



CSI Properties Limited

(Formerly known as Capital Strategic Investment Limited)

資本策略

Stock code : 497



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INTERIM REPORT **2010**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Chung Cho Yee, Mico (*Chairman*)

Kan Sze Man (*Company Secretary*)

Chow Hou Man

Wong Chung Kwong

Independent Non-Executive Directors:

Lam Lee G.

Wong Sin Just

Cheng Yuk Wo

AUDIT COMMITTEE

Lam Lee G.

Wong Sin Just

Cheng Yuk Wo

REMUNERATION COMMITTEE

Chung Cho Yee, Mico

Lam Lee G.

Cheng Yuk Wo

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Industrial and Commercial Bank of
China (Asia) Limited

The Bank of East Asia Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3203

Bank of America Tower

12 Harcourt Road

Central, Hong Kong

SHANGHAI OFFICE

2207-08

International Capital Plaza

1318 Sichuan Road North

Shanghai, 200080, China

AUDITORS

Deloitte Touche Tohmatsu

35/F., One Pacific Place

88 Queensway

Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor
Services Limited

Rooms 1712-1716

17 Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

STOCK CODE

497

COMPANY WEBSITE

www.csigroup.hk

The board of directors (the “Board”) of CSI Properties Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2010. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	NOTES	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue		158,702	541,038
Cost of sales		(50,531)	(445,667)
Gross profit		108,171	95,371
Income and gains from investments	4	9,024	40,128
Other gains	5	59,110	330,311
Other income		1,394	2,421
Administrative expenses		(41,174)	(41,729)
Finance costs	6	(44,902)	(21,295)
Share of results of jointly controlled entities		6,461	23
Share of results of associates		19,950	3,250
Profit before taxation		118,034	408,480
Taxation	7	(8,318)	(12,686)
Profit for the period	8	109,716	395,794
Profit (loss) for the period attributable to:			
Owners of the Company		110,814	397,014
Non-controlling interests		(1,098)	(1,220)
		109,716	395,794
Earnings per share (HK cents)	10		
— Basic		1.4	5.9
— Diluted		1.3	5.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Profit for the period	109,716	395,794
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations for the period	25,526	(4,352)
Change in fair value of available-for-sale investments	3,170	—
	28,696	(4,352)
Total comprehensive income for the period	138,412	391,442
Total comprehensive income (expense) attributable to:		
— Owners of the Company	138,839	392,662
— Non-controlling interests	(427)	(1,220)
	138,412	391,442

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

	NOTES	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (restated)
Non-Current Assets			
Property, plant and equipment	11	131,868	135,872
Available-for-sale investments		32,312	29,142
Conversion options embedded in convertible notes		20	3,750
Club memberships		6,860	6,860
Interests in jointly controlled entities		17,650	5,508
Interests in associates		6,324	8,151
Amounts due from jointly controlled entities	12	512,882	5,818
Amounts due from associates	12	120,089	99,873
		828,005	294,974
Current Assets			
Trade and other receivables	13	25,531	20,511
Deposit paid for acquisition of properties held for sale		78,090	48,000
Other deposit	14	—	1,820,495
Investments held for trading		190,849	258,102
Properties held for sale	15	4,950,053	4,724,281
Taxation recoverable		5,526	6,542
Amount due from a non-controlling shareholder of a subsidiary	12	25	25
Pledged bank deposits		35,823	35,183
Bank balances and cash		756,772	581,745
		6,042,669	7,494,884

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 SEPTEMBER 2010

	NOTES	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Current Liabilities			
Other payables and accruals		96,988	107,025
Taxation payable		24,591	25,050
Amounts due to non-controlling shareholders of subsidiaries	12	10,703	299,128
Amounts due to jointly controlled entities	12	443	5,078
Amounts due to associates	12	411	2,000
Convertible notes-due within one year	16	76,364	1,975
Bank borrowings - due within one year	17	848,264	896,689
		1,057,764	1,336,945
Net Current Assets			
		4,984,905	6,157,939
		5,812,910	6,452,913
Capital and Reserves			
Share capital	19	65,311	65,311
Reserves		3,446,573	3,348,124
Equity attributable to owners of the Company		3,511,884	3,413,435
Non-controlling interests		(398)	174
Total Equity		3,511,486	3,413,609
Non-Current Liabilities			
Convertible notes - due after one year	16	98,866	166,964
Bank borrowings - due after one year	17	2,169,820	2,842,439
Derivative financial instruments		13,212	9,194
Deferred tax liabilities	18	19,526	20,707
		2,301,424	3,039,304
		5,812,910	6,452,913

