–	–	75,830
Sales of properties held for sale	13,994	1,576,287	–	–	1,590,281
	89,559	1,576,552	–	–	1,666,111
Segment revenue	451,035	1,580,727	3,061	229,218	2,264,041
Results					
Share of results of joint ventures *(Note)*	(121,122)	367,201	–	–	246,079
Share of results of associates *(Note)*	576	(55)	–	–	521
Segment profit (loss) excluding share of results of joint ventures and associates	322,735	(1,305)	609	206,664	528,703
Segment profit	202,189	365,841	609	206,664	775,303
Unallocated other income					39,197
Unallocated other gains and losses					19,125
Central administration costs					(113,858)
Finance costs					(275,280)
Profit before taxation					444,487

Note: *Share of results of associates and joint ventures mainly represent share of the operating profit or loss of these entities from their businesses of property investment and development.*

Market developments

The global economy has been full of challenges due to the continuing trade war disputes between the United States and China. The global economic slowdown due to trade protectionism has affected international finance and trade businesses which are key industries in Hong Kong. Furthermore, recent social incidents in Hong Kong have also increased pressure on retail and travel-related businesses. The outbreak of COVID-19 has caused major upheavals on the global economies, and has impacted the Group's business, especially on the commercial front. The COVID-19 global pandemic may also have a material adverse effect on the properties markets of the PRC and Hong Kong as well. As such, the Group remains cautiously optimistic on the prospect of the commercial sector in the medium term, in particular in prime areas such as Central.

On the residential front in Hong Kong, the Group sees strong first-hand sales figures in the mass market sector and good luxury market sector sales, despite the borders with Mainland China remaining closed. The Group believes the mass market sector will continue to outperform given the disparity in local residential supply and demand. For the luxury market sector, the Group believes that strong sales of units at the Group's Dukes Place and Peak Road projects also indicate the resilience of this sector amidst both local and global events.

Although the Hong Kong economy has been undergoing many unprecedented challenges arising from the proposed amendment of the extradition bill and other social issues, the Group believes such disputes will soon be successfully resolved, and remains confident of the longer term fundamentals and prospects of Hong Kong.

The Group also believes another factor that will help to alleviate the challenging economic situation is the continuing low and declining interest rate environment globally, providing money and liquidity, and supporting the real assets markets. Furthermore, in January 2020, the United States and China entered into "phase one" of an economic and trade agreement as an initial step towards resolving the trade war disputes between them, and the Group expects this initial resolution will improve market sentiment. Combined with the potential of further resolution of the trade war disputes between the United States and China in the near future, the Group expects China's economy to grow at a reasonable rate on the back of government stimulation through monetary and fiscal policies. The Group believes this would help to stabilise and offer support to China's economy which should then also benefit Hong Kong when recent social incidents subside.

Since the Group's inception in 2004, the Group's management team has endured various challenges in Hong Kong, including the SARS epidemic and the global financial crisis that began in 2008, and has repeatedly and successfully steered the Group to navigate challenging economic situations and to maintain the Group's strong growth and profits. With the Group's strong balance sheet, ample liquidity, a solid real estate portfolio in key areas in Hong Kong and highly experienced senior management and project management team, the Group remains optimistic on future businesses and is confident that it will continue to benefit from its strong position as a key opportunistic real estate investor.

__Major Properties__

Set out below is a list of the Group's major properties held as at 31 March 2021. The table below sets out the breakdown of major commercial and residential properties held by the Group in Hong Kong, Shanghai, Beijing and Macau:

Portfolio Information	Location	Approximate gross floor area[2]	Approximate gross floor area attributable to the Group	Market value as at 31 March 2021[1][2]	Market value attributable to the Group as at 31 March 2021	Book Value as at 31 March 2021[2]	Book value attributable to the Group as at 31 March 2021
		(sq. ft '000)	*(sq. ft '000)*	*(HK$'m)*	*(HK$'m)*	*(HK$'m)*	*(HK$'m)*
Commercial Properties							
G/F and 51 car parks of Capital Centre, No. 151 Gloucester Road	Wan Chai	17	17	700	700	150	150
Retail portions on G/F, UG/F, 1-3/F, and office floors on 22/F and 23/F, LL Tower, No. 2 Shelley Street	Central	9[3]	9[3]	580	580	258	258
48 Cochrane Street (Redevelopment) ..	Central	32	32	560	560	560	560
Developer's Portion at Inland Lot No. 9065, Urban Renewal Authority Project H18 (Site C), Gage Street/ Graham Street (Redevelopment) (CSI-50 per cent.)	Central	432	216	10,300	5,150	10,300	5,150
No. 348 Nathan Road (Redevelopment)	Jordan	254	254	4,500	4,500	2,727	2,727
No. 38 Wai Yip Street (CSI-30 per cent.)	Kowloon Bay	259	78	4,793	1,438	2,027	608
Harbourside HQ, No. 8 Lam Chak Street (CSI-25 per cent.)	Kowloon Bay	680	170	7,700	1,925	7,679	1,920
Hong Kong Health Check Tower (formerly known as Everest Building), Nos. 241 and 243 Nathan Road	Jordan	62	62	1,700	1,700	1,700	1,700
Lai Sun Yuen Long Centre, Nos. 21-35 Wang Yip Street East (CSI-50 per cent.)	Yuen Long	388	194	1,650	825	1,037	519
Nos. 92-96 Wellington Street (Redevelopment)	Central	43	43	941	941	609	609
COO Residence, 18 shops on basement, G/F and 1/F, 8 signages on G/F, 2/F and 3/F, No. 8 Kai Fat Path	Tuen Mun	11[3]	11[3]	720	720	274	274
2 floors of Broadway Center (CSI-60 per cent.)	Macau	9	5	174	104	174	104
In Point Shopping Mall, No. 169 Wujiang Road and Basement Level 1, No. 1, Lane 333 Shimen Road (No. 1)	Jing'an District, Shanghai	122	122	2,019	2,019	682	682
Richgate Plaza, Level 1, Level 2 and Basement Level 1, No. 1-6, Lane 222 Madang Road	Huangpu District, Shanghai	122	122	2,237	2,237	1,604	1,604
		2,440	1,335	38,574	23,399	29,781	16,865

Portfolio Information	Location	Approximate gross floor area[2]	Approximate gross floor area attributable to the Group	Market value as at 31 March 2021[1][2]	Market value attributable to the Group as at 31 March 2021	Book Value as at 31 March 2021[2]	Book value attributable to the Group as at 31 March 2021
		(sq. ft '000)	*(sq. ft '000)*	*(HK$'m)*	*(HK$'m)*	*(HK$'m)*	*(HK$'m)*
Residential Properties							
Dukes Place, 8 residential units, 17 car parks and 1 motorcycle parking space at No. 47 Perkins Road (CSI-60 per cent.)	Jardine's Lookout	35[3]	21[3]	2,829	1,697	1,504	902
Knightsbridge, No. 90 and No. 92 Jinbao Street (101 apartments and 124 car parks) (CSI-65 per cent.)	Dongcheng District, Beijing	365	237	3,825	2,486	2,471	1,606
No. 45 Barker Road	The Peak	4	4	1,200	1,200	661	661
"8-12 Peak Road", 11 residential units, 31 car parks and 5 motor bike parking spaces at Nos. 8, 10 &12 Peak Road (for refurbishment), (CSI-65 per cent.)	The Peak	42[3]	27[3]	3,240	2,106	2,039	1,325
House B, "8-12 Peak Road", No. 10 Peak Road (Redevelopment)	The Peak	5	5	600	600	385	385
No. 333 Fan Kam Road (CSI-92 per cent.)	Sheung Shui	33	30	910	837	710	653
No. 44 Stanley Village Road (CSI-50 per cent.)	Stanley	34[3]	17[3]	1,395	698	964	482
Construction site at New Kowloon Inland Lot No. 6602 (Redevelopment) (CSI-20 per cent.)	Yau Tong	325	65	3,365[5]	673	2,806	561
No. 23 Po Shan Road (Redevelopment) (CSI-20 per cent.)	Mid-levels	79	16	3,240	648	1,979	396
Wong Chuk Hang Station Package Five Property Development Site E of Aberdeen Inland Lot No. 467 (Redevelopment) (CSI-15 per cent.)	Aberdeen	636	95	10,534[4][5]	1,580	10,504	1,576
No. 92 Repulse Bay Road (Redevelopment) (CSI-50 per cent.)	Repulse Bay	8	4	655	328	558	279
Lot Nos. 6, 7, 8, 9, 10 S.A, 10 R.P. & 12 in Demarcation District No.95, Kwu Tung North (CSI-40 per cent.)	Sheung Shui	941	376	1,720	688	1,583	633
		2,507	897	33,513	13,541	26,164	9,459
Total (Commercial and Residential Properties)		4,947	2,232	72,087	36,940	55,945	26,324

Notes:

(1) Market value was based on valuation reports conducted by independent qualified valuers subsequent to the year ended 31 March 2021, or transaction price, except as otherwise indicated.

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

(3) Saleable area applied.

(4) Market value as at 31 May 2021.

(5) Being the market value less unpaid lump sum payment payable to MTR Corporation Limited.

Major disposals, contracted sales commitment and acquisitions for the year ended 31 March 2021

Major disposals and contracted sales commitment for the year ended 31 March 2021

Major disposals and bookings of previous contracted sales and presales of the Group's residential and commercial projects during the year ended 31 March 2021 included (i) the sales of 8 units of Dukes Place at No. 47 Perkins Road, Jardine's Lookout, Hong Kong, (ii) the sale of 55 units (consisting of 22 villas and 33 apartments) of Queen's Gate, Qingpu District, Shanghai, PRC, in which the Group had a 50 per cent. interest, and (iii) the sale of 2 ground floor shops at Oriental Crystal Commercial Building at No. 46 Lyndhurst Terrace in Central, Hong Kong and (iv) the sale of 3 units at the commercial office building at No. 38 Wai Yip Street in Kowloon Bay, Hong Kong. In addition, during the year ended 31 March 2021, 3 units of abovementioned Queen's Gate project entered into sales agreements, and are expected to complete sales and bookings in the year ended 31 March 2022.

Major acquisitions for the year ended 31 March 2021

During the year ended 31 March 2021, the Group acquired the remaining 35 per cent. interest in House B, "8-12 Peak Road", No. 10 Peak Road, The Peak, Hong Kong. The Group currently holds a 100 per cent. interest in this house redevelopment project. The property was a rare purchase in the premier residential area at the Peak in Hong Kong. As at 31 March 2021, the market value was HK$600 million, as compared with the book value of HK$385 million.

In July 2020, the Group acquired with a joint venture partner an agricultural land lot at Demarcation District No. 95, Kwu Tung North in the New Territories. The Group holds a 40 per cent. interest in this project. As at 31 March 2021, the market value attributable to the Group was HK$688 million.

In January 2021, the Group also joined with a consortium formed with New World Development Company Limited, Empire Development Hong Kong (BVI) Limited and Lai Sun Development Company Limited, which won the tender for the Wong Chuk Hang Station Package Five Property Development. The Group holds a 15 per cent. interest in this project. As at 31 May 2021, the market value attributable to the Group was HK$1,580 million.

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.

Set out below are the details of the Group's certain major commercial property projects as at 31 March 2021:

Hong Kong

G/F and 51 car parks of Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong

The Group holds a 100 per cent. interest in its remaining properties in this grade-A office building located at No. 151 Gloucester Road, Wan Chai, with a prime view of the Victoria Harbour. As at 31 March 2021, the Group owns the ground floor and 51 car parking spaces, totalling a GFA of approximately 16,600 square feet. As at 31 March 2021, the market value attributable to the Group was HK$700 million, as compared with the book value attributable to the Group of HK$150 million as at the same date. The Group's tenant at Capital Centre includes Porsche car dealership which is situated on the ground floor shop.

Retail portions on G/F, UG/F, 1-3/F, and office floors on 22/F and 23/F, LL Tower, No. 2 Shelley Street, Central, Hong Kong

In March 2011, the Group acquired an old building in the SOHO area in Central, Hong Kong, for a total consideration of HK$285 million for redevelopment. The Group holds a 100 per cent. interest in this project. The newly redeveloped building has a GFA of approximately 40,200 square feet, with the upper floors being used as office and the ground floor, upper ground floor and 1st to 3rd floors as retail and food and beverage outlets. As at 31 March 2021, the Group has sold the majority of the office floors totalling approximately 31,200 square feet. The market value of the remaining units attributable to the Group, with GFA totalling approximately 9,000 square feet, was HK$580 million, as compared with the book value attributable to the Group of HK$258 million as at the same date.

48 Cochrane Street, Central, Hong Kong

In March 2016, the Group acquired an old building at Nos. 46 and 48 Cochrane Street for a total consideration of HK$405 million for redevelopment. This commercial development project is situated at the heart of SOHO district of Central, immediately across from "Tai Kwun". The SOHO district is world-famous for its restaurants, bars, art galleries and comedy clubs and therefore is also highly frequented by tourists, expatriates and locals alike. The Group plans to make the project a Ginza-style food and beverage destination with a design theme inspired by the New York meatpacking district. The project is progressing well according to schedule. The construction on the superstructure is nearly finished. As at 31 March 2021, this site has a GFA of approximately 31,800 square feet under construction. As at 31 March 2021, the market value attributable to the Group was HK$560 million, as compared with the book value attributable to the Group of HK$560 million as at the same date. The Group expects construction of this project to be completed in the later part of 2021. Pre-leasing of the respective floors is currently ongoing to attract the most optimal leases.

Developer's Portion at Inland Lot No. 9065, Urban Renewal Authority Project H18 (Site C), Gage Street/ Graham Street, Central, Hong Kong

In December 2017, the Group won the tender for this site from Urban Renewal Authority. The Group holds a 50 per cent. interest through its joint venture with a third party real estate company established in Hong Kong. As at 31 March 2021, the market value attributable to the Group was HK$5,150 million, as compared with the book value attributable to the Group of HK$5,150 million as at the same date. The Group is working with the renowned architectural firm Foster + Partners and has initiated the master planning for this project which consists of a grade-A office tower, a luxury hotel and retail shops with a combined GFA of approximately 432,000 square feet. The Group expects this building to be an iconic and high-tech landmark to attract a mix of industries including retail, education and high-end hospitality. The construction work is currently ongoing and the Group expects to complete the construction of this property by 2024.

No. 348 Nathan Road, Jordan, Kowloon, Hong Kong

The Group maintains a 100 per cent. interest in the Novotel Hong Kong Nathan Road Kowloon ("**Novotel Hotel**"). 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. As at 31 March 2021, the market value attributable to the Group was HK$4,500 million, as compared with the book value attributable to the Group of HK$2,727 million as at the same date. The Group will redevelop the building into a mixed commercial and residential complex with total GFA of approximately 254,000 square feet. The demolition of the existing hotel is expected to commence in later part of 2021. The new complex is expected to complete its construction in 2025.

No. 38 Wai Yip Street, Kowloon Bay, Kowloon, Hong Kong

In May 2015, the Group won a government tender for the acquisition of an office land site in Kowloon Bay by 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 Group holds a 30 per cent. interest in this joint venture project. The site has an area of approximately 40,800 square feet with a maximum GFA of approximately 490,200 square feet. In mid-2019, the Group completed construction of a commercial office building on the site. As at 31 March 2021, approximately 51.6 per cent. of the units were sold and handed over. The market value of remaining units attributable to the Group was HK$1,438 million, as compared with the book value attributable to the Group of HK$608 million as at 31 March 2021.

Harbourside HQ, No. 8 Lam Chak Street, Kowloon Bay, Kowloon, Hong Kong

In August 2018, the Group purchased this office tower with three other joint venture partners through a consortium arrangement. The Group holds a 25 per cent. interest in this property. The site has a total GFA of approximately 680,000 square feet. The Group has completed renovations for this property and is actively recruiting high paying tenants from the banking, insurance, and technology, media and telecommunications sectors. As at 31 March 2021, the market value attributable to the Group was HK$1,925 million, as compared with the book value attributable to the Group was HK$1,920 million as at the same date.

Hong Kong Health Check Tower (formerly known as Everest Building), Nos. 241 and 243 Nathan Road, Jordan, Kowloon, Hong Kong

In May 2018, the Group purchased this prime commercial/retail building in Jordan for a total consideration of HK$1.9 billion. The Group holds a 100 per cent. interest in this project. The total GFA of this property is approximately 62,000 square feet. The building is situated on the junction of Nathan Road and Jordan Road and directly opposite to Jordan MTR station, which only requires a fifteen-minute walk from the high-speed railway station and thus provides fast and frequent access to Mainland China. The area is also well known to both the locals and mainland tourists for its high density of clinic and medical centres. The Group has strategically targeted to make the majority of Hong Kong Health Check Tower's tenant mix towards the medical services industry. With this new strategy, the building had undergone substantial improvement works to its façade, signage, main lobby, lifts, lift lobbies and washrooms which were completed in the first quarter of 2021. With this upgrade, we have secured a leading Hong Kong medical service provider, the Hong Kong Health Check and Medical Diagnostic Centre Limited, to be the anchor tenant to occupy most of the commercial floors. The newly refurbished building has also been renamed as the "Hong Kong Health Check Tower" to reflect this successful transformation to a dedicated medical service-oriented commercial tower. As at 31 March 2021, the market value attributable to the Group was HK$1,700 million and the book value attributable to the Group of HK$1,700 million as at the same date.

Lai Sun Yuen Long Centre, Nos. 21-35 Wang Yip Street East, Yuen Long, New Territories, Hong Kong

In October 2017, the Group acquired a 50 per cent. interest in this industrial building with a joint venture partner for a total consideration of approximately HK$1,037 million. The Group holds a 50 per cent. interest in this project. The total GFA of this property is approximately 388,000 square feet. The tenants in this building include banks, jewellery outlets and offices and commercial tenants. As at 31 March 2021, the market value attributable to the Group was HK$825 million, as compared with the book value attributable to the Group of HK$519 million as at the same date.

Nos. 92-96 Wellington Street, Central, Hong Kong

In 2019, the Group completed the acquisition of all ownership interest of a commercial site at Nos. 92-96 Wellington Street in Central. The original buildings have been demolished and a new commercial building with a total GFA of approximately 43,000 square feet will be built on the original site. Construction has commenced with the target completion time for the new commercial building set for 2024. As at 31 March 2021, the market value attributable to the Group was HK$941 million, as compared with the book value attributable to the Group of HK$609 million as at the same date.

COO Residence, 18 shops on basement, G/F and 1/F, 8 signages on G/F, 2/F and 3/F, No. 8 Kai Fat Path, Tuen Mun, New Territories, 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 saleable area of approximately 113,000 square feet, with approximately 102,000 square feet reserved for residential use and 11,000 square feet reserved for commercial use. The Group has developed this site into a luxurious high rise residential project with some commercial retail shops. As at 31 March 2021, the Group has sold all 204 residential units of this project for a total consideration of approximately HK$885 million. As at 31 March 2021, the market value attributable to the Group for the remaining ground floor, first floor and basement shops, together with various signages, was HK$720 million, as compared with the book value attributable to the Group of HK$274 million as at the same date.

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 an aggregate 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.

Particulars of the Group's major commercial projects in the PRC as at 31 March 2021 are set out below:

In Point Shopping Mall, No. 169 Wujiang Road and Basement Level 1, No. 1, Lane 333 Shimen Road (No. 1), Jing'an District, Shanghai, PRC

The Group holds a 100 per cent. interest in In Point Shopping Mall, Shanghai, a shopping mall located in central Shanghai, with a GFA of approximately 122,000 square feet. As at 31 March 2021, the market value attributable to the Group was HK$2,019 million, as compared with the book value attributable to the Group of HK$682 million as at the same date. This site is located next to the recently opened "HKRI Taikoo Hui" complex jointly owned by Swire Properties and HKR International, which the Group expects to result in a high demand for leasing space in this shopping mall. The Group has completed the repositioning of this property to enhance yield by converting this shopping mall into a strip of double-decker premium street-front stores to attract well-known retail tenants. With the tenancy upgrade, the Group is achieving significant value creation with much improved rental.

Richgate Plaza, Level 1, Level 2 and Basement Level 1, No. 1-6, Lane 222 Madang Road, Huangpu District, Shanghai, PRC

In 2017, the Group purchased a retail shopping mall named Richgate Plaza in the prime Xintiandi area for a total consideration of approximately RMB1.37 billion with a total GFA of approximately 122,000 square feet. As at 31 March 2021, the market value attributable to the Group was HK$2,237 million, as compared with the book value attributable to the Group of HK$1,604 million as at the same date. The tenants of Richgate Plaza include banks, food and beverage outlets and showrooms. The Group has completed the refurbishment and repositioning of this shopping mall and has achieved significant rental improvement with tenancy upgrade.

Residential Properties Development – Couture Homes

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 are the details of the Group's certain major residential development projects as at 31 March 2021:

Dukes Place, 8 residential units, 17 car parks and 1 motorcycle parking space at No. 47 Perkins Road, Jardine's Lookout, Hong Kong

In December 2012, the Group acquired an old building at this site for redevelopment. In 2020, following extensive construction work, the new luxury residential tower is built. This luxury apartment project, which is located in an ultra-high net-worth neighbourhood, consisting of 16 spacious apartments with multiple layouts, with saleable area ranging from approximately 2,850 square feet to over 6,800 square feet. The Group holds a 60 per cent. interest in this project. The Group collaborated with an internationally renowned architect firm PDP London and with leading interior designers from the United Kingdom, France, Japan and Hong Kong in this masterpiece project. As at 31 March 2021, the market value attributable to the Group was HK$1,697 million, as compared with the book value attributable to the Group of HK$902 million. The Group has sold and delivered 8 units out of a total of 16 units at superior pricing.

Knightsbridge, No. 90 and No. 92 Jinbao Street, Dongcheng District, Beijing, PRC

In May 2017, the Group with its partner acquired Knightsbridge residential units, which consist of 114 apartments and 124 car parking spaces with a total GFA of approximately 396,000 square feet, located in Beijing. The Group holds a 65% interest in this project. The surrounding area of this site is one of the most prime locations in Beijing and is adjacent to the Regent Hotel and the Hong Kong Jockey Club Beijing Clubhouse. Extensive renovation work was done and sales of the units have commenced at the beginning of 2021. For the year ended 31 March 2021, 13 residential units were sold and delivered. As at 31 March 2021, the market value attributable to the Group was HK$2,486 million, as compared with the book value attributable to the Group of HK$1,606 million as at the same date. As of the end of June 2021, the Group has entered into sales agreements for around 30 units for this project.

No. 45 Barker Road, The Peak, Hong Kong

In February 2011, the Group acquired a heritage site at No. 45 Barker Road, The Peak, Hong Kong, for a total consideration of approximately HK$204 million, consisting of an individual house. The Group holds a 100 per cent. interest in this project. The property was a rare purchase in the premier residential area on the Peak in Hong Kong. The Group has redeveloped the old structure into a unique luxury residential villa. As at 31 March 2021, the market value attributable to the Group was HK$1,200 million, as compared with the book value attributable to the Group of HK$661 million as at the same date.

"8-12 Peak Road", 11 residential units, 31 car parks and 5 motor bike parking spaces at Nos. 8, 10 & 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. In November 2017, an additional apartment unit was acquired at a consideration of HK$92 million. The Group holds a 65 per cent. ownership interest in this project. As at 31 March 2021, the market value attributable to the Group was HK$2,106 million, as compared with the book value attributable to the Group of HK$1,325 million as at the same date. Following the completion of all renovation work, this project now consists of 11 residential units with a total saleable area of approximately 42,000 square feet. The Group aims to maximise the valuation premium attached to this prime site which has a full and unobstructed 180 degree view of Victoria Harbour.

House B, "8-12 Peak Road", No. 10 Peak Road, The Peak, Hong Kong

In October 2015, the Group acquired with a partner a house at No. 10 Peak Road, The Peak, Hong Kong. In 2021, the Group acquired the remaining 35% interest in the house. The Group currently holds a 100 per cent. interest in this project. The property was a rare purchase in the premier residential area on the Peak in Hong Kong. As at 31 March 2021, the market value attributable to the Group was HK$600 million, as compared with the book value attributable to the Group of HK$385 million as at the same date.

No. 333 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 Group holds a 92 per cent. interest in this project. The site area is approximately 69,000 square feet with a maximum GFA of approximately 33,100 square feet. This project comprises 6 luxurious villas with each villa providing a GFA of approximately 6,000 square feet. Each villa also benefits from an exquisite private garden and swimming pool, setting the benchmark for the true dream country houses. As at 31 March 2021, the market value attributable to the Group was HK$837 million, as compared with the book value attributable to the Group of HK$653 million as at the same date. The Group has completed construction of six luxurious manors, each consisting of approximately 6,000 square feet, each with a garden and private swimming pool on this site. The Group expects that sales will commence in the later part of 2021.

No. 44 Stanley Village Road, Stanley, Hong Kong

In October 2016, the Group acquired with a partner No. 44 Stanley Village Road for a consideration of approximately HK$780 million for the site of around 82,300 square feet. The Group holds a 50 per cent. interest in this project. As at 31 March 2021, the market value attributable to the Group was HK$698 million, as compared with the book value attributable to the Group of HK$482 million as at the same date. The site is located adjacent to Stanley Knoll, a high-end residential area in Stanley with a stunning view of Stanley Bay. The Group is working closely with the relevant government authorities on the preservation plan for this site for which the rezoning plan has been approved.

Construction site at New Kowloon Inland Lot No. 6602, Yau Tong, Kowloon, Hong Kong

The Group acquired a residential site at Yau Tong with its joint venture partner Sino Land Company Limited through a tender of the Mass Transit Railway ("**MTR**") in May 2018 for a total consideration of approximately HK$2.64 billion. The Group holds a 20 per cent. interest in this project. Such property is located near the Yau Tong MTR station and will be developed into a property of around 500 units at this convenient residential site in Kowloon East. The construction work is ongoing for this mass residential project.

No. 23 Po Shan Road, Mid-Levels, Hong Kong

In 2015, the Group acquired with other joint venture partners a residential land lot at No. 23 Po Shan Road in Hong Kong. The Group holds a 20 per cent. in this project. The residential site has a total GFA of approximately 79,000 square feet. As at 31 March 2021, the market value attributable to the Group was HK$648 million, as compared with the book value attributable to the Group of HK$396 million as at the same date. Subsequent to the end of the year ended 31 March 2021, the Group acquired in May 2021 an additional 10 per cent. stake in the project and the Group's interest in this project raised to 30 per cent.

Wong Chuk Hang Station Package Five Property Development Site E of Aberdeen Inland Lot No. 467, Aberdeen, Hong Kong

In January 2021, the Group joined with a consortium formed with New World Development Company Limited, Empire Development Hong Kong (BVI) Limited and Lai Sun Development Company Limited, which won the tender for the Wong Chuk Hang Station Package Five Property Development. The Group holds a 15 per cent. interest in this project. As at 31 May 2021, the market value attributable to the Group was HK$1,580 million. This prime property is located on top of the forthcoming Wong Chuk Hang MTR station mall podium and can be developed into a total GFA of around 636,000 square feet. The units to be built will have excellent unblocked views of the Ocean Park Hong Kong and Deep Water Bay, creating a prime haven for premium residential units at this convenient address with five-minute MTR access to prime area of Central. The construction work will commence soon with target completion around 2025.

No. 92 Repulse Bay Road, Repulse Bay, Hong Kong

In March 2020, the Group acquired with a joint venture partner a residential land lot at No.92 Repulse Bay Road in Hong Kong. The Group is considering the various options available including sale of the site or the redevelopment into a new luxury residential house at this site. The residential site has a total GFA of approximately 8,000 square feet. The Group holds a 50 per cent. interest in this project. As at 31 March 2021, the market value attributable to the Group was HK$328 million.

Lot Nos. 6, 7, 8, 9, 10 S.A, 10 R. P. & 12 in Demarcation District No. 95, Kwu Tung North, Sheung Shui, New Territories, Hong Kong

In July 2020, the Group acquired with a joint venture partner an agricultural land lot at Demarcation District No. 95, Kwu Tung North in the New Territories. The site has a total site area of approximately 268,000 square feet, and the Group and its joint venture partner are considering the potential conversion into residential use. The site is situated at about 10 to 15 minutes driving distance to the regional town centre of Sheung Shui. The Group holds a 40 per cent. interest in this project. As at 31 March 2021, the market value attributable to the Group was HK$688 million.

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 HKFRSs.

In order to fully reflect the underlying economic value of the properties held for sale by 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 same basis as if the Group were to state its properties held for sale at their open market valuations as at 31 March 2021.

	As at 31 March 2021 *(HK$'m)* (unaudited)
Net assets attributable to owners of the Guarantor (audited)	13,298
Add: Attributable revaluation surplus relating to the Group's properties held for sale(1)	5,818
Attributable revaluation surplus relating to the Group's properties held for sale by joint ventures(1)	1,250
Net assets attributable to owners of the Guarantor as if the properties held for sale and interests in joint ventures were stated at open market value(2)	20,366
Net assets per ordinary share as if the properties held for sale and interests in joint ventures were stated at open market value(3)	HK$2.15

Notes:

(1) Based on open market valuations as at 31 March 2021 carried out by independent firms of qualified professional valuers not connected to the Group (the value of which has been slightly adjusted due to the RMB to HK$ exchange rate) or actual transaction prices or estimated based on average transaction price as specified in "Description of the Group – Major Properties".

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

(3) Net assets per ordinary share calculated based on 9,488.7 million shares in issue as at 31 March 2021.

Borrowings

As at 31 March 2021, the Group's total net external borrowings comprising of bank borrowings and guaranteed notes (net of cash and bank balances and cash held by securities brokers) amounted to HK$10,438 million (as compared with HK$8,968 million and HK$8,577 million, respectively, as at 31 March 2019 and 2020).

The Group's short-term bank borrowings decreased from HK$2,123 million and HK$1,812 million, respectively, as at 31 March 2019 and 2020 to HK$1,715 million as at 31 March 2021. However, the Group's long-term bank borrowings increased from HK$6,305 million and HK$7,516 million, respectively, as at 31 March 2019 and 2020 to HK$8,364 million as at 31 March 2021. As a result, the Group's total bank borrowings increased from HK$8,428 million and HK$9,328 million, respectively, as at 31 March 2019 and 2020 to HK$10,079 million as at 31 March 2021, and the Group's ratio of total debt (bank and other borrowings) to total assets was 39.4 per cent., 41.5 per cent. and 41.7 per cent., respectively, as at 31 March 2019, 2020 and 2021. The bank borrowings were mainly denominated in Hong Kong dollars, Renminbi, U.S. dollars, British pound sterling and Australian dollars 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 2021, the Group's bank borrowings had an effective interest rate ranging from 0.60 per cent. to 5.94 per cent. per annum.

The following table sets out the maturity profile of the Group's bank borrowings as at 31 March 2021:

	As at 31 March 2021
	(HK$'m) **(audited)**
Within 1 year	1,715
Between 1 to 5 years	8,364
Total	10,079

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 trademarks in Hong Kong in relation to its "Couture Homes", "Couture Heritage" and "Couture Living". The Group has filed applications for trademark registration in the PRC in relation to its "Couture Homes" and "CSI Properties" 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

As at 31 March 2021, the total number of employees of the Group was approximately 105 (excluding the employees of Novotel Hotel in Jordan). 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 Group also operates a defined contribution retirement scheme for all qualifying employees in Macau. The assets of the scheme are held separately from those of the Group in funds under control of independent trustees. The retirement scheme cost recognised in profit or loss represents contributions payable to funds by the Group at rates specified in the rules of the scheme. Where there are employees of the Group who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

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 of the Group amounted to HK$5,018,000, HK$5,149,000 and HK$6,065,000, and were charged to the consolidated statement of profit or loss, respectively, for the years ended 31 March 2019, 2020 and 2021.

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 10 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 1 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 its 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.

For the years ended 31 March 2019, 2020 and 2021, no share options were 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. As at the date of this Offering Circular, the Group is not involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

Financial Guarantee Contracts

	As at 31 March 2021
	(HK$'000) **(audited)**
Guarantees given by the Group for banking facilities granted to:	
Joint ventures	8,010,859
An associate	282,854
	8,293,713
and utilised by:	
Joint ventures	6,716,533
An associate	192,280
	6,908,813

Recent Developments

During the period subsequent to 31 March 2021 and up to 30 June 2021, the Group has entered into the following acquisition and disposal transactions.

In May 2021, the Group purchased an additional 10 per cent. stake in the No. 23 Po Shan Road residential project in Hong Kong to raise the Group's interest in this project to 30 per cent.

As of the end of June 2021, the Group has entered into sales agreements for around 30 units for Knightsbridge, the Beijing joint venture residential project.

Corporate Activity

In April 2021, the Group has refinanced a project loan with DBS Bank (Hong Kong) Limited for a total loan amount of HK$1.0 billion for a joint venture project.

DIRECTORS

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

Name	Age	Position
CHUNG Cho Yee, Mico	60	Chairman and Executive Director
KAN Sze Man	49	Executive Director
CHOW Hou Man	50	Executive Director
FONG Man Bun, Jimmy	56	Executive Director
HO Lok Fai	60	Executive Director
LEUNG King Yin, Kevin	59	Executive Director
LAM Lee G.	61	Independent Non-Executive Director
CHENG Yuk Wo	60	Independent Non-Executive Director
SHEK Lai Him, Abraham, *GBS, JP*	76	Independent Non-Executive Director
LO Wing Yan, William, *JP*	60	Independent Non-Executive Director

Chairman and Executive Director

Mr. Chung Cho Yee, Mico, aged 60, Chairman and Executive Director of the Guarantor, joined the Group in 2004. He is a director of certain subsidiaries of the Group. He is also the Chairman of the Executive Committee and the Nomination Committee, and a member of the Remuneration Committee of the Board. Mr. Chung graduated from University College London in the United Kingdom, with a law degree in 1983 and qualified as a solicitor in Hong Kong in 1986. Mr. Chung is currently a non-executive director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, the shares of which are listed on the Stock Exchange. Mr. Chung is the brother-in-law of Mr. Kan Sze Man, an executive director of the Guarantor.

Mr. Chung was an independent non-executive director of HKC (Holdings) Limited up to January 2020, the shares of which were delisted from the Stock Exchange in June 2021.

Executive Directors

Mr. Kan Sze Man, aged 49, joined the Group as Group General Counsel in 2001 and has been the Chief Operating Officer since 2016. He is a director of certain subsidiaries and associates of the Group and a member of the Executive Committee of the Board. Mr. Kan is a qualified solicitor by profession. He graduated from Wadham College, University of Oxford in the United Kingdom in 1993 and qualified as solicitor in Hong Kong in 1997. He has worked in the commercial department of a Hong Kong law firm and a U.K. City firm, until joining Hikari Tsushin International Limited (now known as China Oil and Gas Group Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan was a non-executive director of BCI (a company listed on the GEM of the Stock Exchange) up to February 2021. The Guarantor ceased to be BCI's substantial shareholder on 14 December 2020. Mr. Kan is the brother-in-law of Mr. Chung Cho Yee, Mico, the Chairman and the controlling shareholder of the Guarantor.

Mr. Chow Hou Man, aged 50, joined the Group as Group Chief Financial Officer in 2001. He is a director of certain subsidiaries and associates of the Group, and a member of the Executive Committee of the Board. Mr. Chow graduated from the Baptist University in Hong Kong and holds a Master of Business Administration degree from Hong Kong Polytechnic University. He has over 20 years of financial experience in various companies listed in Hong Kong and overseas and in 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 56, 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 the 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 30 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) from 1993. Mr. Fong worked in Shanghai, PRC in the 1990s. and in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989.

Mr. Ho Lok Fai, aged 60, joined the Group in 2005. He has been involved in the commercial property investment and agency business since 1991, having over 30 years of solid and proven experience specialising in the investment in Grade A and B offices in Hong Kong. He served the Group from 2005, and is responsible for investment in commercial properties, leasing matters, and the property management business for offices and industrial properties of the Group. He possesses exceptional acumen and insight in the property market business, with comprehensive understanding of extensive clientele in commercial property investments; and he has extensive and reliable links with reputable estate agents in the commercial property market, who he can call upon to readily dispose of commercial and development projects of the Group into the market in the most profitable and efficient manner. Over many years, he has achieved very satisfactory results and performance for those projects or investments that he has been involved in. He also holds directorships in certain subsidiaries of the Group.

Mr. Leung King Yin, Kevin, aged 59, joined the Group in 2021 and was appointed as managing director of development. He is the head of the project management and development department of the Group, leading a team of project managers and surveyors in managing a variety of residential and commercial projects in Hong Kong. Prior to joining the Group, he was the general manager/project director of a number of sizable listed companies. He has over 30 years of experience in the property development field with a varied of portfolio including residential, commercial and hotel developments in Hong Kong, Mainland China and Canada. He holds a Bachelor degree of Architecture from the University of Melbourne. He is a registered architect and an authorized person under the BO, with extensive project management experience.

Independent Non-Executive Directors

Dr. Lam Lee G., aged 61, joined the Group in 2001. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management. He is currently the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Greater China Hong Kong and ASEAN Region of Macquarie Infrastructure and Real Assets Asia, a member of the Committee on Innovation, Technology and Re-Industrialization, the Governance Committee of the Hong Kong Growth Portfolio, the Development Bureau Common Spatial Data Advisory Committee of the Hong Kong Special Administrative Region Government; Convenor of the Panel of Advisers on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, a member of the Court of the City University of Hong Kong and the Tencent Finance Academy (Hong Kong) Advisory Board, Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) and its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

Dr. Lam is an independent non-executive director of each of Mei Ah Entertainment Group Limited, Vongroup Limited and Haitong Securities Co., Ltd. and it is also listed on the Shanghai Stock Exchange, Elife Holdings Limited (formerly known as Sino Resources Group Limited), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited), Kidsland International Holdings Limited and Greenland Hong Kong Holdings Limited; and a non-executive director of each of Tianda Pharmaceuticals Limited, Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited and National Arts Entertainment and Culture Group Limited and Mingfa Group (International) Company Limited (re-designated from independent non-executive director on 23 April 2020), the shares of all of which are listed on the Stock Exchange. He is also an Independent Non-executive Director of Asia-Pacific Strategic Investments Limited (formerly known as China Real Estate Group Limited, Stock Code: 5RA), Beverly JCG Limited (formerly known as JCG Investment Holdings Ltd. with Stock code: VFP), Thomson Medical Group Limited (Stock Code: A50), Top Global Limited (Stock Code: BHO), and Alset International Limited (formerly known as Singapore eDevelopment Limited with Stock Code: 40V, re-designated from non-executive director on 2 July 2020), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of Sunwah International Limited (Stock Code: SWH), whose shares are listed on the Toronto Stock Exchange, AustChina Holdings Limited (formerly known as Coalbank Limited, Stock Code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock Code: 0101), whose shares are listed on the Bursa Malaysia, and a Non-executive Director of Jade Road Investments Limited (Stock Code: JADE, formerly known as Adamas Finance Asia Limited), whose shares are listed on the London Securities Exchange.

Dr. Lam was a non-executive director of China Shandong Hi-Speed Financial Group Limited up to 14 May 2020, Green Leader Holdings Group Limited up to 22 July 2019, and he was also an independent non-executive director of Huarong Investment Stock Corporation Limited (privatised on 12 November 2020) up to 31 December 2020, Aurum Pacific (China) Group Limited up to 1 March 2021, Glorious Sun Enterprises Limited up to 31 August 2019, Xi'an Haitiantian Holdings Co., Ltd. up to 23 July 2018, the shares of all of which are listed on the Stock Exchange, Rowsley Limited up to 25 April 2018, the shares of which are listed on the Singapore Exchange, and Vietnam Equity Holding up to 28 February 2018, the shares of which are listed on the Stuttgart Stock Exchange. Dr. Lam was an independent non-executive director of Hsin Chong Group Holdings Limited up to 27 September 2019, the shares of which were delisted from the Stock Exchange in December 2019.