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Convertible note equity reserve	Contributed surplus	Translation reserve	Share option reserve	Investment revaluation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010 (audited)	65,311	1,221,459	371	1,698	19,413	276,058	18,072	6,521	—	1,804,532	3,413,435	174	3,413,609
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	110,814	110,814	(1,098)	109,716
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	25,082	—	—	—	25,082	671	25,753
Share of other comprehensive income of an associate	—	—	—	—	—	—	(227)	—	—	—	(227)	—	(227)
Increase in fair value of available-for-sale investments recognized directly in equity	—	—	—	—	—	—	—	—	3,170	—	3,170	—	3,170
Total comprehensive income and expenses for the period	—	—	—	—	—	—	24,855	—	3,170	110,814	138,839	(427)	138,412
Recognition of equity — settled share based payments	—	—	—	—	—	—	—	429	—	—	429	—	429
Released on disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(145)	(145)
Dividends recognized as distribution (note 9)	—	—	—	—	—	—	—	—	—	(40,819)	(40,819)	—	(40,819)
At 30 September 2010 (unaudited)	65,311	1,221,459	371	1,698	19,413	276,058	42,927	6,950	3,170	1,874,527	3,511,884	(398)	3,511,486

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Convertible note equity reserve	Contributed surplus	Translation reserve	Share option reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)	(Note b)							
At 1 April 2009 (audited)	39,525	841,269	371	1,698	55,811	276,058	21,030	5,294	1,228,715	2,469,771	38,763	2,508,534
Profit (loss) for the period	—	—	—	—	—	—	—	—	397,014	397,014	(1,220)	395,794
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(2,019)	—	—	(2,019)	—	(2,019)
Share of other comprehensive expense of an associate	—	—	—	—	—	—	(2,333)	—	—	(2,333)	—	(2,333)
Total comprehensive income and expenses for the period	—	—	—	—	—	—	(4,352)	—	397,014	392,662	(1,220)	391,442
Issue of shares upon rights issue	17,786	155,628	—	—	—	—	—	—	—	173,414	—	173,414
Issue of shares	8,000	237,000	—	—	—	—	—	—	—	245,000	—	245,000
Transaction costs attributable to issue of shares	—	(11,268)	—	—	—	—	—	—	—	(11,268)	—	(11,268)
Realised on partial repurchase of convertible notes	—	—	—	—	(45,306)	—	—	—	45,306	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	795	—	795	—	795
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(33,703)	(33,703)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,600)	(3,600)
Dividends recognized as distribution (note 9)	—	—	—	—	—	—	—	—	(15,760)	(15,760)	—	(15,760)
At 30 September 2009 (unaudited)	65,311	1,222,629	371	1,698	10,505	276,058	16,678	6,089	1,655,275	3,254,614	240	3,254,854

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	NOTES	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash used in operating activities:			
Increase in properties held for sales		(357,209)	(203,514)
Increase in deposit paid for acquisition of property held for sales		(78,090)	(49,436)
Cash inflows from other operating activities		100,383	34,844
		(334,916)	(218,106)
Net cash from (used in) investing activities:			
Advances to associate and a jointly controlled entity		(17,218)	(42,825)
Purchase of properties, plant and equipment		(1,364)	(25,011)
Increase in pledged bank deposits		(640)	(326,858)
Dividend received from an associate and a jointly controlled entity		7,802	—
Acquisition of assets through acquisition of subsidiaries	20	138,395	—
Proceeds from disposal of subsidiaries	21	259,482	—
Acquisition of additional interest in subsidiaries		—	(13,950)
Proceeds from disposal of property, plant and equipment		—	8,800
Cash inflows from other investing activities		3,312	1,783
		389,769	(398,061)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash from (used in) financing activities:		
Repayments of borrowings	(122,972)	(412,624)
Dividends paid	(40,819)	(15,760)
New borrowings raised	293,040	527,845
Partial repurchase of convertible notes	—	(294,386)
Redemption of other borrowings	—	(236,500)
Dividends paid to non-controlling interests	—	(3,600)
Proceeds from issue of shares and exercise of rights issue, net of issue costs	—	407,146
Cash (outflows) inflows from other financing activities	(9,075)	249
	120,174	(27,630)
Net increase (decrease) in cash and cash equivalents	175,027	(643,797)
Cash and cash equivalents at beginning of the period	581,745	1,197,978
Cash and cash equivalents at end of the period, represented by bank balance and cash	756,772	554,181

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010. In addition, the Group adopted the following new accounting policies during the period.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2010.