Mr. Cheng Yuk Wo, aged 60, joined the Group in 2002. He is the Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Board. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and 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 accountancy practice firm 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 has 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 Chong Hing Bank Limited, Goldbond Group Holdings Limited, CPMC Holdings Limited, Top Spring International Holdings Limited, Liu Chong Hing Investment Limited, Chia Tai Enterprises International Limited, Miricor Enterprises Holdings Limited, Somerley Capital Holdings Limited, Kidsland International Holdings Limited and C.P. Pokphand Co. Ltd., the shares of all of which are listed on the Stock Exchange.

Mr. Cheng was an independent non-executive director of C.P. Lotus Corporation up to October 2019 and HKC (Holdings) Limited up to June 2021, the shares of which were delisted from the Stock Exchange in October 2019 and June 2021 respectively. Mr. Cheng was an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited up to May 2020, the shares of which are listed on the Stock Exchange.

Hon. Shek Lai Him, Abraham, ***GBS, JP***, aged 76, joined the Group in 2018. He is a member of the Audit Committee of the Board. Mr. Shek obtained a bachelor degree of arts and a diploma in education in the University of Sydney in May 1969 and March 1970 respectively. He became the honorary fellow of Lingnan University, The Hong Kong University of Science and Technology, The University of Hong Kong and The Education University of Hong Kong in November 2008, June 2014, September 2016 and March 2018, respectively. In addition to his achievements in the academic field, Mr. Shek has also earned certain honorary titles in various ambits. He was appointed as Justice of the Peace in July 1995 and awarded the Silver Bauhinia Star and Gold Bauhinia Star in the Hong Kong Special Administrative Region 2007 and 2013 Honours Lists respectively. He has also been a member of the advisory committee board of the Independent Commission Against Corruption since January 2017. Mr. Shek is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Honorary Court Member of The Hong Kong University of Science and Technology, the Court and the Council Member of The University of Hong Kong. Mr. Shek is also currently the vice chairman and an executive director of Goldin Financial Holdings Limited (re-designated from independent non-executive director on 1 March 2021).

In addition, Mr. Shek is an independent non-executive director of the following listed companies, all of which are listed on the Stock Exchange: Paliburg Holdings Limited; Lifestyle International Holdings Limited; Chuang's Consortium International Limited; NWS Holdings Limited; Country Garden Holdings Company Limited; SJM Holdings Limited; Chuang's China Investments Limited; ITC Properties Group Limited; China Resources Cement Holdings Limited; Lai Fung Holdings Limited; Cosmopolitan International Holdings Limited; Everbright Grand China Assets Limited; Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust; Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust; Far East Consortium International Limited; Landing International Development Limited; and Hao Tian International Construction Investment Group Limited.

Mr. Shek was also an independent non-executive director of the following companies, all of which are listed on the Stock Exchange: Midas International Holdings Limited (now known as Magnus Concordia Group Limited) up to January 2018; and MTR Corporation Limited up to May 2019.

Dr. Lo Wing Yan, William, ***JP***, aged 60, joined the Group in 2014. He is a member of the Audit Committee of the Board. He is currently the Founder & Chairman of Da Z Group Co. Limited and the Chairman of Captcha Media Limited, a boutique digital marketing and strategy agency in Hong Kong. Dr. Lo is a Founding Governor and a member of the Governors and Executive Committee of the Charles K. Kao Foundation for Alzheimer's Disease Limited as well as a Governor of the Board of Governor of the Independent Schools Foundation Academy, one of the most well-known independent schools in Hong Kong. He has also been the Chairman of Junior Achievement Hong Kong since 2013. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He started his career in McKinsey & Company Inc. as a management consultant and held senior positions in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited, South China Media Group and Kidsland International Holdings Ltd in the past. He is renowned for being the founder of Netvigator, the largest Internet business in Hong Kong, as well as iTV (the predecessor of NowTV), the first interactive and on-demand TV service in the world. Dr. Lo obtained a M. Phil. degree in Pharmacology and a Ph.D. degree in Molecular Neuroscience, both from University of Cambridge. In 1996, he was selected as a "Global Leader for Tomorrow" by the Davos-based renowned global organization World Economic Forum. In 2000, he was selected as one of the top 25 Asia's Digital Elites by the Asiaweek magazine. Dr. Lo has held numerous Government appointments during his career and is currently a member of the Cyberport Advisory Panel, the Hospital Governing Committee of Hong Kong Red Cross Blood Transfusion Service and the Advisory Committee of School of Chinese Medicine, Hong Kong Baptist University. He was a board member of the Hong Kong Broadcasting Authority (now known as Communications Authority) as well as the Hong Kong Applied Science and Technology Research Institute and the Hong Kong Science Park. He was also a founding member of the Growth Enterprise Market (GEM) Listing Committee of the Stock Exchange. In 1999, Dr. Lo was appointed a Justice of the Peace (JP) of the Government of the Hong Kong Special Administrative Region for his contribution to Hong Kong. During the period 2003-2016, Dr. Lo was a Committee Member of Shantou People's Political Consultative Conference. In 2019, Dr Lo has been invited by the United Nations Economic and Social Commission for Asia and the Pacific to lead a task force for its Sustainable Business Network committee to look at financial inclusion leveraging fintech in the region.

Dr. Lo is an independent non-executive director of Jingrui Holdings Limited, Television Broadcasts Limited and South Shore Holdings Limited, the shares of all of which are listed on the Stock Exchange. Additionally, 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 executive director of Kidsland International Holdings Limited up to December 2018 and an independent non-executive director of SITC International Holdings Company Limited up to October 2020 and Ronshine China Holdings Limited up to June 2019, the shares of all of which are listed on the Stock Exchange. Also, Dr. Lo was an executive director of SMI Holdings Group Limited up to April 2019, and an independent non-executive director of Brightoil Petroleum (Holdings) Limited up to 30 December 2020 and Hsin Chong Group Holdings Limited up to September 2019, the shares of all of which were delisted from the Stock Exchange in October 2020, December 2020 and December 2019 respectively.

The Board of Directors of the Guarantor

The Guarantor 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 executive 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 four independent non-executive directors ("**INEDs**") of the Guarantor, namely, Dr. Lam Lee G., Mr. Cheng Yuk Wo, Hon. Shek Lai Him, Abraham, *GBS, JP* and Dr. Lo Wing Yan, William, *JP*. The chairman of the Audit 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 clearly state its authority and duty to fix the remuneration package for all directors with formal and transparent procedures. The main roles and functions of the Remuneration Committee are to formulate reward packages for senior management and individual executive directors. The Remuneration 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 elements and effective application of company resources.

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

Nomination Committee

The Nomination Committee was established on 13 March 2012, with specific written terms of reference. The main roles and functions 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 reappointment of directors and succession planning for directors; to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Guarantor; and to assess 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. Chung Cho Yee, Mico (the chairman of the Nomination Committee).

Executive Committee

The Executive Committee, comprised of the executive directors, was formed on 21 July 2005 with specific written terms of reference. The main roles and functions 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 its 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 Executive Committee reports its view and puts forward recommendations to the Board through the Chairman of the Board.

Currently, the Executive Committee comprises six executive directors of the Guarantor, namely, Mr. Chung Cho Yee, Mico (the chairman of the Executive Committee), Mr. Kan Sze Man, Mr. Chow Hou Man, Mr. Fong Man Bun, Jimmy, Mr. Ho Lok Fai and Mr. Leung King Yin, Kevin.

DIRECTORS' INTERESTS AND SUBSTANTIAL SHAREHOLDERS

Directors' interests in share capital

As at the date of this Offering Circular, 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 of 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 had taken or were deemed to have taken 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)]	Derivative interests	Approximate percentage of total shareholding (per cent.)
Chung Cho Yee, Mico[(2)]	Beneficial owner	The Guarantor	5,063,562,062 (L)	–	53.36
Chung Cho Yee, Mico[(2)]	Interest of controlled corporation	The Guarantor	5,060,517,062 (L)	–	53.33
Kan Sze Man.	Beneficial owner	The Guarantor	23,790,500(L)	–	0.25

Notes:

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

(2) Chung Cho Yee, Mico ("**Mr. Chung**") is the beneficial owner of 5,063,562,062 shares in the Guarantor (being the aggregate of Mr. Chung's personal interest of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("**Earnest Equity**") of 5,060,517,062). Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("**Digisino**"). The entire issued share capital of Digisino is held by Mr. Chung, and thus both Digisino and Earnest Equity are corporations wholly owned and controlled by him. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

Save as disclosed above, as at the date of this Offering Circular, 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

Other than the 2012 Scheme, at no time during the year ended 31 March 2021 was the Guarantor or any of 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 2021.

Substantial Shareholders

As at the date of this Offering Circular, according to the register kept by the Guarantor pursuant to Section 336 of the SFO, and so far as is known to any Director(s) of the Guarantor or the Guarantor, no other person (other than a Director or chief executive of the Guarantor) had, or was deemed or taken to have, an interest or short position in the 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.

Save as disclosed above, the Guarantor has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Guarantor as at the date of this Offering Circular.

TAXATION

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

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 Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

British Virgin Islands

As a company incorporated under the BVI Business Companies Act, 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 interest 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 amount 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 Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes 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 interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

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

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

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

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

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

(d) a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Notes will be subject to profits tax.

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 Notes will be subject to profits tax.

Stamp duty

No Hong Kong stamp duty is payable on the issue or transfer of the Notes.

Estate duty

There is no estate duty in Hong Kong, and thus no estate duty is payable under the Estate Duty Ordinance in respect of the Notes.

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 ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (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 Notes 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 Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong, J.P. Morgan Securities plc, Credit Suisse (Hong Kong) Limited, The Bank of East Asia, Limited, CMB International Capital Limited, DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 15 July 2021 among the Issuer, the Guarantor and the Joint Lead Managers, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the Issue Price (100.00 per cent. of their principal amount), any subsequent offering of the Notes to investors may be at a price different from the Issue Price. The Issuer has agreed to pay the Joint Lead Managers certain fees and an underwriting commission, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and to indemnify the Joint Lead Managers against certain liabilities in connection with the offering and sale of the Notes. In addition, the Issuer has agreed to pay to certain private banks a commission based on the principal amount of the Notes purchased by private bank clients. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes. The Joint Lead Managers and certain of their affiliates may have performed investment banking and advisory services for the Guarantor from time to time, for which they may have received customary fees and expenses. The Joint Lead Managers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Guarantor in the ordinary course of business.

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

United States

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, 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 Notes and the Guarantee of the Notes 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 Notes and the Guarantee of the Notes.

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

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

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

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

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

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Joint Lead Managers have represented, warranted and undertaken that the offer of the Notes 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 Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong, Macau and Taiwan), except as permitted by the laws and regulations of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been 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 Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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 Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) 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 any other applicable laws, regulations and ministerial guidelines of Japan.

Bermuda

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

British Virgin Islands

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 Notes. The Notes 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 Business Company incorporated pursuant to the BVI Business Companies Act 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 of the Joint Lead Managers has represented, warranted and undertaken that it has not and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

GENERAL INFORMATION

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

   Common Code: 236020282

   ISIN: XS2360202829

2. **Legal Entity Identifier:** 213800N7Q1FQC8CEUC74

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in the British Virgin Islands in connection with the issue and performance of the Notes. The Guarantor has obtained all necessary consents, approvals and authorisations in Bermuda in connection with the Guarantee of the Notes. The issue of the Notes was authorised by written resolutions of the directors of the Issuer dated 30 June 2021 and the giving of the Guarantee of the Notes was authorised by a meeting of the Executive Committee of the Board of Directors of the Guarantor held on 30 June 2021.

4. **Listing of the Notes:** Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Guarantor shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Note Certificate is exchanged for Individual Note 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 Note Certificates, including details of the paying agent in Singapore, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

5. **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 2021.

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

7. **Available Documents:** Copies of the latest annual 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 Note Certificate), the Deed of Covenant and the Deed of Guarantee, will be available for inspection at the specified office of the Guarantor at 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours, so long as any of the Notes are outstanding.

8. **Auditor:** The consolidated financial statements of the Guarantor as at and for the year ended 31 March 2020 and the Group's consolidated financial results as at and for the year ended 31 March 2021 have been audited by Deloitte Touche Tohmatsu in Hong Kong, Certified Public Accountants.

9. **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 Group as at and for the year ended 31 March 2020 together with the independent auditor's report as they appear in the 2020 annual report of the Guarantor, and the audited consolidated financial results of the Group as at and for the year ended 31 March 2021 as it appears in the 2021 annual results announcement of the Guarantor.

References to page numbers in the audited consolidated financial statements and the audited consolidated financial results refer to the original page numbers in the 2020 annual report and the 2021 annual results announcement respectively, and cross-references to page numbers included in the independent auditor's report are to such original page numbering.

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AUDITED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2021

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Independent Auditor's Report

Deloitte. 德勤

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 59 to 159, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 ("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.

KEY AUDIT MATTERS (Continued)

Key audit matter

Write-down of properties held for sale

We identified the write-down of properties held for sale ("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") and 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 25 to the consolidated financial statements, the Group had PHS of HK$11,502,578,000, which comprised of completed properties for sale of HK$10,545,150,000 and PUD of HK$957,428,000 as at 31 March 2020.

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 experiences and the nature of the subject properties, management of the Group makes estimates of the selling prices, the costs to completion in case for PUD 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 properties.

For the year ended 31 March 2020, a write-down of PHS amounting to approximately HK$345,853,000 has been recognised in the consolidated statement of profit or loss.

How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the write-down of PHS included:

- evaluating the Group management's valuation assessment and the external valuation reports prepared by independent property valuers and on which the management's assessment of the NRV of the completed properties for sale and PUD was based;
- understanding the Group's write-down assessment process, including the valuation model adopted, assumptions used and the involvement of independent property valuers;
- assessing the competence, capabilities and objectivity of the independent property valuers;
- evaluating the appropriateness of the valuation methodologies adopted to determine the NRV;
- assessing the reasonableness of key estimates used in the valuations, including expected future selling prices by comparing expected future selling prices to recent transaction prices of 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 the estimated sale-related taxes;
- checking the mathematical accuracy of the valuation calculations; and
- evaluating the reasonableness of the assessment performed by management of the Group on the key inputs to evaluate the magnitude of their impact on the realisable values and assessing the adequacy of write-down or 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 interests in joint ventures and amounts due from joint ventures. As at 31 March 2020, the carrying amounts of interests in joint ventures and amounts due from joint ventures amounted to HK$4,474,685,000 and HK$5,067,900,000, respectively, as disclosed in note 19 to the consolidated financial statements, the aggregate of which representing approximately 35% 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 investments are 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 cost using the effective interest method, less any loss allowance.	Our procedures in relation to impairment assessment of interests in joint ventures and amounts due from joint ventures included: • understanding Group's process for identifying the existence of impairment indicators in respect of the interests in joint ventures and the basis of estimation of allowance amounts due from joint ventures and key controls on how the management assess the expected credit loss ("ECL") for these receivables; • for those joint ventures with the underlying assets are PHS (including completed properties for sale and PUD), evaluating the Group's management valuation assessment and the external valuation reports prepared by independent property valuers on which the management's assessment of the NRV of the completed properties for sale and PUD was based; • assessing the competence, capabilities and objectivity of the independent property valuers; • evaluating the appropriateness of the valuation methodologies adopted to determine the NRV;

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment assessment of interests in joint ventures and amounts due from joint ventures (Continued)

As disclosed in note 3 of the consolidated financial statements, 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 may be impaired. For those joint ventures in which such indication exists, management of the Group assessed the carrying amounts for impairment.

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 before the impairment. For those joint ventures engaged in property holding or development, management of the Group determines the recoverable amount with reference to the fair value less costs of disposal of joint ventures which are dependent on the expected market prices of PHS and/or PUD held by respective joint ventures. The remaining joint ventures are engaged in provision of loan financing services, management has performed expected credit loss assessments on the loan receivables of joint ventures.

As disclosed in note 4 of the consolidated financial statements, the management of the Group recognised 12 months ECL for amounts due from joint ventures. The ECL assessment is based on default and loss given default rates taking into consideration of historical data adjusted by forward-looking information that is reasonable and supportable.

As disclosed in note 19 to the consolidated financial statements, no impairment loss on interests in joint ventures was considered to be necessary by management of the Group and loss allowance on amounts due from joint ventures was considered not material for the year ended 31 March 2020.

How our audit addressed the key audit matter

- assessing the appropriateness of key estimates used in the valuations, including expected future selling prices by comparing expected future selling prices to recent transaction prices of 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 the estimated sale-related taxes;

- checking the mathematical accuracy of the valuation calculations;

- assessing ECL for the amounts due from joint ventures by taking into account of historical data adjusted by the forward-looking information, and the fair values of properties held by the joint ventures with reference to external valuation reports prepared by independent property valuers of respective PHS and/or PUD held by joint ventures; and

- assessing the reasonableness of probability of default and loss given default rates used in the expected credit loss assessment on amounts due from joint ventures.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Ms. Zhu Chen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5		
Sales of properties held for sale		3,498,030	3,136,961
Rental income		211,926	302,219
Total revenue		3,709,956	3,439,180
Cost of sales and services		(2,212,520)	(2,374,504)
Gross profit		1,497,436	1,064,676
Income from investments	7	172,029	157,369
Losses from investments	7	(294,847)	(24,933)
Other income	8	191,708	131,086
Other gains and losses	9	(13,321)	2,294
Impairment loss on loan receivables		–	(40,000)
Administrative expenses		(312,579)	(247,065)
Finance costs	10	(333,897)	(326,065)
Share of results of joint ventures		402,036	30,375
Share of results of associates		432	(9,953)
Profit before taxation		1,308,997	737,784
Income tax expense	11	(65,269)	(69,556)
Profit for the year	12	1,243,728	668,228
Profit (loss) attributable to:			
Owners of the Company		1,155,643	529,852
Holders of perpetual capital securities	31	89,700	89,700
Non-controlling interests		(1,615)	48,676
		1,243,728	668,228
Earnings per share (HK cents)	16		
Basic		11.77	5.28

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	1,243,728	668,228
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(22,910)	(23,352)
Share of exchange differences of joint ventures, net of related income tax	(118,304)	(104,680)
	(141,214)	(128,032)
Total comprehensive income for the year	1,102,514	540,196
Total comprehensive income (expense) attributable to:		
Owners of the Company	1,014,429	401,820
Holders of perpetual capital securities	89,700	89,700
Non-controlling interests	(1,615)	48,676
	1,102,514	540,196

Consolidated Statement of Financial Position

As at 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-Current Assets			
Property, plant and equipment	17	297,235	252,055
Financial assets at fair value through profit or loss ("FVTPL")	18	170,955	172,360
Club memberships		11,915	11,915
Interests in joint ventures	19	4,474,685	4,826,529
Amounts due from joint ventures	19	5,067,900	4,600,561
Interests in associates	20	193,052	190,683
Amounts due from associates	20	10,611	4,548
Loan receivables	21	203,248	222,219
Deposits paid for acquisition of property, plant and equipment		–	64,358
		10,429,601	10,345,228
Current Assets			
Loan receivables	21	45,407	73,680
Trade and other receivables	22	274,058	480,092
Promissory note receivables	23	–	30,000
Contract costs	24	–	30,249
Amount due from a non-controlling shareholder of a subsidiary	41(b)	3,470	2,460
Properties held for sale	25	11,502,578	12,017,774
Financial assets at FVTPL	18	2,172,310	1,919,470
Taxation recoverable		9,889	20,025
Cash held by securities brokers	26	6,432	2,899
Bank balances and cash	26	2,668,787	1,406,878
		16,682,931	15,983,527
Current Liabilities			
Other payables and accruals	27	346,103	324,871
Contract liabilities	28	–	1,041,353
Taxation payable		265,415	231,741
Amounts due to joint ventures	19	556,195	559,377
Amounts due to non-controlling shareholders of subsidiaries	41(b)	167,333	167,333
Bank borrowings – due within one year	29	1,811,884	2,122,755
		3,146,930	4,447,430
Net Current Assets		13,536,001	11,536,097
Total Assets Less Current Liabilities		23,965,602	21,881,325