Amendment to HKAS 17 "Leases"

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Adoption of new and revised HKFRSs effective in the current period (Continued)

Amendment to HKAS 17 “Leases” (Continued)

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1 April 2010 based on information that existed at the inception of leases. Leasehold lands that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with previous carrying amount of HK\$102,370,000 as at 1 April 2010 to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment is increased from HK\$33,502,000 as at 1 April 2010 to HK\$135,872,000. The application of the amendments to HKAS 17 did not affect the financial results of the Group for current or prior period.

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

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

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

In addition, the impact of the adoption of HKAS 27 (Revised 2008) has been to allow allocation of total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. This change in accounting policy has resulted in an increase in profit attributable to owners of the Company by HK\$398,000 and an increase in loss for the period attributable to non-controlling interests by the same amount.

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

The adoption of other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs that are not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 7 (Amendment)	Disclosures-Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

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

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (Continued)

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

	Property trading	Strategic investment	Securities investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the six months ended</i>				
<i>30 September 2010 (unaudited)</i>				
Gross proceeds	158,702	—	105,532	264,234
Revenue				
Rental income	158,702	—	—	158,702
Interest income and dividend income	—	—	2,855	2,855
Share of results of jointly controlled entities	—	6,461	—	6,461
Share of results of an associate	—	19,950	—	19,950
Segment revenue	158,702	26,411	2,855	187,968
Segment profit	143,705	26,411	7,638	177,754
Other gains				2,327
Unallocated other income				1,394
Central administration costs				(18,539)
Finance costs				(44,902)
Profit before taxation				118,034

3. SEGMENT INFORMATION (Continued)

	Property trading HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>				
<i>30 September 2009 (unaudited)</i>				
Gross proceeds	541,038	—	201,056	742,094
Revenue				
Rental income	81,038	—	—	81,038
Income from sales of properties	460,000	—	—	460,000
Interest income and dividend income	541,038	—	—	541,038
Share of results of a jointly controlled entity	—	—	6,313	6,313
Share of results of an associate	—	23	—	23
	—	3,250	—	3,250
Segment revenue	541,038	3,273	6,313	550,624
Segment profit	81,699	3,273	38,034	123,006
Other gains				330,311
Unallocated other income				2,421
Central administration costs				(25,963)
Finance costs				(21,295)
Profit before taxation				408,480

Segment profit represents profit earned by each segment and fair value change of investments held for trading without allocation of other income, certain other gains, central administrative costs and finance costs. This is the measure reported to the chief operation decision makers for the purpose of resource allocation and performance assessment.

4. INCOME AND GAINS FROM INVESTMENTS

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest income from:		
— investments held for trading	2,098	5,252
— available-for-sale investments	314	313
Dividend income from:		
— investments held for trading	—	207
— available-for-sale investments	443	541
Increase (decrease) in fair values of:		
— investments held for trading	13,474	35,960
— derivative financial instruments	(7,305)	(2,145)
	9,024	40,128

5. OTHER GAINS

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Gain on disposal of subsidiaries (Note 21)	56,783	—
Exchange gain	2,327	1,309
Gain on partial repurchase of convertible notes (Note i)	—	124,192
Gain on redemption of other borrowings (Note ii)	—	197,182
Gain on disposal of property, plant and equipment	—	7,628
	59,110	330,311

Notes:

- (i) During the six months ended 30 September 2009, the Company entered into agreements with certain independent third parties pursuant to which the Company repurchased part of the convertible notes with an aggregate carrying amount of the liability component of HK\$418,578,000 at an aggregate consideration of HK\$294,386,000, resulting in a gain of HK\$124,192,000.
- (ii) Pursuant to a loan purchase agreement dated 22 May 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) with an aggregate principal outstanding balance plus accrued interest of HK\$433,682,000 at an aggregate consideration of HK\$236,500,000, which gave rise to a gain on redemption of HK\$197,182,000.