Consolidated Statement of Financial Position

As at 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Capital and Reserves			
Share capital	*30*	78,460	80,296
Reserves		12,805,654	11,956,774
Equity attributable to owners of the Company		12,884,114	12,037,070
Holders of perpetual capital securities	*31*	1,539,443	1,539,443
Non-controlling interests		36,253	37,868
Total Equity		14,459,810	13,614,381
Non-Current Liabilities			
Bank borrowings – due after one year	*29*	7,516,079	6,304,952
Guaranteed notes – due after one year	*32*	1,924,260	1,950,000
Derivative financial instruments	*33*	45,868	–
Deferred tax liabilities	*34*	19,585	11,992
		9,505,792	8,266,944
		23,965,602	21,881,325

The consolidated financial statements on pages 59 to 159 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Chung Cho Yee, Mico	**Chow Hou Man**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company							Holders of perpetual capital securities HK$'000 (note 31)	Non-controlling interests HK$'000	Total equity HK$'000
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note)	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000			
At 1 April 2018	80,296	2,052,135	6,620	72,579	96,453	9,467,686	11,775,769	1,539,619	28,190	13,343,578
Profit for the year	-	-	-	-	-	529,852	529,852	89,700	48,676	668,228
Exchange differences arising on translation of foreign operations	-	-	-	-	(23,352)	-	(23,352)	-	-	(23,352)
Share of exchange differences of joint ventures	-	-	-	-	(104,680)	-	(104,680)	-	-	(104,680)
Total comprehensive (expense) income for the year	-	-	-	-	(128,032)	529,852	401,820	89,700	48,676	540,196
Dividends recognised as distribution (*note 15*)	-	-	-	-	-	(140,519)	(140,519)	-	-	(140,519)
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	(89,700)	-	(89,700)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(38,998)	(38,998)
Issuance cost for perpetual capital securities	-	-	-	-	-	-	-	(176)	-	(176)
At 31 March 2019	80,296	2,052,135	6,620	72,579	(31,579)	9,857,019	12,037,070	1,539,443	37,868	13,614,381
Profit for the year	-	-	-	-	-	1,155,643	1,155,643	89,700	(1,615)	1,243,728
Exchange differences arising on translation of foreign operations	-	-	-	-	(22,910)	-	(22,910)	-	-	(22,910)
Share of exchange differences of joint ventures	-	-	-	-	(118,304)	-	(118,304)	-	-	(118,304)
Total comprehensive (expense) income for the year	-	-	-	-	(141,214)	1,155,643	1,014,429	89,700	(1,615)	1,102,514
Share repurchases (*note 30*)	(1,836)	-	-	-	-	(94,934)	(96,770)	-	-	(96,770)
Dividends recognised as distribution (*note 15*)	-	-	-	-	-	(70,615)	(70,615)	-	-	(70,615)
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	(89,700)	-	(89,700)
At 31 March 2020	78,460	2,052,135	6,620	72,579	(172,793)	10,847,113	12,884,114	1,539,443	36,253	14,459,810

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 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	1,308,997	737,784
Adjustments for:		
Finance costs	333,897	326,065
Depreciation of property, plant and equipment	33,696	23,925
(Gain) loss on disposal of property, plant and equipment	(839)	20
Amortisation of financial guarantee contracts	(7,501)	(5,988)
Other interest income	(163,276)	(108,133)
Forfeited deposits	(8,756)	(5,468)
Write-down (reversal of write-down) of properties held for sale	345,853	(11,308)
Reversal of impairment loss on amount due from an associate	(424)	–
Share of results of joint ventures	(402,036)	(30,375)
Share of results of associates	(432)	9,953
Decrease in fair value of financial assets at FVTPL	257,966	21,095
Decrease in fair value of derivative financial instruments	36,881	–
Interest income from financial assets at FVTPL	(150,905)	(144,847)
Dividend income from financial assets at FVTPL	(21,124)	(12,522)
Loss allowance on loan receivables	–	40,000
Operating cash flows before movements in working capital	1,561,997	840,201
Increase in other payables and accruals	35,790	48,535
Decrease (increase) in properties held for sale	129,766	(50,633)
Decrease in trade and other receivables	206,034	460,545
(Decrease) increase in contract liabilities	(1,041,353)	188,830
Decrease (increase) in contract costs	30,249	(4,541)
Increase in cash held by securities brokers	(3,533)	(515)
Net cash generated from operations	918,950	1,482,422
Income tax paid	(13,866)	(33,934)
NET CASH FROM OPERATING ACTIVITIES	905,084	1,448,488

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES		
Investments in joint ventures	(44)	(1,295,592)
Advances to joint ventures	(844,354)	(1,515,116)
Repayments from joint ventures	500,582	401,795
Advances to a non-controlling shareholders of subsidiary	(1,010)	–
Repayments from promissory rate receivables	30,000	90,000
Purchases of property, plant and equipment	(17,849)	(9,393)
Repayments from an associate	424	–
Advance to an associate	(8,000)	(1,600)
Dividends received from joint ventures	602,400	363,310
Interest received	44,666	108,133
Interest income received from financial assets at FVTPL	150,905	144,847
Dividend income received from financial assets at FVTPL	21,124	12,522
Loan receivables newly granted	(26,468)	(219,613)
Repayments from loan receivables	73,712	70,393
Proceeds on disposal of property, plant and equipment	4,170	30
Investments in financial assets at FVTPL	(509,401)	(66,883)
Proceeds on capital refund of financial assets at FVTPL	–	4,570
Settlement on derivative financial instruments	8,987	–
Deposits paid for acquisition of property, plant and equipment	–	(64,358)
Proceeds on capital refund of an associate	–	48,179
NET CASH FROM (USED IN) INVESTING ACTIVITIES	29,844	(1,928,776)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	NOTE	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		(5,339,381)	(2,470,038)
Repurchase of guaranteed notes		(25,740)	–
Payment for share purchase		(96,770)	–
Dividends paid		(70,615)	(140,519)
Dividends paid to non-controlling shareholders of subsidiaries		–	(38,998)
Advances from joint ventures		322,513	217,551
Repayments to joint ventures		(325,695)	(380,556)
Advances from non-controlling shareholders of subsidiaries		–	19,438
Repayments to non-controlling shareholders of subsidiaries		–	(50,178)
Loan from a joint venture partner		–	1,134,289
Repayment to a joint venture partner		–	(1,134,289)
New bank borrowings raised		6,312,910	2,603,317
Interest paid		(360,541)	(360,123)
Issuance cost for perpetual capital securities		–	(176)
Distribution to holders of perpetual capital securities	31	(89,700)	(89,700)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		326,981	(689,982)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,261,909	(1,170,270)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,406,878	2,577,148
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		2,668,787	1,406,878

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

CSI Properties Limited (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 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 47, 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")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and 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.

2.1 HKFRS 16 *Leases* ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 *Leases* ("HKFRS 16") (Continued)

As a lessee

The Company has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, by electing not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	3,354
Less: Recognition exemption – low value assets	(4)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	(3,350)
Lease liabilities as at 1 April 2019	–

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 *Leases* ("HKFRS 16") (Continued)

As a lessor (Continued)

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. At the date of initial application, the Group assessed and considered the impact of these refundable rental deposits received as insignificant at 1 April 2019.

Effective on 1 April 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The application of HKFRS 16 as a lessor has no material impacts on the Group's consolidated statement of financial position as at 31 March 2020, its consolidated statement of profit or loss, its consolidated statements of profit or loss and other comprehensive income and cash flows for the year ended 31 March 2020.

New and amendments to HKFRSs in issue 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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[5]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
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 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

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

New and amendments to HKFRSs in issue but not yet effective (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 are to 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.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Company will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 on HKSE and by the Hong Kong Companies Ordinance.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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 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. 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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that 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 HKFRS 9 *Financial Instruments* ("HKFRS 9"), 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. 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.

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.

Revenue from contracts with customers

The Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer.

Deposits received from sales of properties prior to meeting the above criteria for revenue recognition are presented as contract liabilities in the consolidated statement of financial position under current liabilities.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (agency fee) as an asset (contract cost) if it expects to recover these costs. The asset so recognised is subsequently recognised in profit or loss consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully recognised in profit or loss within one year.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, and are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or prepaid lease payments (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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)

Completed properties held for sale

Completed 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 deemed cost of the property, plant and equipment.

Properties under development held 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 account the price ultimately expected to be realised, less costs to completion in cases for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group as lessee (prior to 1 April 2019)

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms.

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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Classification and measurement of leases (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Club memberships

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "gains (losses) from investments". Dividend or interest income from financial assets is included in the "income from investment".

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") on financial assets (including trade and other receivables, promissory note receivables, loan receivables, amounts due from joint ventures, associates and a non-controlling shareholder of a subsidiary, cash held by securities brokers and bank balances) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior 1 April 2019).

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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 is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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.

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

Perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including other payables, amounts due to joint ventures, amounts due to 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 the loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial liabilities

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.

Derivative financial instruments

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

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefits plans including state-managed retirement benefits schemes, the Mandatory Provident Fund Scheme and defined contribution retirement scheme in Macau 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.

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 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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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. HK$) 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 on property, plant and equipment, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite useful lives and contract costs 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).

The recoverable amount of property, plant and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 retained profits.

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.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Perpetual capital securities

Pursuant to the terms of the perpetual capital securities (as defined in note 31), a wholly-owned subsidiary of the Company, as an issuer of the perpetual capital securities, can at its option redeem the perpetual capital securities and at its discretion defer distributions on the perpetual capital securities. However, in those cases, the Company and the issuer will not be able to declare or pay any dividends to their ordinary shareholders if any distributions on the perpetual capital securities are unpaid or deferred. In the opinion of the directors of the Company, this restriction does not result in the Group having the obligation to redeem the perpetual capital securities or to pay distributions on the perpetual capital securities, and the perpetual capital securities contain no other features meeting the definition of a financial liability. Accordingly, the perpetual capital securities are classified as equity instruments. As at 31 March 2020, the carrying amounts of the perpetual capital securities are HK$1,539,443,000 (2019: HK$1,539,443,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the 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 sale with carrying amount of HK$11,502,578,000 (2019: HK$12,017,774,000) are stated at the lower of cost and net realisable value. Based on the Group's experiences and the nature of the subject properties, management of the Group makes estimates of the selling prices, the costs to completion in cases 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 properties.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and additional write-down of value of the properties held for sale would be recognised.

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 2020, the directors of the Company determined there is clear evidence of a decrease in net realisable value of certain of the Group's property interests held for sale that are carried at net realisable value because of the negative impact on property markets in Hong Kong and Macau arising from 2019 novel coronavirus ("COVID-19") issue. During the year ended 31 March 2020, a write-down of the properties held for sale amounting to approximately HK$345,853,000 (2019: reversal of HK$11,308,000) has been recognised in the consolidated statement of profit or loss.

Impairment assessment of interests in joint ventures and amounts due from joint ventures

As at 31 March 2020, investments in joint ventures with carrying amount of HK$4,474,685,000 (2019: HK$4,826,529,000) 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 profit or loss and other comprehensive income of the joint ventures, less impairment loss with respect to the Group's investments in joint ventures. As at 31 March 2020, the amounts due from joint ventures with carrying amount of HK$5,067,900,000 (2019: HK$4,600,561,000) are measured at amortised cost using the effective interest method, less any loss allowance. 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 is impaired and determined the loss allowance for amounts due from joint ventures based on the ECL assessment by considering the probability of default and loss given default rates taking into consideration of historical data adjusted by forward-looking information that is reasonable and supportable. No impairment loss on interests in joint ventures was considered to be necessary by management of the Group and loss allowance on amounts due from joint ventures was considered not material at 31 March 2020 and 2019.

5. REVENUE

(i) Disaggregation of revenue

	2020 HK$'000	2019 HK$'000
Sales of properties held for sale – at a point in time	3,498,030	3,136,961
Rental income	211,926	302,219
	3,709,956	3,439,180

	Sales of properties held for sale	
	2020 HK$'000	2019 HK$'000
Geographical markets		
Hong Kong	3,498,030	3,118,992
Singapore	–	17,969
	3,498,030	3,136,961

(ii) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	2020 HK$'000	2019 HK$'000
Sales of properties held for sale		
Commercial property holding	2,612,622	1,099,569
Residential property holding	885,408	2,037,392
Revenue from contracts with customers	3,498,030	3,136,961
Rental income	211,926	302,219
Interest income and dividend income	172,029	157,369
Revenue disclosed in segment information	3,881,985	3,596,549

(iii) Performance obligations for contracts with customers

Revenue from sales of properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer. The Group receives at least 5% of the contract value as deposits from customers when they sign the preliminary sale and purchase agreements and the balance of purchase price shall be paid upon completion of the sale and purchase of the properties.

5. REVENUE (Continued)

(iv) Transaction price allocated to the remaining performance obligation for contracts with customers

No unsatisfied performance obligation outstanding at 31 March 2020, whilst the transaction price of HK$1,871,046,000 was allocated to the remaining performance obligations (unsatisfied or partially satisfied) regarding contracts for sales of properties as at 31 March 2019 and the expected timing of recognising revenue was within one year.

(v) Leases

	2020 HK$'000	2019 HK$'000
For operating leases:		
Lease payments that are fixed	211,926	302,219

During the year ended 31 March 2020, the Group granted one-off rent reduction up to three months for those lessees suffering loss during COVID-19 period amounting to HK$800,000 (2019: nil).

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.

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 and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong, Singapore and the People's Republic of China ("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.

The CODM also considered the share of revenue of associates and joint ventures for the purpose of allocating resources and assessing performance of each segment.

6. SEGMENT INFORMATION (Continued)

Segment revenue 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 2020					
EXTERNAL REVENUE					
Rental income	203,198	5,776	2,952	–	211,926
Sales of properties held for sale	2,612,622	885,408	–	–	3,498,030
Revenue of the Group	2,815,820	891,184	2,952	–	3,709,956
Interest income and dividend income	–	–	–	172,029	172,029
	2,815,820	891,184	2,952	172,029	3,881,985
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	81,471	231	–	–	81,702
Sales of properties held for sale	1,380,834	319,352	–	–	1,700,186
	1,462,305	319,583	–	–	1,781,888
Segment revenue	4,278,125	1,210,767	2,952	172,029	5,663,873
RESULTS					
Share of results of joint ventures *(note)*	523,912	(121,876)	–	–	402,036
Share of results of associates *(note)*	558	(126)	–	–	432
Segment profit (loss) excluding share of results of joint ventures and associates	1,225,476	212,281	(12,283)	(139,951)	1,285,523
Segment profit (loss)	1,749,946	90,279	(12,283)	(139,951)	1,687,991
Unallocated other income					70,698
Unallocated other gains and losses					16,815
Central administration costs					(132,610)
Finance costs					(333,897)
Profit before taxation					1,308,997

6. SEGMENT INFORMATION (Continued)

Segment revenue 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 2019					
EXTERNAL REVENUE					
Rental income	295,321	4,589	2,309	–	302,219
Sales of properties held for sale	1,099,569	2,037,392	–	–	3,136,961
Revenue of the Group	1,394,890	2,041,981	2,309	–	3,439,180
Interest income and dividend income	–	–	–	157,369	157,369
	1,394,890	2,041,981	2,309	157,369	3,596,549
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	71,326	635	–	–	71,961
Sales of properties held for sale	–	228,372	–	–	228,372
	71,326	229,007	–	–	300,333
Segment revenue	1,466,216	2,270,988	2,309	157,369	3,896,882
RESULTS					
Share of results of joint ventures *(note)*	33,053	(2,678)	–	–	30,375
Share of results of associates *(note)*	(9,912)	(41)	–	–	(9,953)
Segment profit (loss) excluding share of results of joint ventures and associates	422,591	603,333	(351)	111,533	1,137,106
Segment profit (loss)	445,732	600,614	(351)	111,533	1,157,528
Unallocated other income					50,294
Unallocated other gains and losses					2,294
Central administration costs					(146,267)
Finance costs					(326,065)
Profit before taxation					737,784

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

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) includes the profit earned (loss incurred) by each segment, income and gains (losses) from investments, assets management income, interest income from amounts due from joint venture, reversal of impairment loss on amount due from an associate, share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income, loan interest income and amortisation of financial guarantee contracts) and of other gains and losses (primarily write-off of deposit for properties held for sale and net exchange gain), 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.

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Segment assets		
Commercial property holding	15,830,498	15,887,778
Residential property holding	5,402,406	5,935,619
Macau property holding	193,766	193,679
Securities investment	2,495,787	2,218,295
Total segment assets	23,922,457	24,235,371
Property, plant and equipment	297,235	252,055
Taxation recoverable	9,889	20,025
Cash held by securities brokers	6,432	2,899
Bank balances and cash	2,668,787	1,406,878
Other unallocated assets	207,732	411,527
Consolidated total assets	27,112,532	26,328,755
Segment liabilities		
Commercial property holding	520,820	657,102
Residential property holding	391,640	1,331,416
Macau property holding	61,428	61,485
Securities investment	113,164	23,753
Total segment liabilities	1,087,052	2,073,756
Guaranteed notes	1,924,260	1,950,000
Bank borrowings	9,327,963	8,427,707
Taxation payable	265,415	231,741
Other unallocated liabilities	48,032	31,170
Consolidated total liabilities	12,652,722	12,714,374

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than property, plant and equipment, taxation recoverable, 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.

Other segment information

For the year ended 31 March 2020

	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	1,635,791	2,838,894	–	–	4,474,685	–	4,474,685
Amounts due from joint ventures	4,220,439	847,461	–	–	5,067,900	–	5,067,900
Interests in associates	5,260	187,792	–	–	193,052	–	193,052
Amounts due from associates	–	10,611	–	–	10,611	–	10,611
Net decrease in fair value of financial assets at FVTPL or derivative financial instruments	–	–	–	(294,847)	(294,847)	–	(294,847)
Interests income from amounts due from joint ventures	65,712	49,703	–	–	115,415	3,195	118,610
Interest income from financial assets at FVTPL	–	–	–	150,905	150,905	–	150,905
Depreciation of property, plant and equipment	–	–	–	–	–	(33,696)	(33,696)
Write-down of properties held for sale	(333,087)	–	(12,766)	–	(345,853)	–	(345,853)

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2019

	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	1,769,815	3,056,714	–	–	4,826,529	–	4,826,529
Amounts due from joint ventures	3,775,822	824,739	–	–	4,600,561	–	4,600,561
Interests in associates	4,701	185,982	–	–	190,683	–	190,683
Amounts due from associates	–	4,548	–	–	4,548	–	4,548
Net decrease in fair value of financial assets at FVTPL	–	–	–	(24,933)	(24,933)	–	(24,933)
Interests income from amounts due from joint ventures	2,968	25,869	–	–	28,837	49,301	78,138
Interest income from financial assets at FVTPL	–	–	–	144,847	144,847	–	144,847
Depreciation of property, plant and equipment	–	–	–	–	–	(23,925)	(23,925)
Reversal of write-down of properties held for sale	11,308	–	–	–	11,308	–	11,308

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, Singapore, the PRC (excluding Hong Kong and Macau) 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.

6. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Revenue from external customers Year ended 31 March		Non-current assets (note)	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	3,618,713	3,304,300	3,979,852	4,348,497
PRC	88,291	114,602	997,035	997,043
Macau	2,952	2,309	–	–
Singapore	–	17,969	–	–
	3,709,956	3,439,180	4,976,887	5,345,540

Note: Non-current assets exclude financial instruments.

Information about major tenants and buyers of properties

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

	2020 HK$'000	2019 HK$'000
Buyer A[1]	Nil	713,800
Buyer B[2]	Nil	843,800
Buyer C[2]	1,750,000	Nil
Buyer E[1]	Nil	758,000
	1,750,000	2,315,600

1 Revenue from residential property holding

2 Revenue from commercial property holding

Revenue by type of income

The relevant information is set out in note 5.

7. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2020 HK$'000	2019 HK$'000
Income from investments includes the following:		
Interest income from financial assets at FVTPL	150,905	144,847
Dividend income from financial assets at FVTPL	21,124	12,522
	172,029	157,369
Losses from investments includes the following:		
Net change in fair value of financial assets at FVTPL		
– net realised loss	(36,825)	(3,838)
– net unrealised loss	(221,141)	(21,095)
Net unrealised gain (loss) on change in fair value of derivative financial instruments		
– net realised gain	8,987	–
– net unrealised loss	(45,868)	–
	(294,847)	(24,933)

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

	2020 HK$'000	2019 HK$'000
Derivative financial instruments	(36,881)	–
Financial assets at FVTPL	(85,937)	132,436
	(122,818)	132,436

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8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	29,970	13,443
Interest income from loan receivables	13,733	15,401
Interest income from amounts due from joint ventures	118,610	78,138
Interest income from promissory note	963	1,151
Amortisation of financial guarantee contracts	7,501	5,988
Assets management income	2,400	2,654
Consultancy fee income	24	41
Forfeited deposits	8,756	5,468
Others	9,751	8,802
	191,708	131,086

Total interest income of financial assets measured at amortised cost amounts to HK$163,276,000 (2019: HK$108,133,000) for the year ended 31 March 2020.

9. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Write-off of deposit for properties held for sale	(30,560)	–
Gain (loss) on disposal of property, plant and equipment	839	(20)
Reversal of impairment loss on amount due from an associate	424	–
Net exchange gain	15,976	2,314
	(13,321)	2,294

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
Bank borrowings	264,486	227,841
Loan from a joint venture partner	–	41,024
Guaranteed notes	94,947	95,063
Total borrowing costs	359,433	363,928
Less: Amounts capitalised in the cost of qualifying assets	(25,536)	(37,863)
	333,897	326,065

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 2.62% to 4.51% (2019: 1.78% to 4.05%) per annum for the year ended 31 March 2020.

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	71,016	130,219
– Overprovision in prior years	(13,350)	(68,989)
Macau Complementary Tax		
– Current year	10	4
	57,676	61,234
Deferred taxation *(note 34)*	7,593	8,322
	65,269	69,556

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

11. INCOME TAX EXPENSE (Continued)

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

	2020 HK$'000	2019 HK$'000
Profit before taxation	1,308,997	737,784
Taxation at Hong Kong Profits Tax rate of 16.5%	215,985	121,734
Tax effect of expenses not deductible for tax purpose	324,335	91,494
Tax effect of income not taxable for tax purpose	(433,070)	(72,595)
Tax effect of share of results of joint ventures	(66,336)	(5,012)
Tax effect of share of results of associates	(71)	1,642
Effect of tax concession	(126)	(165)
Tax effect of tax losses not recognised	42,680	27,697
Utilisation of tax losses previously not recognised	(4,778)	(26,250)
Overprovision in prior years	(13,350)	(68,989)
Income tax expense for the year	65,269	69,556

12. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 13)*	56,371	45,620
Other staff costs:		
Salaries and other benefits	71,779	61,750
Performance-related incentive bonus	15,472	15,598
Contributions to retirement benefits schemes	4,371	4,237
	91,622	81,585
Total staff costs	147,993	127,205
Auditor's remuneration – audit services	3,792	3,450
Cost of properties held for sale recognised as an expense	1,764,879	2,161,067
Depreciation of property, plant and equipment	33,696	23,925
Write-down of/(reversal of write-down of) properties held for sale (included in cost of sales)	345,853	(11,308)

13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of eight (2019: eight) directors were as follows:

For the year ended 31 March 2020

	Executive Directors				Independent Non-executive Directors				
	Chung Cho Yee, Mico	Kan Sze Man	Chow Hou Man	Fong Man Bun, Jimmy	Lam Lee G.	Cheng Yuk Wo	Lo Wing Yan, William	Shek Lai Him, Abraham	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors' remuneration									
Fees	–	–	–	–	200	200	200	200	800
Salaries and other benefits	12,237	5,121	3,620	3,870	–	–	–	–	24,848
Performance-related incentive bonus *(note)*	20,637	3,939	2,807	2,562	–	–	–	–	29,945
Contributions to retirement benefits schemes	18	285	231	244	–	–	–	–	778
	32,892	9,345	6,658	6,676	200	200	200	200	56,371

For the year ended 31 March 2019

	Executive Directors				Independent Non-executive Directors				
	Chung Cho Yee, Mico	Kan Sze Man	Chow Hou Man	Fong Man Bun, Jimmy	Lam Lee G.	Cheng Yuk Wo	Lo Wing Yan, William	Shek Lai Him, Abraham	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors' remuneration									
Fees	–	–	–	–	200	200	200	150	750
Salaries and other benefits	11,877	5,031	3,530	3,780	–	–	–	–	24,218
Performance-related incentive bonus *(note)*	13,635	2,635	1,873	1,728	–	–	–	–	19,871
Contributions to retirement benefits schemes	18	300	225	238	–	–	–	–	781
	25,530	7,966	5,628	5,746	200	200	200	150	45,620

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.

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. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2019: four) were directors of the Company whose emoluments are included in note 13 above. The emoluments of the remaining one (2019: one) individual were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	3,000	3,032
Performance-related incentive bonus *(note)*	625	443
Contributions to retirement benefits schemes	160	161
	3,785	3,636

Their emoluments were within the following band:

	2020 Number of employee	2019 Number of employee
HK$3,500,001 to HK$4,000,000	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

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year		
– Final dividend of HK0.72 cents per share in respect of financial year ended 31 March 2019 (2019: Final dividend of HK1.40 cents per share in respect of financial year ended 31 March 2018)	70,615	140,519
Dividends proposed after the end of the reporting period		
– Final dividend of HK0.50 cents per share (2019: Final dividend of HK0.72 cents per share)	48,988	70,615

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:

	2020 HK$'000	2019 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	1,155,643	529,852
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	9,814,897	10,037,090

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	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 2018	311,681	20,380	1,361	6,950	44,737	385,109
Additions	–	4,638	4	4,751	–	9,393
Disposal	–	–	(72)	(312)	–	(384)
At 31 March 2019	311,681	25,018	1,293	11,389	44,737	394,118
Additions	–	196	–	529	81,482	82,207
Disposal	(7,683)	–	(4)	(841)	–	(8,528)
At 31 March 2020	303,998	25,214	1,289	11,077	126,219	467,797
DEPRECIATION						
At 1 April 2018	57,689	13,923	1,023	6,297	39,540	118,472
Provided for the year	15,024	2,001	38	1,665	5,197	23,925
Eliminated on disposal	–	–	(22)	(312)	–	(334)
At 31 March 2019	72,713	15,924	1,039	7,650	44,737	142,063
Provided for the year	14,905	2,285	7	1,561	14,938	33,696
Eliminated on disposal	(4,356)	–	–	(841)	–	(5,197)
At 31 March 2020	83,262	18,209	1,046	8,370	59,675	170,562
CARRYING VALUES						
At 31 March 2020	220,736	7,005	243	2,707	66,544	297,235
At 31 March 2019	238,968	9,094	254	3,739	–	252,055

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Land and buildings	Over the shorter of the terms of the relevant lease of the relevant land on which buildings are erected, or 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	33%
Vessel	20%

Certain of the above property, plant and equipment are pledged to secure the general banking facilities granted to the Group. Details are set out in note 38.

	2020 HK$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	5,317
Total cash outflows for leases	5,317

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at FVTPL comprise:

	2020 HK$'000	2019 HK$'000
Listed equity securities *(note i)*	45,622	64,331
Unlisted equity securities/limited partnership *(note ii)*	173,984	172,360
Unlisted mutual funds *(note iii)*	52,924	18,011
Listed debt securities *(note iv)*	2,070,735	1,712,638
Unlisted debt securities *(note v)*	–	124,490
	2,343,265	2,091,830
Total and reported as:		
Listed		
Hong Kong	518,941	250,232
Elsewhere	1,597,416	1,526,737
Unlisted	226,908	314,861
	2,343,265	2,091,830
Analysed for reporting purposes as:		
Non-current assets	170,955	172,360
Current assets	2,172,310	1,919,470
	2,343,265	2,091,830

Notes:

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

(ii) The unlisted equity securities/limited partnership as at 31 March 2020 are measured at fair value.

(iii) 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.

(iv) The listed debt securities at 31 March 2020 represented bonds with fixed interest of 4.75% to 15% (2019: 3.95% to 15%) per annum. The maturity dates of the listed debt securities range from 21 May 2020 to perpetual (2019: 25 April 2019 to perpetual). Their fair values are determined based on quoted market bid prices available from the market.

(v) The unlisted debt securities at 31 March 2019 represented bonds with fixed interest of 13.5% to 14% per annum. The maturity date of the unlisted debt securities are on 18 April 2019 and 3 May 2019 respectively. Their fair value are determined based on quoted bid prices in the over-the-counter markets.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The summary of listed debt securities of financial assets at FVTPL as at 31 March 2020 and 2019 and their corresponding unrealised (loss) gain and interest income for the years ended 31 March 2020 and 2019 are as follows:

	As at 31 March 2020				As at 31 March 2019			
	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	1,890,973	16,552	163,210	2,070,735	1,617,902	17,906	76,830	1,712,638
Coupon rate	4.85% to 15%	5.375% to 7.5%	4.75% to 11%	4.75% to 15%	3.95% to 15%	5.375% to 7.5%	4.5% to 10.625%	3.95% to 15%
Maturity	May 2020 – December 2026	July 2022 – Perpetual	November 2020 – June 2022	May 2020 – Perpetual	April 2019 – June 2024	May 2019 – Perpetual	May 2019 – October 2021	April 2019 – Perpetual
Rating	NR to BB	BB- to BB+	NR to BBB+	NR to BBB+	NR to BBB+	BB- to BB+	NR to BB+	NR to BBB+
Credited (charged) to profit or loss								
Interest income	135,739	956	14,210	150,905	102,526	956	9,299	112,781
Unrealised (loss) gain	(170,137)	(1,354)	(13,849)	(185,340)	3,204	154	(16,078)	(12,720)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The five largest listed debt securities held as at 31 March 2020 and 2019 are as follows:

	Market value as at 31 March 2020 HK$'000	% of the portfolio of listed debt securities	Interest income for the year ended 31 March 2020 HK$'000	Unrealised loss for the year ended 31 March 2020 HK$'000
15% notes due in October 2021 issued by Cheergain Group Limited	114,131	5.5%	17,550	(2,942)
11% notes due in June 2021 issued by VCREDIT Holdings Limited	96,820	4.7%	9,371	(10,255)
5.875% notes due in August 2020 issued by Greentown China Holdings Limited	90,444	4.4%	5,358	(1,449)
9% notes due in May 2020 issued by Agile Property Holdings Limited	85,635	4.1%	8,412	(3,040)
7.5% notes due in June 2020 issued by Hopson Development Holdings Limited	80,222	3.9%	1,526	(5,854)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	Market value as at 31 March 2019 HK$'000	% of the portfolio of listed debt securities	Interest income for the year ended 31 March 2019 HK$'000	Unrealised gain (loss) for the year ended 31 March 2019 HK$'000
15% notes due in October 2021 issued by Cheergain Group Limited	117,073	6.8%	8,044	73
9.375% notes due in June 2024 issued by Kaisa Group Holdings Limited	104,844	6.1%	10,969	(4,294)
9% notes due in May 2020 issued by Agile Property Holdings Limited	100,754	5.9%	8,775	(1,668)
5.875% notes due in August 2020 issued by Greentown China Holdings Ltd	91,892	5.4%	5,345	(580)
7.5% notes due in March 2020 issued by Country Garden Holdings Company Limited	85,146	5.0%	6,260	(1,435)

The fair value of each of remaining debts investments represented less than 1% of the total assets of the Group as at 31 March 2020. Certain of the listed debt securities are pledged to secure the general banking facilities granted to the Group. Details are set out in note 38.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Costs of unlisted investments in joint ventures	4,118,661	4,160,559
Share of post-acquisition profits, net of dividend received	(73,024)	(41,038)
Exchange difference arising on translation	(147,494)	(29,190)
Deemed capital contribution – financial guarantee contracts	33,494	30,687
Deemed capital contribution – interest-free loans *(note i)*	543,048	705,511
	4,474,685	4,826,529
Amounts due from joint ventures included in non-current assets *(note i)*	5,067,900	4,600,561
Amounts due to joint ventures included in current liabilities *(note ii)*	556,195	559,377

Notes:

(i) Included in the amounts due from joint ventures as at 31 March 2020, there are principal amounts of HK$3,014,054,000 (2019: HK$2,812,552,000), which are unsecured, bear interest at Hong Kong prime rate plus 1% to 3% and 4.875% (2019: 1% to 3% and 4.875%) per annum and repayable after one year. The remaining amounts with principal of HK$2,922,248,000 (2019: HK$2,604,499,000) are unsecured, non-interest bearing and have no fixed repayment terms. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK$2,544,937,000 (2019: HK$2,121,594,000) is determined based on the present value of future cash flows. 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 as part of the interests in the joint ventures. All the balances 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 as at 31 March 2020, there are share of loss of joint ventures of HK$491,091,000 (2019: HK$333,585,000) representing share of the loss in excess of the cost of investment to the extent of the Group's legal or constructive obligations.

(ii) The balances are unsecured, non-interest bearing and repayable on demand.

(iii) Valuation of the properties held for sale held by joint ventures as at 31 March 2020 and 2019 were carried out by the independent property valuers with reference to open market value and the market evidence of transaction prices for similar properties in the same locations and conditions.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

As at 31 March 2020 and 2019, 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		Proportion of voting power held		Principal activities
					2020	2019	2020	2019	
Chater Capital Limited and its subsidiaries	Incorporated	BVI	PRC	Ordinary	50%	50%	50% (note)	50% (note)	Property holding
Southwater Investments Limited and its subsidiary	Incorporated	BVI	Hong Kong	Ordinary	50%	50%	50% (note)	50% (note)	Property development
Great Maker Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	30%	30%	30% (note)	30% (note)	Property development

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 investments in these entities are treated as joint ventures because major decisions relating to relevant activities 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. The remaining each of joint ventures are considered insignificant in terms of its individual carrying amount of interest in joint ventures and the share of results recognised by the Group for the current year. To give details of other joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

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.

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Chater Capital Limited

	2020 HK$'000	2019 HK$000
Current assets	3,002,926	2,446,378
Non-current assets	300,657	225
Current liabilities	(1,058,952)	(153,351)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	577,413	141,607

As at 31 March 2020, current assets mainly comprised of cash and cash equivalents of HK$577,413,000 (2019: HK$141,607,000) and property held for sale of HK$343,018,000 (2019: HK$671,754,000). Current liabilities as at 31 March 2020 comprised of advances from customers of HK$299,624,000 (2019: nil).

	2020 HK$'000	2019 HK$000
Revenue	777,137	588,136
Profit for the year	89,359	207,225
Other comprehensive expense for the year	(137,980)	(148,930)
Total comprehensive (expense) income for the year	(48,621)	58,295
The above profit for the year include the following:		
Depreciation and amortisation	14	56
Interest expense	–	5,940

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Chater Capital 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:

	2020 HK$'000	2019 HK$000
Net assets of the joint venture	2,244,631	2,293,252
Proportion of the Group's ownership interest in the joint venture	50%	50%
	1,122,316	1,146,626
Deemed capital contribution – financial guarantee contracts	1,006	1,006
Deemed capital contribution – interest-free loans	4,554	4,554
Carrying amount of the Group's interest in the joint venture	1,127,876	1,152,186

Southwater Investments Limited

	2020 HK$'000	2019 HK$'000
Current assets	11,170,858	10,557,329
Non-current assets	39	27
Current liabilities	(29,082)	(13,232)
Non-current liabilities	(8,873,235)	(8,343,027)

The above amounts of assets and liabilities include the following:

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	17,852	13,758
Current financial liabilities (excluding trade and other payables and provisions)	(1,413)	(1,240)
Non-current financial liabilities (excluding trade and other payables and provisions)	(8,944,574)	(8,343,027)

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Southwater Investments Limited (Continued)

As at 31 March 2020, current assets mainly comprised of cash and cash equivalents of HK$17,852,000 (2019: HK$13,758,000) and property held for sale under development of HK$11,153,000,000 (2019: HK$10,543,509,000). Non-current liabilities as at 31 March 2020 comprised of a bank loan of HK$4,610,386,000 (2019: HK$4,275,712,000), and loan from shareholders of HK$4,262,849,000 (2019: HK$4,067,315,000).

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(75)	(67,402)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net assets of the joint venture	2,268,580	2,201,097
Proportion of the Group's ownership interest in the joint venture	50%	50%
	1,134,290	1,100,549
Adjustment for inter-company transaction	(65,712)	–
Deemed capital contribution – financial guarantee contracts	17,250	17,250
Carrying amount of the Group's interest in the joint venture	1,085,828	1,117,799

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Great Maker Limited

	2020 HK$'000	2019 HK$000
Current assets	2,090,720	4,242,352
Current liabilities	(2,046,949)	(2,708,143)
Non-current liabilities	–	(1,534,742)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	38,950	37,116
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(1,534,742)

As at 31 March 2020, current assets mainly comprised of cash and cash equivalents of HK$38,950,000 (2019: HK$37,116,000) and property held for sale under development of HK$2,048,876,000 (2019: HK$3,955,294,000). Current liabilities as at 31 March 2020 comprised of advances from customers of HK$5,508,000 (2019: HK$945,454,000), and non-current liabilities as at 31 March 2019 represented bank loans of HK$1,534,742,000.

	2020 HK$'000	2019 HK$000
Revenue	4,602,780	–
Profit (loss) and total comprehensive income (expense) for the year	2,044,304	(114)
Dividend received from joint venture during the year	600,000	–
The above profit for the year include the following:		
Interest expense	399	90
Income tax expense	403,368	–

19. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Great Maker 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:

	2020 HK$'000	2019 HK$000
Net assets (liabilities) of the joint venture	43,771	(533)
Proportion of the Group's ownership interest in the joint venture	30%	30%
	13,131	(160)
Deemed capital contribution – financial guarantee contracts	1,716	1,716
Deemed capital contribution – interest-free loans	–	126,829
Carrying amount of the Group's interest in the joint venture	14,847	128,385

Aggregate information of joint ventures that are not individually material

	2020 HK$'000	2019 HK$000
The Group's share of loss	(255,897)	(39,502)
The Group's share of other comprehensive expense	(49,314)	(30,215)
The Group's share of total comprehensive expense	(305,211)	(69,717)
Dividends received from a joint venture during the year	2,400	363,310

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

	2020 HK$'000	2019 HK$'000
Costs of unlisted investments in associates	196,227	196,227
Share of post-acquisition profits and other comprehensive income, net of dividend received	(9,510)	(9,942)
Deemed capital contribution – financial guarantee contracts	577	577
Deemed capital contribution – interest-free loans *(note)*	5,758	3,821
	193,052	190,683
Amounts due from associates included in non-current assets *(note)*	10,611	4,548

All of the associates are accounted for using the equity method in these consolidated financial statements.

Note:

Included in the amounts due from associates as at 31 March 2020, principals of HK$16,369,000 (2019: HK$8,370,000) are unsecured, non-interest bearing and have no fixed repayment terms. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK$10,611,000 (2019: HK$4,548,000) is determined based on the present value of future cash flows. 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 associates is recognised as part of the interests in associates. All the balances are not expected to be repaid within one year and are therefore classified as non-current.