6. FINANCE COSTS

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	14,009	210
Bank borrowings not wholly repayable within five years	21,752	11,430
Convertible notes wholly repayable within five years	9,141	9,655
	44,902	21,295

7. TAXATION

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax	3,888	4,581
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	5,611	—
	9,499	4,581
Deferred taxation (Note 18)	(1,181)	8,105
	8,318	12,686

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is calculated based on the statutory rate of 25%. No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements for the six months ended 30 September 2009 as all of the PRC subsidiaries had no assessable profits for the period then ended.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	—	—
Salaries and other benefits	4,817	5,528
Bonus	—	8,000
Contributions to retirement benefits schemes	103	162
Share-based payments	200	248
	5,120	13,938
Other staff costs:		
Salaries and other benefits	6,670	6,813
Bonus	—	2,000
Contributions to retirement benefits schemes	327	207
Share-based payments	229	547
	7,226	9,567
Total staff costs	12,346	23,505
Depreciation of property, plant and equipment	5,374	4,524
Cost of properties held for sales recognised as an expense	—	430,244
and after crediting:		
Bank interest income	1,394	2,327

9. DIVIDENDS

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Final dividend of HK0.5 cents (2009: HK0.22 cents) per share recognised as distribution for the year ended 31 March 2010 (2009: for the year ended 31 March 2009) and paid during the period	40,819	15,760

The directors do not recommend the payment of an interim dividend for the period (2009: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	110,814	397,014
Effect of dilutive potential ordinary shares: Interest on convertible notes (net of tax)	2,255	9,655
Earnings for the purpose of calculating diluted earnings per share	113,069	406,669

	Six months ended 30 September	
	2010 Number of shares	2009 Number of shares
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	8,163,817	6,767,747
Effect of dilutive potential ordinary shares (in thousands):		
Share options	130,896	122,772
Convertible notes	225,240	656,364
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	8,519,953	7,546,883

For the six months ended 30 September 2010, the computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise price of those options was higher than the average market price of the shares during the period. In addition, it does not assume the conversion of certain of the Company's outstanding convertible notes since exercise of which would result in increase in earnings per share for the period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$1,364,000 (six months ended 30 September 2009: HK\$30,753,000) on additions of the property, plant and equipment.

During the six months ended 30 September 2009, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$1,172,000 for a consideration of HK\$8,800,000, resulting in a gain on disposal of HK\$7,628,000. No property, plant and equipment has been disposed of during the six months ended 30 September 2010.

12. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Amounts due from jointly controlled entities included in — non-current assets (Note i)	512,882	5,818
Amounts due from associates included in non-current assets (Note ii)	120,089	99,873
Amount due from a non-controlling shareholder of a subsidiary included in current assets (Note iii)	25	25
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iv)	10,703	299,128
Amounts due to jointly controlled entities included in current liabilities (Note iv)	443	5,078
Amounts due to associates included in current liabilities (Note iv)	411	2,000

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

12. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Continued)

Notes:

- (i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. Accordingly, the amounts were classified as non-current. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Included in the amounts is share of loss of a jointly controlled entity of HK\$18,531,000 (31 March 2010: HK\$18,531,000) allocated in excess of the cost of investment.
- (ii) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. Accordingly, the amounts were classified as non-current. The directors considered that the amounts form part of the net investments in the relevant associates. Included in the amounts is share of losses of associates of HK\$7,529,000 (31 March 2010: HK\$27,479,000) allocated in excess of respective cost of investments.
- (iii) The amounts are unsecured, non-interest bearing and expected to be recovered within one year from the end of the reporting period.
- (iv) The amount is unsecured, non-interest bearing and repayable on demand.

13. TRADE AND OTHER RECEIVABLES

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

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade receivables:		
0 - 30 days	5,492	1,583
31-90 days	2,161	1,258
	7,653	2,841
Prepayments and deposits	9,411	10,136
Other receivables	8,467	7,534
	25,531	20,511

14. OTHER DEPOSIT

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

During the period, the transaction has been completed and accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination. Details are set out in note 20.

15. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group incurred HK\$2,510,504,000 (six months ended 30 September 2009: HK\$609,110,000) on acquisition of properties held for sale.