During the year ended 31 March 2020, HK$424,000 reversal of impairment loss (2019: nil) was made individually on the amount due from an associate which had been determined by reference to assessment of recoverability by management.

At 31 March 2020 and 2019, the Group had interest 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 power held		Principal activities
					2020	2019	2020	2019	
Wealth Explorer Holdings Limited ("Wealth Explorer")	Incorporated	BVI	Hong Kong	Ordinary	20%	20%	20%	20%	Property development

The above table lists the associate 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 associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Summarised financial information of 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.

Wealth Explorer

	2020 HK$'000	2019 HK$'000
Current assets	1,917,330	1,842,785
Current liabilities	(1,007,029)	(931,877)

As at 31 March 2020, current assets mainly comprised of properties held for sale of HK$1,908,465,000 (2019: HK$1,836,687,000), and current liabilities as at 31 March 2020 comprised of amounts due to shareholders of HK$81,714,000 (2019: HK$41,714,000) and bank borrowings of HK$915,330,000 (2019: HK$884,264,000).

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Loss and total comprehensive expense for the year	(607)	(226)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net assets of the associate	910,301	910,908
Proportion of the Group's ownership interest in the associate	20%	20%
	182,060	182,182
Deemed capital contribution – financial guarantee contracts	577	577
Deemed capital contribution – interest-free loans	3,956	2,019
Carrying amount of the Group's interest in the associate	186,593	184,778

20. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES (Continued)

Summarised financial information of material associate (Continued)

Aggregate information of associate that is not individually material

	2020 HK$'000	2019 HK$000
The Group's share of profit (loss) and total comprehensive income (expense) for the year	553	(9,908)

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

	2020 HK$'000	2019 HK$'000
Loan receivables	248,655	295,899
Analysed for reporting purposes as:		
Current assets	45,407	73,680
Non-current assets	203,248	222,219
	248,655	295,899

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 as at 31 March 2020, the carrying amount of HK$248,655,000 (2019: HK$229,399,000) is mortgage loans over the properties held by the purchasers and are receivable by instalments over a period of not more than 20 years.

Included in the loan receivables as at 31 March 2019, the carrying amount of HK$66,500,000 were loans to independent third parties, which were interest bearing at 10% per annum and unsecured with maturity dates throughout to July 2038. The entire balance was fully settled during the year ended 31 March 2020.

Before granting loans, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

21. LOAN RECEIVABLES (Continued)

The Group's loan receivables are denominated in HK$, the functional currency of the relevant group entity. During the year ended 31 March 2020, the range of interest rate on the Group's loan receivables is fixed at 10% or ranging from prime rate less 2.5% to plus 1% (2019: fixed at 14% or ranging from prime rate less 2.8% to 1.5%) per annum. Including in loan receivables as at 31 March 2020, there were loan receivables with carrying amounts of HK$203,248,000 (2019: HK$222,219,000), which was repayable in twenty years from the drawdown date, and hence was 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 at the amount of principals outstanding plus accrued interests.

At the end of each reporting date, the Group's loan receivables were individually assessed for impairment. Given that the value of corresponding properties under the mortgage is substantially higher than the outstanding balance, the loss given default is trivial and no ECL is provided for those loan receivables as the amount is not material. As at 31 March 2019, HK$40,000,000 loss allowance was provided for under lifetime ECL model and the amount was written-off during the year ended 31 March 2020.

22. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables. Rental receivables are billed and receivable based on the terms of tenancy agreement. The Group allows credit period of 0 – 60 days (2019: 0 – 60 days) to its tenants. The ageing analysis of the trade receivables, presented based on the debit note date for rental receivables which approximated the revenue recognition date, at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Trade receivables:		
0 – 30 days	11,256	8,353
31 – 90 days	5,763	1,338
	17,019	9,691
Prepayments and deposits	44,278	36,929
Deposits for acquiring property held for sale *(note a)*	–	1,817
Other receivables *(note b)*	212,761	431,655
	274,058	480,092

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

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

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

a. On 20 April 2018, an indirect wholly-owned subsidiary of the Company, Explorer Faith Limited, entered into a sale and purchase agreement with an independent third party to acquire a property at a cash consideration of HK$17,054,000. As at 31 March 2019, deposits for the acquisition amounting to HK$1,817,000 had been made. The remaining consideration HK$15,237,000 has been settled during the year ended 31 March 2020 upon completion of the aforementioned property. During the year ended 31 March 2020, a deposit for acquiring properties in Australia amounting to HK$30,560,000 was fully impaired and written-off due to the unstable property market condition.

b. As at 31 March 2020, other receivables mainly comprised of refundable stamp duty for redevelopment of commercial properties amounting to HK$46,608,000 (2019: nil) and deposits received for the pre-sale of the Group's properties held for sale amounting to HK$148,836,000 (2019: HK$403,445,000) under the custody of the independent lawyers on behalf of the Group.

23. PROMISSORY NOTE RECEIVABLES

On 15 August 2018, an indirect wholly-owned subsidiary of the Company, Hidden Wisdom Limited ("Hidden Wisdom") entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of assets through disposal of subsidiary, Excel Deal Ventures Limited, at a consideration of HK$758,000,000. In order to settle the purchase price, the Purchaser issued a promissory note with principal sum of HK$120,000,000 on 28 December 2018. The note was guaranteed by a personal guarantee, interest bearing at 5% per annum and matured on 28 February 2019, the maturity date of the promissory note was subsequently extended to 31 July 2019.

During the year ended 31 March 2020, promissory note was fully redeemed by the issuer at HK$30,000,000 (2019: HK$90,000,000) and interest income of HK$963,000 (2019: HK$1,151,000) was credited to the profit or loss.

24. CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Incremental costs to obtain contracts	–	30,249

Contract costs capitalised as at 31 March 2019 related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which were still under construction at the reporting date. Contract costs were recognised as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related property sales was recognised. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

25. PROPERTIES HELD FOR SALE

	2020 HK$'000	2019 HK$'000
The Group's carrying amounts of properties held for sale, stated at lower of cost and net realisable value, comprise:		
– Completed properties	10,545,150	8,494,086
– Properties under development	957,428	3,523,688
	11,502,578	12,017,774

In the opinion of the directors of the Company, all properties held for sale are expected to be realised in the normal operating cycle.

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 38.

Valuation of the properties held for sale as at 31 March 2020 and 2019 were carried out by the independent property valuers with reference to open market value and the market evidence of transaction prices for similar properties in the same locations and conditions.

The net realisable value of properties held for sale was determined by the independent property valuers on the following basis:

Completed properties – arrived at by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary potential income of the respective properties, or direct comparison method on basis of market value.

Properties under development – valued on the basis that the properties will be developed and completed in accordance with the latest development proposals and taken into account the construction costs that will be expended to complete the development as well as developer's profit margin to reflect the quality of the completed development.

Based on the assessment carried out by the directors of the Company, a write-down of HK$345,853,000 (2019: reversal of HK$11,308,000), comprising HK$333,087,000 for properties located in Hong Kong and HK$12,766,000 located in Macau, is recognised in the cost of sales for the year ended 31 March 2020. All impaired units are commercial properties.

26. CASH HELD BY SECURITIES BROKERS/BANK BALANCES AND CASH

Cash held by securities brokers are short-term deposits which carried variable interest rates ranging from 0.001% to 0.125% (2019: 0.025% to 0.125%) per annum.

The amounts of the 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:

	2020 HK$'000	2019 HK$'000
United States dollars ("US$")	5,283	2,238

Bank balances and cash comprised bank balances and cash and short-term bank deposits with an original maturity of three months or less. The bank balances carried variable interest rates ranging from 0.2% to 2.67% (2019: 0.34% to 2.4%) 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:

	2020 HK$'000	2019 HK$'000
Renminbi ("RMB")	965	2,309
US$	160,790	77,011
Euro ("EUR")	8,488	14,864
Great British Pound ("GBP")	12,893	26,866
Australian Dollars ("AUD")	26,109	–
	209,245	121,050

27. OTHER PAYABLES AND ACCRUALS

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

	2020 HK$'000	2019 HK$'000
Rental and related deposits received	83,782	92,169
Other tax payables	2,283	1,117
Deferred income of financial guarantee contracts to joint ventures	18,728	20,341
Interest payables	30,261	31,369
Accrued construction costs	116,484	106,805
Accrued consultancy fee	2,657	2,195
Accruals and other payables	91,908	70,875
	346,103	324,871

28. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Sales of properties held for sale	–	1,041,353

As at 1 April 2018, contract liabilities amounted to HK$852,523,000. During the year ended 31 March 2020, revenue recognised that was included in the contract liability balance at the beginning of the year amounted to HK$1,041,353,000 (2019: HK$852,523,000).

The Group receives at least 5% of the contract value as deposits from customers when they sign the sale and purchase agreements. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

29. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
The carrying amounts of the Group's borrowings are repayable as follows:		
Within one year	1,075,891	1,757,755
More than one year, but not exceeding two years	1,861,348	2,217,431
More than two year, but not exceeding five years	5,654,731	4,087,521
	8,591,970	8,062,707
The carrying amounts of the Group's borrowings that contain a repayment on demand clause in the loan agreements are repayable as follows:		
Within one year	735,993	365,000
	9,327,963	8,427,707
Less: Amounts due within one year or contain a repayment on demand clause in the loan agreements shown under current liabilities	(1,811,884)	(2,122,755)
	7,516,079	6,304,952
Secured *(note)*	6,866,617	7,210,503
Unsecured	2,461,346	1,217,204
	9,327,963	8,427,707

Note: The secured bank borrowings were secured by certain of the Group's property, plant and equipment, properties held for sale and financial asset at FVTPL (2019: property, plant and equipment, properties held for sale and financial asset at FVTPL). The carrying amounts of the assets pledged are disclosed in note 38.

29. BANK BORROWINGS (Continued)

All amounts of the Group's bank borrowings are denominated in the functional currency of the relevant group entity for the year ended 2019. As at 31 March 2020, the bank borrowings of HK$96,704,000 and HK$98,368,000 are denominated in AUD and US$ respectively.

The bank borrowings carried floating rate interests, of which borrowings amounting to HK$8,644,479,000 as at 31 March 2020 (2019: HK$7,674,609,000) bore interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 0.2% to 2.15% (2019: HIBOR plus 0.2% to 2.15%) per annum and borrowings amounting to HK$683,484,000 (2019: HK$753,098,000) bore interest at the quoted lending rate of People's Bank of China minus a fixed margin for both years. At 31 March 2020, the effective interest rates ranged from 1.21% to 5.94% (2019: 1.21% to 4.9%) per annum.

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 1 April 2019	10,037,089,676	80,296
Shares repurchased and cancelled	(229,520,000)	(1,836)
At 31 March 2020	9,807,569,676	78,460

All the shares issued or repurchased by the Company rank pari passu with the then existing ordinary shares in all respects.

During the year ended 31 March 2020, the Company repurchased 229,520,000 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$96,770,000 was deducted from equity holder's equity.

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest HK$	Lowest HK$	Aggregate price paid HK$'000
April 2019	229,520,000	0.445	0.410	96,770

31. PERPETUAL CAPITAL SECURITIES

On 20 September 2017, a wholly-owned subsidiary of the Company, Estate Sky Limited ("ESL"), issued perpetual capital securities, with an aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,560,000,000) ("Perpetual Capital Securities"), of which the Company is the guarantor. The proceeds from the issuance of the Perpetual Capital Securities after netting off the issuance cost is US$197,004,000 (equivalent to approximately HK$1,536,629,000).

The distribution rate for the first five years up to 20 September 2022 is 5.75% per annum, which is paid semi-annually in arrears on 20 March and 20 September of each year ("Distribution Payment Date"). ESL may defer any interest at its own discretion and is not subject to any limit as to the number of times distributions and arrears of distribution can be deferred. The deferred interest is interest bearing at the current distribution rate during the interest deferral period.

The Perpetual Capital Securities have no fixed maturity and are callable at ESL's option, on 20 September 2022 or on any Distribution Payment Date afterwards, at their principal amounts together with any accrued, unpaid or deferred distribution interest payments.

After 20 September 2022, the distribution rate will be reset every five years to a percentage per annum equal to the sum of (i) the U.S. Treasury Benchmark Rate which is the rate in percent per annum equal to the semi-annual equivalent yield to maturity of the comparable treasury issue; (ii) the initial spread which is 4.005% and (iii) step-up margin which is 3%.

Pursuant to the terms and conditions of these Perpetual Capital Securities, ESL has no contractual obligation to repay its principal or to pay any distribution and deferred interest unless compulsory distribution payment event (which at the discretion of the issuer) has occurred. Details of which are set out in the Company's announcements published on the HKSE dated 13 and 14 September 2017, and announcement published on the Singapore Exchange dated 21 September 2017. Accordingly, the Perpetual Capital Securities are classified as equity and subsequent distribution payment will be recorded as equity distribution to the owners of the Company.

During the year ended 31 March 2020, the profit attributable to holders of the Perpetual Capital Securities, based on the applicable distribution rate, was approximately HK$89,700,000 (2019: HK$89,700,000).

32. GUARANTEED NOTES

On 8 August 2016, ESL issued guaranteed notes, 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 mature on 8 August 2021. During the year ended 31 March 2020, the Group redeemed and cancelled US$3,300,000 of the guaranteed notes (2019: nil).

The guaranteed notes were listed on the Singapore Exchange and the fair value was HK$1,899,312,000 as at 31 March 2020 (2019: HK$1,928,189,000).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	HK$'000
Derivative financial liabilities	
– Interest rate swaps	45,868

At the end of the reporting period, the Group had interest rate swaps in order to minimise its exposures to cash flow interest rate risk on its floating-rate interest payments to fixed rate interest payments.

Derivative financial instruments – Interest rate swaps

	2020
Notional amount (HK$'000)	3,000,000
Notional amount (GBP'000)	10,000
Maturity date	27 September 2024 – 20 September 2027
Strike rate (fixed rate range)	0.688% – 1.66%

The above contracts are measured at fair value at the end of the reporting period. None of these derivative contracts were designated as hedging instruments and the fair value loss amounting to HK$36,881,000 is recognised in profit or loss for the year ended 31 March 2020.

Details of the fair value measurement of the derivative contracts and investments are set out in note 44.

34. DEFERRED TAXATION

The following is 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 2018	8,736	(5,066)	3,670
Charge (credit) to consolidated statement of profit or loss for the year	10,362	(2,040)	8,322
At 31 March 2019	19,098	(7,106)	11,992
Charge (credit) to consolidated statement of profit or loss for the year	8,698	(1,105)	7,593
At 31 March 2020	27,796	(8,211)	19,585

34. DEFERRED TAXATION (Continued)

As at 31 March 2020, the Group had unused tax losses of approximately HK$723,334,000 (2019: HK$489,784,000) available for offset against future profits and 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$49,767,000 (2019: HK$43,072,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$673,567,000 (2019: HK$446,712,000) due to unpredictability of future profits streams. The unrecognised tax losses in Hong Kong amounted to HK$625,959,000 (2019: HK$431,262,000) can be carried forward indefinitely. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

Tax losses expiring in

	2020 HK$'000	2019 HK$'000
2020	–	2,856
2021	4,477	6,950
2022	1,414	3,633
2023	–	–
2024	1,888	2,011
2025	39,829	–
	47,608	15,450

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2020

Acquisition of Mighty Rock Investments Limited and Star Trail Limited (the "2020 Acquired Subsidiaries")

During the year ended 31 March 2020, the Group completed the acquisition of the entire equity interest in the 2020 Acquired Subsidiaries through wholly-owned subsidiaries for a total cash consideration of HK$320,951,000. These transactions have been accounted for as acquisition of assets and liabilities as the 2020 Acquired Subsidiaries do not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transactions were accounted for as an acquisition of properties held for sales in the ordinary course of the Group's property sale business.

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2020 (Continued)

Acquisition of Mighty Rock Investments Limited and Star Trail Limited (the "2020 Acquired Subsidiaries") (Continued)

The net assets acquired in the 2020 Acquired Subsidiaries are as follows:

	HK$'000
Properties held for sale	537,480
Bank balance and cash	2,786
Other receivables	65,742
Shareholder's loan	(143,236)
Other payables	(90,187)
Bank borrowings	(163,800)
	208,785
Assignment of shareholder's loan	143,236
	352,021
Total consideration satisfied by:	
Cash paid	320,951
Interest in a joint venture	31,070
	352,021
Net cash outflow arising on acquisition:	
Cash consideration paid	320,951
Bank balance and cash acquired	(2,786)
	318,165

For the year ended 31 March 2019

Acquisition of Linking Plus Investments Limited

During the year ended 31 March 2019, the Group completed the acquisition of the entire equity interest of Linking Plus Investments Limited through a wholly owned subsidiary for a cash consideration of HK$1,900,000,000 (the "Linking Plus Acquisition"). This transaction has been accounted for as an acquisition of assets and liabilities as the Linking Plus 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 sale business.

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 March 2019 (Continued)

Acquisition of Linking Plus Investments Limited (Continued)

The net assets acquired in the Linking Plus Acquisition are as follows:

	HK$'000
Properties held for sale	1,892,813
Other receivables	7,192
Other payables	(5)
	1,900,000
Total consideration satisfied by:	
Cash paid	1,900,000
Net cash outflow arising on acquisition:	
Cash consideration paid	1,710,000
Deposits paid in prior year	190,000
	1,900,000

36. DISPOSAL OF ASSETS AND LIABILITIES THROUGH DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2020

Disposals of Long Term Group Limited, Huge Concept Limited, Whole Mix Limited, Earn Centre Limited, Fortress Jet Limited, Geotalent Limited, Golden United Limited and Well Phase Group Limited (the "2020 Disposed Subsidiaries")

During the year ended 31 March 2020, the Group disposed of the entire interests in the 2020 Disposed Subsidiaries for a total cash consideration of HK$1,750,188,000. Since the 2020 Disposed Subsidiaries were principally engaged in property development and properties held for sale, the Group was principally selling, and the buyer was principally acquiring, the properties held for sale which were the single predominant asset of the 2020 Disposed Subsidiaries. Accordingly, the Group had accounted for the disposal of the 2020 Disposed Subsidiaries as disposal of the underlying properties held for sale. The consideration allocated to the sale of properties held for sale was regarded as revenue generated from sales of properties held for sale by the Group.

36. DISPOSAL OF ASSETS AND LIABILITIES THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2020 (Continued)

Disposals of Long Term Group Limited, Huge Concept Limited, Whole Mix Limited, Earn Centre Limited, Fortress Jet Limited, Geotalent Limited, Golden United Limited and Well Phase Group Limited (the "2020 Disposed Subsidiaries") (Continued)

The amounts of the assets and liabilities attributable to the 2020 Disposed Subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sale	754,432
Other receivables	309
Bank balances and cash	3
Taxation payables	(124)
	754,620
Transaction cost for disposal of the 2020 Disposed Subsidiaries	17,639
Gain on disposal	977,929
Total consideration satisfied by:	
Cash received	1,750,188
Net cash inflow arising on disposal:	
Cash consideration received	1,750,188
Bank balances and cash	(3)
	1,750,185

For the year ended 31 March 2019

Disposals of Brisk View Estate Limited, Power Maker Property Limited, Top Force Global Limited, Winner Year Limited, Success Seeker Limited, Dynamic Advantage Limited, Apex Harvest Limited, Action Fast Ventures Limited and Excel Deal Ventures Limited (the "2019 Disposed Subsidiaries")

During the year ended 31 March 2019, the Group disposed of the entire interest in the 2019 Disposed subsidiaries for a total cash consideration of HK$2,485,930,000. Since the 2019 Disposed Subsidiaries were principally engaged in property development and properties held for sale, the Group was principally selling, and the buyer was principally acquiring, the properties held for sale which were the single predominant asset of the 2019 Disposed Subsidiaries. Accordingly, the Group accounted for the disposal of the relevant 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 was regarded as revenue generated from sales of properties held for sale by the Group.

36. DISPOSAL OF ASSETS AND LIABILITIES THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2019 (Continued)

Disposals of Brisk View Estate Limited, Power Maker Property Limited, Top Force Global Limited, Winner Year Limited, Success Seeker Limited, Dynamic Advantage Limited, Apex Harvest Limited, Action Fast Ventures Limited and Excel Deal Ventures Limited (the "2019 Disposed Subsidiaries") (Continued)

The amounts of the assets and liabilities attributable to the 2019 Disposed Subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sale	1,825,702
Other receivables	857
Bank balances and cash	3
Other payables	(879)
Taxation payables	(67,453)
	1,758,230
Transaction cost for disposal of the 2019 Disposed Subsidiaries	41,675
Gain on disposal	686,022
Total consideration satisfied by:	
Cash received	2,485,927
Net cash inflow arising on disposal:	
Cash consideration received	2,485,930
Bank balances and cash	(3)
	2,485,927

37. CONTINGENT LIABILITIES

	2020 HK$'000	2019 HK$'000
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	8,736,144	8,898,031
An associate	282,854	282,854
	9,018,998	9,180,885
and utilised by:		
Joint ventures	7,273,690	6,871,427
An associate	183,066	177,404
	7,456,756	7,048,831

The directors of the Company assessed the risk of default of the joint ventures and an associate at the end of the reporting period and considered 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 (note 27) as at 31 March 2020, there was deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK$18,728,000 (2019: HK$20,341,000).

38. PLEDGE OF ASSETS

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

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	224,819	241,369
Properties held for sale	10,966,083	11,119,219
Financial assets at FVTPL	289,328	188,477
	11,480,230	11,549,065

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.

39. OPERATING LEASE AND CAPITAL COMMITMENTS

(a) Operating lease commitments

The Group as lessee

During the year ended 31 March 2019, the Group incurred HK$8,083,000 minimum lease payments in respect of office premises.

At 31 March 2019, 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:

	2019 HK$'000
Within one year	3,350
In second to fifth year inclusive	4
	3,354

The Group as lessor

Certain of properties, which are classified as properties held for sale, have committed lessees for the next one to six years. The lease commitments subject to the sale of the properties when the lease will be terminated.

Minimum lease payments receivable on leases are as follows:

	2020 HK$'000
Within one year	246,834
In the second year	199,823
In the third year	98,833
In the fourth year	35,752
In the fifth year	22,261
After five years	6,082
	609,585

Property rental income earned during the year ended 31 March 2019 was HK$302,219,000. Certain of the properties, which are classified as properties held for sale, have committed tenants for the next two to five years.

39. OPERATING LEASE AND CAPITAL COMMITMENTS (Continued)

(a) Operating lease commitments (Continued)

The Group had contracted with tenants for the following future minimum lease payments:

	2019 HK$'000
Within one year	226,065
In the second to fifth year inclusive	251,367
	477,432

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

(b) Commitment

	2020 HK$'000	2019 HK$'000
Commitment in respect of the acquisition of properties held for sale contracted for but not provided in the consolidated financial statements	–	15,237
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	13,903

40. RETIREMENT BENEFITS 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 Group also operates a defined contribution retirement scheme for all qualifying employees in Macau. The assets of the scheme are held separately from those of the Group in funds under control of independent trustees. The retirement scheme cost recognised in profit or loss represents contributions payable to funds by the Group at rates specified in the rules of the scheme. Where there are employees of the Group who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The Group is required to contribute a certain percentage of its payroll 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 the required contributions under the schemes.

40. RETIREMENT BENEFITS SCHEMES (Continued)

The retirement benefits scheme contributions relating to the MPF Scheme, stated-managed retirement benefits schemes and defined contribution retirement scheme in Macau charged to the current year's consolidated statement of profit or loss of HK$5,149,000 (2019: HK$5,018,000) represented contributions paid and payable to the schemes by the Group at rates specified in the rules of the schemes.

41. RELATED PARTY DISCLOSURES

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

		2020 HK$'000	2019 HK$'000
Joint ventures	Interest income	118,610	78,138
Joint ventures	Assets management income	2,400	2,654
Joint ventures	Sundry income	–	1,306

(b) The amounts due from (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 in notes 19 and 20 respectively.

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

	2020 HK$'000	2019 HK$'000
Short-term benefits	59,218	48,314
Post-employment benefits	938	942
	60,156	49,256

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

42. 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.

42. SHARE OPTION SCHEMES (Continued)

2012 Scheme (Continued)

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 highest 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 years ended 31 March 2020 and 2019, no share options were granted under the 2012 Scheme by the Company. As at 31 March 2020 and 2019, none of the share options had been granted.

43. 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, 41(b), 29 and 32 net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and retained 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.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL		
Financial assets mandatory measured at FVTPL	2,343,265	2,091,830
Financial assets at amortised cost	8,235,635	6,784,591
Financial liabilities		
At amortised cost	12,089,794	11,227,955
Derivative financial instruments	45,868	–

(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 risks), 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$, EUR, GBP and AUD arising from foreign currency denominated bank balances and cash, cash held by securities brokers and guaranteed notes as set out in notes 26 and 32 respectively.

44. FINANCIAL INSTRUMENTS (Continued)

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

Market risks (Continued)

(i) *Foreign currency risk management (Continued)*

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	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
RMB	965	2,309	–	–
US$	160,790	77,011	2,022,628	1,950,000
EUR	8,488	14,864	–	–
GBP	12,893	26,866	–	–
AUD	26,109	–	96,704	–

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, EUR, GBP and AUD are not material, and therefore no sensitivity analysis has been prepared.

The Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

(ii) *Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to amounts due from joint ventures, loan receivables, promissory note receivables, financial assets at FVTPL and guaranteed notes issued by ESL as set out in notes 19, 21, 23, 18 and 32 respectively. Besides, the Group is also exposed to the fair value interest rate risk in relation to derivative financial instruments as detailed in note 33.

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, loan receivables 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 (2019: 10 basis points) for cash held by securities brokers and bank balances and 50 basis points (2019: 50 basis points) for loan receivables and 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 (2019: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would increase/decrease by HK$2,334,000 (2019: HK$1,177,000).

44. 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 (Continued)

For loan receivables and bank borrowings, if interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease/increase by HK$35,163,000 (2019: HK$34,228,000).

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 financial assets at FVTPL. 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 unlisted equity securities/limited partnership, listed equity securities, listed debt securities, unlisted debt securities and unlisted mutual funds quoted in the open markets. In addition, the Group has a designated team to monitor the price risks and will consider hedging the risk exposure should the need arise.

Sensitivity analyses

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

If the prices of the listed equity securities and the prices of underlying investment portfolio of the respective unlisted equity securities/limited partnership and unlisted mutual funds had been 5% (2019: 5%) higher/lower, post-tax profit for the year ended 31 March 2020 would increase/decrease by HK$11,378,000 (2019: increase/decrease by HK$10,634,000) 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% (2019: 5%) higher/lower, post-tax profit for the year ended 31 March 2020 would increase/decrease by HK$86,453,000 (2019: increase/decrease by HK$76,700,000) 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 fluctuation of fair value of financial assets at FVTPL.

Credit risk and impairment assessment

As at 31 March 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group is exposed to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group disclosed in note 37.

44. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on financial assets at amortised cost. With respect to financial guarantees provided to banks to secure the banking facilities granted to joint ventures and associates by the Group, the directors of the Company consider the credit risk is limited because the joint ventures and associates have strong financial positions. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables

Trade receivables arise from rental receivables from tenants for leasing the properties.

In order to minimise the credit risk, before accepting the bank mortgage, the Group would assess the credit quality of the banks and the monitoring procedures are carried out to ensure that follow up action is taken to recover these debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Impairment assessment on trade receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade receivables as at 31 March 2020.

Management assessed the expected loss on trade receivables from customers individually, taking into account the historical default experience and forward-looking information, as appropriate.

In addition, based on historical credit loss experience, the directors of the Company are of the opinion that there has been no default occurred for trade receivables aged over 60 days and the probability of default of trade receivables is low since the Group generally receives deposits from customers for leasing of properties. Given that the deposits can cover majority of trade receivables, the loss given default is considered insignificant.

Bank balances/loan receivables/other receivables/promissory note receivables/cash held by securities brokers/ amounts due from joint ventures/amounts due from associates/amount due from a non-controlling shareholder of a subsidiary

The credit risk of bank balances/loan receivables/other receivables/promissory note receivables/cash held by securities brokers/amounts due from joint ventures/amounts due from associates/amount due from a non controlling shareholder of a subsidiary are managed through an internal control process. The credit quality of each counterparty is evaluated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Further, the Group closely monitors the financial performance of the joint ventures and associates.

44. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Bank balances/loan receivables/other receivables/promissory note receivables/cash held by securities brokers/amounts due from joint ventures/amounts due from associates/amount due from a non-controlling shareholder of a subsidiary (Continued)

The Group had a concentration of credit risk as the loan receivables are advanced to a few independent third parties. As at 31 March 2020, the loan receivables will be matured ranging from April 2020 to July 2038 (2019: April 2019 to July 2038). Loan receivables of HK$248,655,000 (2019: HK$229,399,000) are secured by properties mortgage. The balance are classified as low risk and no ECL is recognised as the Group's exposure to credit losses is minimal considering the underlying value of the properties pledged to the Group. At 31 March 2019, the management had assessed the credit rating of the borrowers for the remaining unsecured loan receivables of HK$106,500,000, comprising HK$70,000,000 measured with lifetime ECL and provided loss allowance of HK$40,000,000 due to significant increase in credit risk.

The Group assessed the loss allowances for bank balances/loan receivables/other receivables/promissory note receivables/cash held by securities brokers/amounts due from joint ventures/amounts due from associates/amount due from a non-controlling shareholder of a subsidiary on 12m ECL. As at 31 March 2019, loan receivables with gross carrying amount of HK$70,000,000 were assessed on lifetime ECL basis due to significant increase in credit risk to the counterparty. Management of the Group considers the bank balances deposited with the financial institutions with high credit rating to be low credit risk financial assets. Management of the Group considers these bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered not material.

In determining the ECL for loan receivables/other receivables/promissory note receivables/cash held by securities brokers/amounts due from joint ventures/amounts due from associates/amount due from a non-controlling shareholder of a subsidiary, management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and credit rating system incorporating estimated future default properties and loss given default, concluding that ECL allowance inherent in the Group's other receivables/promissory note receivables/cash held by securities brokers/amounts due from joint ventures/amounts due from associates/amounts due from a non controlling shareholder of a subsidiary is not material. For loan receivables, HK$40,000,000 loss allowance was recognised in the profit and loss for the year end 31 March 2019 and those amount is written-off for the year ended 31 March 2020.

The following tables show reconciliation of loss allowances that has been recognised for loan receivables:

	Lifetime ECL (not credit impaired) HK$'000
At 31 March 2018	–
Impairment losses recognised	40,000
At 31 March 2019	40,000
Write-off	(40,000)
At 31 March 2020	–

44. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Impairment assessment on financial guarantee contracts

The Group assessed the loss allowances for financial guarantee contracts of HK$9,018,998,000 (2019: HK$9,180,885,000), representing the maximum amount the Group has guaranteed under the respective contracts, on 12m ECL basis. When assessing the ECL, the directors of the Company taken into account the historical default experience and financial strength of the guaranteed entities, as appropriate.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Loss provided HK$'000	2020 Gross carrying amount HK$'000	2019 Loss provided HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables	22	N/A	note a	Lifetime ECL - not credit-impaired	–	17,019	–	9,691
Other receivables	22	N/A	Low risk	12m ECL	–	212,761	–	431,655
Loan receivables	21	N/A	Low risk	12m ECL	–	248,655	–	265,899
			Doubtful	Lifetime ECL - not credit-impaired	–	–	40,000	70,000
Promissory note receivables	23	N/A	Low risk	12m ECL	–	–	–	30,000
Amounts due from joint ventures	19	N/A	Low risk	12m ECL	–	5,067,900	–	4,600,561
Amounts due from associates	20	N/A	Low risk	12m ECL	–	10,611	–	4,548
Amount due from a non-controlling shareholder of a subsidiary	41(b)	N/A	Low risk	12m ECL	–	3,470	–	2,460
Cash held by securities brokers	26	N/A	Low risk	12m ECL	–	6,432	–	2,899
Bank balances	26	A to AA+	N/A	12m ECL	–	2,668,787	–	1,406,878
Other item								
Financial guarantee contracts *(note b)*	37	N/A	Low risk	12m ECL	–	9,018,998	–	9,180,885

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

44. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes:

a. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables individually by past due status of each debtor and considers they are of low risk.

b. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

As at 31 March 2020, the ECL allowance on the Group's financial assets at amortised cost and financial guarantee contracts are insignificant.

Investments in listed and unlisted debt securities

The credit risk on investments in listed debt securities is limited because majority of the counterparties are corporations with good reputations.

The credit quality of the listed debt securities as set out in note 18, 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:

	2020 %	2019 %
Baal/BBB+	**0.8**	1.0
Baa2/BBB	**–**	0.7
Baa3/BBB-	**–**	2.1
Ba1/BB+	**1.5**	2.0
Ba2/BB	**7.8**	13.6
Ba3/BB-	**19.1**	15.3
B1 to Caal/B+ to CCC+	**34.8**	34.1
Unrated	**36.0**	31.2
	100.0	100.0

The Group also invested in unlisted debt securities which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the unlisted debt securities to ensure that the concentration risk is at an acceptable level. Certain unlisted debt securities are entered with reputable financial institutions with credit rating of Baa1 or above issued by Moody's or issued by credit worthy issuers in the market. In this regard, the directors of the Company consider that the credit risk relating to the unlisted debt securities is closely monitored.

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.

44. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables

The following table details of the Group's remaining contractual maturity for 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 maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

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

	Weighted average interest rate %	On demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 March 2020 HK$'000
31 March 2020									
Non-derivative financial liabilities									
Other payables	–	114,043	–	–	–	–	–	114,043	114,043
Amounts due to joint ventures	–	556,195	–	–	–	–	–	556,195	556,195
Amounts due to non-controlling shareholders of subsidiaries	–	167,333	–	–	–	–	–	167,333	167,333
Guaranteed notes	4.88	–	23,452	70,356	1,955,529	–	–	2,049,337	1,924,260
Bank borrowings	3.57	735,993	345,612	1,036,837	2,129,518	6,058,249	–	10,306,209	9,327,963
		1,573,564	369,064	1,107,193	4,085,047	6,058,249	–	13,193,117	12,089,794
Financial guarantee contracts *(note)*		9,018,998	–	–	–	–	–	9,018,998	9,018,998
Derivatives – net settlement									
Interest rate swaps		–	5,497	16,490	21,987	59,809	270	104,053	45,868

44. 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$'000	Total carrying amount at 31 March 2019 HK$'000
31 March 2019									
Non-derivative financial liabilities									
Other payables	-	123,538	-	-	-	-	-	123,538	123,538
Amounts due to joint ventures	-	559,377	-	-	-	-	-	559,377	559,377
Amounts due to non-controlling shareholders of subsidiaries	-	167,333	-	-	-	-	-	167,333	167,333
Guaranteed notes	4.88	-	23,790	71,370	95,160	1,988,064	-	2,178,384	1,950,000
Bank borrowings	2.90	365,000	497,808	1,493,425	2,400,009	4,324,252	-	9,080,494	8,427,707
		1,215,248	521,598	1,564,795	2,495,169	6,312,316	-	12,109,126	11,227,955
Financial guarantee contracts *(note)*		9,180,885	-	-	-	-	-	9,180,885	20,341

Note: The amount is categorised based on contractual term of repayment of the relevant underlying financial guarantee contracts guaranteed by the Group.

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these bank borrowings amounted to HK$735,993,000 (2019: HK$365,000,000). 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 borrowings 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	**Total undiscounted cash flows** HK$'000	**Total carrying amounts** HK$'000
31 March 2020	623,776	2,063	2,177	364,648	992,664	735,993
31 March 2019	93,861	281,584	–	–	375,445	365,000

44. 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.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 March 2020 HK$'000	Fair value as at 31 March 2019 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL	Listed equity securities in: - Hong Kong: 45,622	Listed equity securities in: - Hong Kong: 64,331	Level 1	Quoted bid prices in an active market	N/A	N/A
	Listed debt securities in: - Hong Kong: 473,319 - Elsewhere: 1,597,416	Listed debt securities in: - Hong Kong: 185,901 - Elsewhere: 1,526,737	Level 1	Quoted bid prices in an active market	N/A	N/A
	Unlisted debt security: -	Unlisted debt security: 124,490	Level 2	Quoted bid prices in the over-the-counter markets	N/A	N/A
	Unlisted mutual funds: 52,924	Unlisted mutual funds: 18,011	Level 2	Share of the net asset value of the fund, determined with reference to the fair value of underlying investment portfolio (mainly listed shares) and adjustments of related transaction costs	N/A	N/A
Financial assets at FVTPL	Unlisted equity securities/limited partnership: - Financial asset A/B: 107,716	Unlisted equity securities/limited partnership: - Financial asset A/B: 107,534	Level 3	Adjusted net asset value, determined based on net asset value ("NAV") adjusted for NAV discount	The NAV discount of 10.55% to 13.20% (2019: 10.92% to 13.87%)	The increase in the NAV discount rate would result in a decrease in fair value
	- Financial asset C: 56,336	- Financial asset C: 24,099	Level 2	Recent transaction price	N/A	N/A
	- Financial asset D: 9,932	- Financial asset D: N/A	Level 2	Market approach, determined with reference to the fair value of the underlying investment i.e. quoted prices in active market and adjustment of operating expenses	N/A	N/A
	- Financial asset E: N/A	- Financial asset E: 40,727	Level 2	Adjusted net asset value, determined with reference to the fair value of underlying investment portfolio (mainly listed shares) and adjustments of related transaction costs	N/A	N/A
Derivative financial instruments	Interest rate swaps: (45,868)	N/A	Level 2	Discounted cash flows. Future cash flows are estimated based on interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of the Group or the counterparties, as appropriate.	N/A	N/A

44. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL HK$'000
At 1 April 2018	–
Purchases	107,534
At 1 April 2019	107,534
Fair value losses in profit or loss	(540)
Purchases	722
At 31 March 2020	107,716

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

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

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables HK$'000 *(note 27)*	Dividend payables HK$'000 *(note 15)*	Amounts due to joint ventures HK$'000 *(note 19)*	Bank borrowings HK$'000 *(note 29)*	Guaranteed notes HK$'000 *(note 32)*	Amounts due to non-controlling shareholders of subsidiaries HK$'000 *(note 41(b))*	Total HK$'000
At 1 April 2018	27,564	–	722,382	8,347,706	1,950,000	198,073	11,245,725
Financing cash flows	(360,123)	(179,517)	(163,005)	133,279	–	(30,740)	(600,106)
Exchange adjustment	–	–	–	(53,278)	–	–	(53,278)
Dividend declared	–	179,517	–	–	–	–	179,517
Capitalisation of interest expenses	37,863	–	–	–	–	–	37,863
Interest expenses	326,065	–	–	–	–	–	326,065
At 31 March 2019	31,369	–	559,377	8,427,707	1,950,000	167,333	11,135,786
Financing cash flows	(360,541)	(70,615)	(3,182)	973,529	(25,740)	–	513,451
Exchange adjustment	–	–	–	(73,273)	–	–	(73,273)
Dividend declared	–	70,615	–	–	–	–	70,615
Capitalisation of interest expenses	25,536	–	–	–	–	–	25,536
Interest expenses	333,897	–	–	–	–	–	333,897
At 31 March 2020	30,261	–	556,195	9,327,963	1,924,260	167,333	12,006,012