16. CONVERTIBLE NOTES

The convertible notes issued by the Company include (i) an aggregate principal amount of HK\$133,000,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes"), (ii) an aggregate principal amount of HK\$390,000,000 unsecured 2% convertible notes due 2012 (the "2012 Convertible Notes I") and (iii) an aggregate principal amount of HK\$78,000,000 unsecured 4% convertible note due 2012 ("2012 Convertible Notes II").

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

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

During the period ended 30 September 2009, the Company has entered into agreements with certain independent third parties and completed the repurchases of (i) 2011 Convertible Notes with an aggregate carrying value of HK\$63,001,000 at an aggregate consideration of HK\$43,750,000 and (ii) 2012 Convertible Notes I with an aggregate carrying value of HK\$355,577,000 at an aggregate consideration of HK\$250,636,000. Convertible note equity reserve released upon the partial repurchases of 2011 Convertible Notes and 2012 Convertible Notes I during the six months ended 30 September 2009 amounted to approximately HK\$45,306,000.

16. CONVERTIBLE NOTES (Continued)

At the end of the reporting period, the remaining outstanding convertible notes are as follow:

Category	Aggregate principal amount HK\$'000	Maximum number of shares to issue upon conversion	Conversion price HK\$
2011 Convertible Notes	70,500	225,239,614	0.313
2012 Convertible Notes I	23,600	55,011,654	0.429
2012 Convertible Notes II	78,000	312,000,000	0.250
	<u>172,100</u>	<u>592,251,268</u>	

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

	Six months ended 30 September 2010 HK\$'000 (unaudited)	Year ended 31 March 2010 HK\$'000 (audited)
Carrying amount at the beginning of the period/year	168,939	505,551
Interest charge	9,141	16,578
Interest paid	(2,850)	(1,944)
Repurchase of 2011 Convertible Notes and 2012 Convertible Notes I	—	(418,578)
Issue of 2012 Convertible Notes II	—	67,332
Carrying amount at the end of the period/year	175,230	168,939
Analysed for reporting purposes as:		
Current liability	76,364	1,975
Non-current liability	98,866	166,964
	175,230	168,939

17. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK\$293,040,000 (six months ended 30 September 2009: HK\$527,845,000) and repaid bank borrowings of approximately HK\$122,972,000 (six months ended 30 September 2009: HK\$412,624,000). The loans carry interest at market rates ranging from 0.8% to 5.9% (six months ended 30 September 2009: 0.6% to 5.9%) per annum and are repayable in instalments over more than 5 years. The proceeds were used for general working capital purposes and to finance the acquisition of properties held for sale.

The bank borrowings are secured by the Group's property, plant and equipment, bank deposit and properties held for sale. The carrying amount of the assets pledged are disclosed in note 22.

18. DEFERRED TAXATION

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

	Accelerated tax depreciation	Convertible notes	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009 (audited)	11,512	1,335	(4,582)	8,265
Charge to equity for the year	—	1,760	—	1,760
Charge (credit) to consolidated income statement for the year	7,379	(923)	4,226	10,682
At 31 March 2010 (audited)	18,891	2,172	(356)	20,707
Credit to condensed consolidated income statement for the period	(707)	(442)	(32)	(1,181)
At 30 September 2010 (unaudited)	18,184	1,730	(388)	19,526

19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2009, 30 September 2009, 31 March 2010 and at 30 September 2010	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2009	4,940,563,500	39,525
Issue of shares pursuant to rights issue (Note i)	2,223,253,574	17,786
Issued of shares (Note ii)	1,000,000,000	8,000
At 30 September 2009, 31 March 2010 and 30 September 2010	8,163,817,074	65,311

Notes:

- (i) In July 2009, the Company has issued and allotted 2,223,253,574 ordinary shares of HK0.8 cent each to the then existing qualifying shareholders on the basis of 9 rights shares for every 20 shares held (the "Rights Issue") at a subscription price of HK\$0.078 per rights share. The net proceeds of approximately HK\$165,540,000 is mainly used for the repayment of debt and/or as general working capital of the Company. The new shares issued rank pari passu in all respects with the existing shares. Details of the Rights Issue are set out in a prospectus of the Company dated 18 June, 2009.
- (ii) In August 2009, a placing agreement was entered into with an independent placing agent ("Placing Agent"), pursuant to which the Company has appointed the Placing Agent to place 1,000,000,000 ordinary shares of HK0.8 cent each ("Placing Shares") in the Company at a price of HK\$0.245 per Placing Share. The net proceeds of HK\$241,607,000 is mainly used as working capital and for possible investment opportunities.

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 1 April 2010, the Group completed the acquisition of the entire equity interest of Shanghai Xin Mao Property Development Company Limited through a non-wholly owned subsidiary at a consideration of HK\$1,820,495,000. This transaction has been accounted for as acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction are as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Properties held for sale	2,105,295
Bank balances and cash	138,395
Other receivables	7,732
Other payables and accruals	(60,990)
Taxation payable	(5,953)
Bank borrowings	(363,984)
	<hr/>
	1,820,495
	<hr/> <hr/>
Total consideration satisfied by:	
Other deposit	1,820,495
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	138,395
	<hr/> <hr/>

21. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of (i) 20% interest in Get Wisdom, a subsidiary owned by the Group as to 70% immediately before the transaction, and its subsidiaries (“Get Wisdom Group”) to the non-controlling shareholder of Get Wisdom; (ii) the entire interest in Ocean Plaza Investments Limited and its subsidiaries to an independent third party; and (iii) the entire interest in Stand Success Limited and its subsidiaries (“Stand Success Group”) to an independent third party. Get Wisdom became a jointly controlled entity of the Company following the transaction.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Properties held for sale	2,300,885
Trade and other receivables	5,402
Bank balances and cash	171,881
Other payables and accruals	(55,931)
Taxation payable	(9,673)
Amounts due to group entities	(832,279)
Amount due to non-controlling shareholder of a subsidiary	(292,390)
Bank borrowings	(1,255,096)
	32,799
Non-controlling interests	(145)
Assignment of shareholders' loans (Note i)	342,167
Interest in a jointly controlled entity (Note ii)	(241)
Gain on disposal of subsidiaries	56,783
	431,363
Total consideration satisfied by:	
Cash	431,363
Net cash inflow (outflow) arising on disposal:	
Cash received	431,363
Bank balances and cash disposed of	(171,881)
	259,482

Notes:

- (i) As part of the disposal arrangements, the Group received cash of HK\$342,167,000 from the buyers as settlements of 20% and 100% of the shareholders' loans to Get Wisdom Group and Stand Success Group respectively.
- (ii) The carrying amounts of the assets and liabilities held by Get Wisdom at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom.

The subsidiaries disposed of during the period did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

22. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure bank borrowings of the Group:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Property, plant and equipment	88,988	90,226
Properties held for sale	4,916,231	4,622,741
Bank deposits	35,823	35,183
	5,041,042	4,748,150

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.

23. CONTINGENT LIABILITIES

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Guarantees given to banks in respect of banking facilities granted to:		
(i) jointly controlled entities		
— amount guaranteed	447,500	—
— amount utilised	428,144	—
(ii) associates		
— amount guaranteed	84,800	84,800
— amount utilised	74,075	59,050

During the current interim period, the fair value of the financial guarantees granted by the Group to the jointly controlled entities and associates on initial recognition amounting to HK\$2,048,000 is recognised as deemed capital contributions to the respective entities. The directors assess the risk of default of the jointly controlled entities and associates at the end of each reporting period and consider the risk to be insignificant and it is more likely than not any guaranteed amount will be claimed by the counterparties.

Deloitte.

德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF CSI PROPERTIES LIMITED
(FORMERLY KNOWN AS CAPITAL STRATEGIC INVESTMENT LIMITED)**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 27, which comprises the condensed consolidated statement of financial position of CSI Properties Limited (the “Company”) and its subsidiaries as of 30 September 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November 2010

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2010. (2009: Nil).