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	514,199	541,828
Amounts due from subsidiaries	9,142,575	8,531,952
Investments in joint ventures	34,043	30,826
Club memberships	5,200	5,200
Deferred tax assets	8,212	7,106
	9,704,229	9,116,912
Current assets		
Other receivables	1,356	4,737
Loan to a subsidiary	120,000	120,000
Bank balances and cash	489,112	48,807
	610,468	173,544
Current liabilities		
Other payables and accruals	63,155	35,628
Bank borrowings – due within one year	–	30,000
	63,155	65,628
Net current assets	547,313	107,916
	10,251,542	9,224,828
Capital and reserves		
Share capital	78,460	80,296
Reserves *(note)*	10,173,082	8,972,032
Total Equity	10,251,542	9,052,328
Non-current liabilities		
Bank borrowings – due after one year	–	172,500
	10,251,542	9,224,828

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (*note*)	Retained profits HK$'000	Total HK$'000
At 1 April 2018	2,052,135	6,620	134,931	6,837,473	9,031,159
Profit and other comprehensive income for the year	–	–	–	81,392	81,392
Dividends recognised as distribution	–	–	–	(140,519)	(140,519)
At 31 March 2019	2,052,135	6,620	134,931	6,778,346	8,972,032
Profit and other comprehensive income for the year	–	–	–	1,271,665	1,271,665
Dividends recognised as distribution	–	–	–	(70,615)	(70,615)
At 31 March 2020	2,052,135	6,620	134,931	7,979,396	10,173,082

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31 March 2020 and 2019 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 2020 %	Directly 2019 %	Indirectly 2020 %	Indirectly 2019 %	Principal activities
2 Shelley Street Management Limited	Hong Kong	HK$1	–	–	100	100	Provision of property management services
45 Barker Road Management Limited (*note iii*)	Hong Kong	HK$1	–	–	100	–	Provision of property management services
46 Lyndhurst Management Limited	Hong Kong	HK$1	–	–	100	100	Provision of property management services
Able Market Limited	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Able Wealth Enterprise Limited	Hong Kong	HK$10	–	–	100	100	Property development
Absolute Keen Limited	Hong Kong	HK$1	–	–	100	100	Property development
Capital Strategic Property (Shanghai) Limited (*note ii*) 資地置業(上海)有限公司	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 management service

47. 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 2020 %	Directly 2019 %	Indirectly 2020 %	Indirectly 2019 %	Principal activities
Clear Luck Group Limited	BVI	US$1	–	–	100	100	Property holding
COO Management Services Limited	Hong Kong	HK$1	–	–	100	100	Provision of property management services
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 management service
Digital Point Limited	BVI	US$1	–	–	100	100	Property development
Divine Garden Limited	BVI	US$1	–	–	100	50	Property holding and leasing of property
Eagle Shore Limited	BVI	US$1	–	–	100	100	Sales of securities and investment holding
Earn Centre Limited *(note i)*	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Earthmark Limited	BVI	US$1	100	100	–	–	Treasury management
Eastern Cosmo Limited	BVI	US$1	–	–	100	100	Property development
Estate Sky Limited	BVI	US$1	100	100	–	–	Bond issuer
Fortress Jet Limited *(note i)*	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Geotalent Limited *(note i)*	BVI	US$1	–	–	100	100	Property holding and leasing of property
Go Clear Investments Limited	Hong Kong	HK$6	–	–	100	100	Property development
Golden United Limited *(note i)*	Hong Kong	HK$1	–	–	100	100	Property holding and leasing of property
Handy Global Holdings Limited	BVI	US$1	100	100	–	–	Investment holding
Highland Management Services Limited	Hong Kong	HK$1	–	–	100	100	Provision of property management services

47. 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		Indirectly		Principal activities
			2020 %	2019 %	2020 %	2019 %	
Hoyden Holdings Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Inbest Limited	Hong Kong	HK$2	–	–	100	100	Sales of securities and investment holding
Linking Plus Investments Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Mark Well Investment Limited	Hong Kong	HK$100	100	100	–	–	Sale of securities and investment holding
Modern Value Limited	BVI	US$1	–	–	100	100	Property holding and leasing of property
Shanghai Huajian Business Management Company Limited *(note ii)* 上海華建商業管理有限公司	PRC	Registered and paid-up capital RMB350,195,250	–	–	100	100	Property holding and leasing of property
Surplus King Centre Limited	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
Surplus King Hotel Enterprises Limited	Hong Kong	HK$2	–	–	100	100	Property holding and leasing of property
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

Notes:

(i) The company was disposed of during the year ended 31 March 2020.

(ii) These companies are wholly foreign owned enterprises established in the PRC. The English name of companies established in the PRC are directly translated from their Chinese names and are furnished for identification purpose only.

(iii) The company was incorporated during the year ended 31 March 2020.

47. 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 ESL which had issued guaranteed notes of US$250,000,000 (see note 32 for details).

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of business	Number of subsidiaries	
		2020	2019
Corporate services	HK	4	4
Investment holding	HK/Macau/PRC	217	222
Inactive	HK	19	27
Securities investment	HK	3	2
		243	255

RESULTS

The board of directors (the "Board") of CSI Properties Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021, together with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*2*		
Sales of properties held for sale		**141,800**	3,498,030
Rental income		**226,912**	211,926
Total revenue		**368,712**	3,709,956
Cost of sales and services		**(132,444)**	(2,212,520)
Gross profit		**236,268**	1,497,436
Income from investments	*4*	**229,218**	172,029
Gains (losses) from investments	*4*	**19,591**	(294,847)
Other income	*5*	**197,646**	191,708
Other gains and losses	*6*	**30,751**	(13,321)
Administrative expenses		**(240,307)**	(312,579)
Finance costs	*7*	**(275,280)**	(333,897)
Share of results of joint ventures		**246,079**	402,036
Share of results of associates		**521**	432
Profit before taxation		**444,487**	1,308,997
Income tax expense	*8*	**(25,982)**	(65,269)
Profit for the year	*9*	**418,505**	1,243,728
Profit (loss) attributable to:			
Owners of the Company		**330,809**	1,155,643
Holders of perpetual capital securities		**89,700**	89,700
Non-controlling interests		**(2,004)**	(1,615)
		418,505	1,243,728
Earnings per share *(HK cents)*	*11*		
Basic		**3.43**	11.77

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	HK$'000	*HK$'000*
Profit for the year	**418,505**	1,243,728
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**42,618**	(22,910)
Share of exchange differences of joint ventures, net of related income tax	**170,221**	(118,304)
	212,839	(141,214)
Total comprehensive income for the year	**631,344**	1,102,514
Total comprehensive income (expense) attributable to:		
Owners of the Company	**540,163**	1,014,429
Holders of perpetual capital securities	**89,700**	89,700
Non-controlling interests	**1,481**	(1,615)
	631,344	1,102,514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-Current Assets			
Property, plant and equipment		**262,165**	297,235
Financial assets at fair value through profit or loss ("FVTPL")	*13*	**180,350**	170,955
Club memberships		**11,915**	11,915
Interests in joint ventures		**4,743,982**	4,474,685
Amounts due from joint ventures		**5,983,637**	5,067,900
Interests in associates		**362,154**	193,052
Amounts due from associates		**1,422,774**	10,611
Loan receivables		**129,683**	203,248
		13,096,660	10,429,601
Current Assets			
Loan receivables		**104,902**	45,407
Trade and other receivables	*12*	**241,345**	274,058
Amount due from a non-controlling shareholder of a subsidiary		**–**	3,470
Properties held for sale		**12,179,207**	11,502,578
Financial assets at FVTPL	*13*	**1,520,555**	2,172,310
Taxation recoverable		**450**	9,889
Cash held by securities brokers		**37,899**	6,432
Bank balances and cash		**1,462,929**	2,668,787
		15,547,287	16,682,931
Current Liabilities			
Other payables and accruals	*14*	**578,080**	346,103
Taxation payable		**231,496**	265,415
Amounts due to joint ventures		**749,096**	556,195
Amounts due to non-controlling shareholders of subsidiaries		**165,210**	167,333
Bank borrowings – due within one year		**1,714,909**	1,811,884
Guaranteed notes – due within one year		**1,859,520**	–
		5,298,311	3,146,930
Net Current Assets		**10,248,976**	13,536,001
Total assets less current liabilities		**23,345,636**	23,965,602

	2021	2020
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**76,117**	78,460
Treasury shares	**(6,572)**	–
Reserves	**13,228,358**	12,805,654
Equity attributable to owners of the Company	**13,297,903**	12,884,114
Holders of perpetual capital securities	**1,539,443**	1,539,443
Non-controlling interests	**33,879**	36,253
Total Equity	**14,871,225**	14,459,810
Non-Current Liabilities		
Bank borrowings – due after one year	**8,364,534**	7,516,079
Guaranteed notes – due after one year	**–**	1,924,260
Derivative financial instruments	**81,798**	45,868
Deferred tax liabilities	**28,079**	19,585
	8,474,411	9,505,792
	23,345,636	23,965,602

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1a Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

1b Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The Group has elected to apply the optional concentration test on the acquisition of Venus Fortune Limited and concluded that such acquisition does not constitute a business.

2. REVENUE

(i) Disaggregation of revenue

	2021	2020
	HK$'000	*HK$'000*
Sales of properties held for sale – at a point in time	**141,800**	3,498,030
Rental income	**226,912**	211,926
	368,712	3,709,956

	Sales of properties held for sale	
	2021	2020
	HK$'000	*HK$'000*
Geographical market		
Hong Kong	**141,800**	3,498,030

(ii) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	2021	2020
	HK$'000	*HK$'000*
Sales of properties held for sale		
Commercial property holding	**141,800**	2,612,622
Residential property holding	**–**	885,408
Revenue from contracts with customers	**141,800**	3,498,030
Rental income	**226,912**	211,926
Interest income and dividend income	**229,218**	172,029
Revenue disclosed in segment information	**597,930**	3,881,985

(iii) Performance obligations for contracts with customers

Revenue from sales of properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer. The Group receives at least 5% of the contract value as deposits from customers when they sign the preliminary sale and purchase agreements and the balance of purchase price shall be paid upon completion of the sale and purchase of the properties.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Leases

	2021	2020
	HK$'000	*HK$'000*
For operating leases:		
Lease payments that are fixed	**226,912**	211,926

During the year ended 31 March 2021, the Group granted one-off rent reduction for those lessees suffering loss during COVID-19 period amounting to HK$6,348,000 (2020: HK$800,000).

3. 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 executive 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.

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 and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong and 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.

The CODM also considered the share of revenue of associates and joint ventures for the purpose of allocating resources and assessing performance of each segment.

Segment revenue 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 2021					
EXTERNAL REVENUE					
Rental income	219,676	4,175	3,061	–	226,912
Sales of properties held for sale	141,800	–	–	–	141,800
Revenue of the Group	361,476	4,175	3,061	–	368,712
Interest income and dividend income	–	–	–	229,218	229,218
	361,476	4,175	3,061	229,218	597,930
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	75,565	265	–	–	75,830
Sales of properties held for sale	13,994	1,576,287	–	–	1,590,281
	89,559	1,576,552	–	–	1,666,111
Segment revenue	451,035	1,580,727	3,061	229,218	2,264,041
RESULTS					
Share of results of joint ventures *(Note)*	(121,122)	367,201	–	–	246,079
Share of results of associates *(Note)*	576	(55)	–	–	521
Segment profit (loss) excluding share of results of joint ventures and associates	322,735	(1,305)	609	206,664	528,703
Segment profit	202,189	365,841	609	206,664	775,303
Unallocated other income					39,197
Unallocated other gains and losses					19,125
Central administration costs					(113,858)
Finance costs					(275,280)
Profit before taxation					444,487

	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 2020					
EXTERNAL REVENUE					
Rental income	203,198	5,776	2,952	–	211,926
Sales of properties held for sale	2,612,622	885,408	–	–	3,498,030
Revenue of the Group	2,815,820	891,184	2,952	–	3,709,956
Interest income and dividend income	–	–	–	172,029	172,029
	2,815,820	891,184	2,952	172,029	3,881,985
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	81,471	231	–	–	81,702
Sales of properties held for sale	1,380,834	319,352	–	–	1,700,186
	1,462,305	319,583	–	–	1,781,888
Segment revenue	4,278,125	1,210,767	2,952	172,029	5,663,873
RESULTS					
Share of results of joint ventures *(Note)*	523,912	(121,876)	–	–	402,036
Share of results of associates *(Note)*	558	(126)	–	–	432
Segment profit (loss) excluding share of results of joint ventures and associates	1,225,476	212,281	(12,283)	(139,951)	1,285,523
Segment profit (loss)	1,749,946	90,279	(12,283)	(139,951)	1,687,991
Unallocated other income					70,698
Unallocated other gains and losses					16,815
Central administration costs					(132,610)
Finance costs					(333,897)
Profit before taxation					1,308,997

Note: Share of results of associates and joint ventures mainly represent share of the operating profit or loss of these entities from their businesses of property investment and development.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) includes the profit earned (loss incurred) by each segment, income and gains (losses) from investments, assets management income, interest income from amounts due from joint ventures, consultancy fee income, gain on disposal of investment in an associate, reversal of impairment loss on amount due from an associate, share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income, loan interest income, amortisation of financial guarantee contracts and forfeited deposits) and of other gains and losses (primarily gain on disposal of property, plant and equipment, net exchange gain and gain on disposal of a subsidiary), central administrative costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2021	2020
	HK$'000	*HK$'000*
Income from investments includes the following:		
Interest income from financial assets at FVTPL	**169,456**	150,905
Dividend income from financial assets at FVTPL	**59,762**	21,124
	229,218	172,029
Gains (losses) from investments includes the following:		
Net change in fair value of financial assets at FVTPL		
– net realised gain (loss)	**84,114**	(36,825)
– net unrealised loss	**(2,459)**	(221,141)
Net change in fair value of derivative financial instruments		
– net realised (loss) gain	**(26,133)**	8,987
– net unrealised loss	**(35,931)**	(45,868)
	19,591	(294,847)

Note:

Realised gain or loss represent amount realised when investments have been disposed. Unrealised gain or loss represent changes in fair value of the investments held at the end of the reporting period.

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

	2021	2020
	HK$'000	*HK$'000*
Derivative financial instruments	**(62,064)**	(36,881)
Financial assets at FVTPL	**310,873**	(85,937)
	248,809	(122,818)

5. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**12,357**	29,970
Interest income from loan receivables	**8,668**	13,733
Interest income from amounts due from joint ventures	**149,956**	118,610
Interest income from promissory note	**–**	963
Amortisation of financial guarantee contracts	**7,367**	7,501
Assets management income	**2,400**	2,400
Consultancy fee income	**6,093**	24
Forfeited deposits	**256**	8,756
Others	**10,549**	9,751
	197,646	191,708

Total interest income of financial assets measured at amortised cost amounts to HK$170,981,000 (2020: HK$163,276,000) for the year ended 31 March 2021.

6. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Write-off of deposit for properties held for sale	**–**	(30,560)
Gain on disposal of property, plant and equipment	**–**	839
Reversal of impairment loss on amount due from an associate	**–**	424
Gain on disposal of a subsidiary *(Note i)*	**18,289**	–
Gain on disposal of investment in an associate *(Note ii)*	**11,626**	–
Net exchange gain	**836**	15,976
	30,751	(13,321)

Notes:

i. During the year ended 31 March 2021, the Group disposed its entire equity interest in a wholly-owned subsidiary, which holds a vessel, to a third party for a consideration of HK$23,250,000. The carrying amount of the net assets of this subsidiary was HK$4,870,000, with HK$91,000 transaction cost and hence a gain arising on this disposal amounted to HK$18,289,000 was recognised in the profit or loss in current year.

ii. During the year ended 31 March 2021, the Group disposed its entire 16.58% equity interest in an associate, which principally engaged in the operation of clubs, entertainment and restaurant business in Hong Kong, to a third party, for a consideration of HK$12,734,000. The carrying amount of the Group's interest in this associate was HK$1,108,000, and hence a gain arising on this disposal amounted to HK$11,626,000 was recognised in the profit or loss in current year.

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**198,532**	264,486
Loan from a joint venture partner	**1,918**	–
Guaranteed notes	**90,638**	94,947
Total borrowing costs	**291,088**	359,433
Less: Amounts capitalised in the cost of qualifying assets	**(15,808)**	(25,536)
	275,280	333,897

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 1.30% to 3.73% (2020: 2.62% to 4.51%) per annum for the year ended 31 March 2021.

8. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**17,166**	71,016
– Under (over) provision in prior years	**322**	(13,350)
Macau Complementary Tax		
– Current year	**–**	10
	17,488	57,676
Deferred taxation	**8,494**	7,593
	25,982	65,269

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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.

According to the budget for the financial year 2021 approved by the Macau Legislative Assembly, the tax-free income threshold for complementary tax has been increased from MOP32,000 to MOP600,000 for income derived in the tax year of 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. PROFIT FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**33,445**	56,371
Other staff costs:		
Salaries and other benefits	**55,774**	71,779
Performance-related incentive bonus	**9,435**	15,472
Contributions to retirement benefits schemes	**5,266**	4,371
	70,475	91,622
Total staff costs	**103,920**	147,993
Auditor's remuneration – audit services	**3,760**	3,792
Cost of properties held for sale recognised as an expense	**122,909**	1,764,879
Depreciation of property, plant and equipment	**35,271**	33,696
(Net reversal of write-down) write-down of properties held for sale (included in cost of sales)	**(32,458)**	345,853

10. DIVIDEND

	2021	2020
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK0.50 cents per share in respect of financial year ended 31 March 2020 (2020: Final dividend of HK0.72 cents per share in respect of financial year ended 31 March 2019)	**48,071**	70,615
Dividends proposed after the end of the reporting period		
– Final dividend of HK0.42 cents per share (2020: Final dividend of HK0.50 cents per share)	**39,853**	48,988

11. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	**330,809**	1,155,643
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**9,649,087**	9,814,897

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both years.

12. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables. Rental receivables are billed and receivable based on the terms of tenancy agreement. The Group allows credit period of 0 – 60 days (2020: 0 – 60 days) to its tenants. The ageing analysis of the trade receivables, presented based on the debit note date for rental receivables which approximated the revenue recognition date, at the end of the reporting period is as follows:

	2021	2020
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**7,339**	11,256
31 – 90 days	**670**	5,763
	8,009	17,019
Prepayments and deposits	**37,504**	44,278
Other receivables *(Note)*	**195,832**	212,761
	241,345	274,058

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

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

Note: As at 31 March 2021, other receivables mainly comprised of refundable stamp duty for redevelopment of commercial properties amounting to HK$113,060,000 (2020: HK$46,608,000) and sale proceed the Group's properties held for sale amounting to HK$nil (2020: HK$148,836,000) under the custody of the independent lawyers on behalf of the Group.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at FVTPL comprise:

	2021	2020
	HK$'000	*HK$'000*
Listed equity securities	**91,628**	45,622
Unlisted equity securities/limited partnership	**185,334**	173,984
Unlisted mutual funds	**10,361**	52,924
Listed debt securities	**1,334,953**	2,070,735
Unlisted debt securities	**78,629**	–
	1,700,905	2,343,265
Total and reported as:		
Listed		
Hong Kong	**457,782**	518,941
Singapore	**525,007**	703,859
Elsewhere	**443,792**	893,557
Unlisted	**274,324**	226,908
	1,700,905	2,343,265
Analysed for reporting purposes as:		
Non-current assets	**180,350**	170,955
Current assets	**1,520,555**	2,172,310
	1,700,905	2,343,265

14. OTHER PAYABLES AND ACCRUALS

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

	2021	2020
	HK$'000	*HK$'000*
Rental and related deposits received	**130,479**	83,782
Other tax payables	**2,149**	2,283
Deferred income of financial guarantee contracts to joint ventures	**11,205**	18,728
Interest payables	**24,339**	30,261
Accrued construction costs	**261,641**	116,484
Accrued consultancy fee	**–**	2,657
Accruals and other payables	**148,267**	91,908
	578,080	346,103

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