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2010 of approximately HK\$264.2 million (six months ended 30 September 2009: HK\$742.1 million), which was mainly generated from rental income of approximately HK\$158.7 million and securities investment of approximately HK\$105.5 million. The decrease was mainly due to a decrease in sales of properties during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK\$110.8 million for the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$397 million) representing a decrease of approximately 72.1%. The decrease was mainly due to absence of gains from redemption of other borrowings and convertible notes completed during the six months ended 30 September 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$792.6 million (31 March 2010: HK\$616.9 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowings have decreased from approximately HK\$896.7 million as at 31 March 2010 to approximately HK\$848.3 million as at 30 September 2010, and long-term bank borrowings decreased from approximately HK\$2,842.4 million as at 31 March 2010 to approximately HK\$2,169.8 million as at 30 September 2010. All the borrowings were utilized in financing the Group's properties investments in generating recurring rental income. As a result, the Group's total bank borrowings decreased from approximately HK\$3,739.1 million as at 31 March 2010 to approximately HK\$3,018.1 million as at 30 September 2010, and the Group's ratio of total debt (represented by bank borrowings) to total assets was 43.9% (31 March 2010: 48%). All bank borrowings were denominated in Hong Kong dollars and Renminbi were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$679.8 million repayable within one year, HK\$1,136.2 million repayable between one to five years, and HK\$1,202.1 million over five years.

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars, Renminbi and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, result and operation of the Group. However, the Group will closely monitor the risk exposure.

BUSINESS REVIEW AND OUTLOOK

The local property market undertook a speedy recovery since the third quarter of 2009 and momentum has been maintained throughout the remaining period under review. The Group took advantage of the strength of the property market and realized some of its assets during the period. Furthermore, we have also sold down some of our other properties which have already undergone repositioning and value enhancement, so as to lock-in the gains from their appreciation in value, as well as some profits for the year ahead.

Hong Kong

During the period we have completed the sale of Eton Building, No. 288 Des Voeux Road Central, Sheung Wan for a consideration of HKD220 million. Subsequent to the period under review, given the strong demand for prime quality office spaces, we have entered into separate agreements to sell 9 office floors and the first floor of the retail podium of AXA Centre, No. 151 Gloucester Road, in total for a combined consideration of approximately HKD1.5 billion with a premium over our book costs. Market response for such prime office spaces was highly positive and all these floors were taken up within a short period. Completion date for the first floor on the retail podium and 2 office floors are scheduled to take place in the first quarter of 2011 and the completion date for the remaining 7 office floors are scheduled to take place in the second quarter of 2011. The Group remains to hold more than 8 office floors, as well as sky sign on the roof, basement, all Ground floor shops and some car parking spaces of AXA Centre and will periodically review the Group's strategy as to their disposal.

On the acquisition side, the Group has recently acquired a residential building in the SOHO area, No. 2 Shelly Street, Central, and also a boutique hotel in No. 1 Irving Street, Causeway Bay. Completion date of these purchases will take place in the first and second quarter of 2011 respectively. Management is currently reviewing the redevelopment potentials and the repositioning strategy for these projects.

Our residential project on No. 45 Blue Pool Road, Happy Valley, would be the upcoming highlight due to be launched for sale early next year. Designed by internationally renowned designer team led by Mr. Steve Leung, each of these eleven luxury apartments is an exclusive masterpiece.

Our commercial projects “H8” at No.8 Hau Fook Street, Tsimshatsui and “Cubus” at No. 1 Hoi Ping Road, Causeway Bay (25%-owned) are both progressing well and are now in pre-leasing stage. Responses have been good and we have received leasing interests from various major international brand names and food and beverage operators. These two commercial complexes would become the new icons for shopping and hip diners in the districts.

China

The Group's portfolios in Shanghai gradually grew since we entered the China market in 2006. With the dedicated efforts of our asset management team, we have completed the major renovation and introduced quality retail and office tenants for International Capital Plaza in Hongkou district, and have also improved the tenant mix for In Point, the shopping avenue in Jing An district.

During the period, we have completed the acquisition of 50% interests in The Platinum, No. 233 Tai Cang Road, Luwan District, Shanghai, a Grade A prime commercial property. This superb building situates in Xin Tian Di, the most major business district in Shanghai. Occupancy rate is over 95% and majority of the tenants are quality multinational corporations. The Group is optimistic on the growth potential in China and we are confident this property would bring in significant capital appreciation to the Group.

Subsequent to the period under review, the Group has contracted to sell the newly renovated International Capital Plaza in Hongkou district of Shanghai for a consideration of RMB1.16 billion (equivalent to approximately HKD1.34 billion) with a premium over our book cost. This transaction is expected to complete before the end of this financial year. The disposal of International Capital Plaza marked the repeat of successful property repositioning model in China, and we will continue to identify appropriate investment opportunities in China. We aim to achieve an equally splitting of the Group's total investment between Hong Kong and Shanghai in the near future.

Outlook

The second-round stimulus measures recently introduced by the United States may trigger a further influx of capital to emerging markets including Hong Kong and China, which will further boost up asset prices in the region. In response, the Hong Kong Government has recently introduced various measures to cool down the market and to control speculative residential property trading, and the PRC Government has imposed measures to dampen monetary supply. Thus, there will undoubtedly be a level of uncertainty, as well as fluctuations in both property and stock markets going forward.

Having unforeseeable circumstances in the latter half of the financial year, nonetheless we are optimistic on the outlook of the property sector in both Hong Kong and China, and also on our ability to deliver a better financial performance than the previous year in line with the property market for our shareholders based on our completed sales and those scheduled to complete in due course. We will continue to remain progressive yet cautious in making investment decision and so as to create values for our shareholders.

EMPLOYEE

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be awarded to employees after assessment of the performance of the Group and the individual employee.

DIRECTORS' INTERESTS

Interests and short positions of the Directors in the Company and its associated corporations

As at 30 September 2010, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or decided to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company 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 Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Long positions in shares:

Name of Director	Nature of interests	Company/ name of associated corporation	Number of shares held (Note 1)	Derivative interests	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	2,678,552,062(L)		32.81
				194,366,867(L)	2.38
	Interest of controlled corporation	The Company	2,675,507,062(L)	194,366,867(L)	32.77 2.38

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 2,678,552,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity of 2,675,507,062) and 194,366,867 shares relate to the derivative interests held by Earnest Equity in 2011 Convertible Notes and 2012 Convertible Notes I. 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.

(ii) Long positions in the underlying shares of equity derivatives:

Name of Director	Option scheme type	Capacity	Number of Options held (Note 1)	Approximate percentage of total shareholding (%)
Kan Sze Man	2001	Beneficial owner	24,534,562 (L)	0.30
	2002	Beneficial owner	19,785,938 (L)	0.24
Chow Hou Man	2001	Beneficial owner	5,302,631 (L)	0.06
	2002	Beneficial owner	19,785,938 (L)	0.24
Wong Chung Kwong	2002	Beneficial owner	25,326,000 (L) (Note 2)	0.31

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from date of grant (until five years after the date of grant), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

Save as disclosed above, as at the 30 September 2010, none of the Directors and chief executive of the Company had any interest in any securities of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company 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 Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2010, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of part XV of the SFO:

Name of Shareholder	Nature of interests	Company/name of associated corporation	Number of shares held (Note 1)	Derivative interests	Approximate Shareholding percentage (%)
Cheah Capital Management Limited	Interest of controlled corporation (Note 2)	The Company	566,861,416 (L)	—	6.94
Cheah Cheng Hye	Person who set up a discretionary trust (Note 2)	The Company	566,861,416 (L)	—	6.94
Cheah Company Limited	Interest of controlled corporation (Note 2)	The Company	566,861,416 (L)	—	6.94
Hang Seng Bank Trustee International Limited	Trustee (Note 2)	The Company	566,861,416 (L)	—	6.94
To Hau Yin	Interest of child under 18 or spouse (Note 2)	The Company	566,861,416 (L)	—	6.94
Value Partners Group Limited	Interest of controlled corporation (Note 2)	The Company	566,861,416 (L)	—	6.94
Value Partners Limited	Investment manager (Note 2)	The Company	566,861,416 (L)	—	6.94
Third Avenue Management LLC	Investment manager (Note 3)	The Company	488,208,500 (L)	—	5.98
Third Avenue Real Estate Opportunities Management LLC	Interest of controlled corporation (Note 3)	The Company	488,208,500 (L)	—	5.98
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 4)	The Company	450,820,000 (L)	—	5.52
Templeton Asset Management Ltd.	Investment manager	The Company	117,000,000 (L)	— 312,000,000	1.43 3.82

Notes:

- (1) The letter “L” denotes a person's long position in such securities.
- (2) The 566,861,416 shares in the Company held by Cheah Capital Management Limited, Cheah Cheng Hye, Cheah Company Limited, Hang Seng Bank Trustee International Limited, To Hau Yin, Value Partners Group Limited and Value Partners Limited are the same parcel of shares.
- (3) The 488,208,500 shares in the Company held by Third Avenue Management LLC and Third Avenue Real Estate Opportunities Management LLC are the same parcel of shares.
- (4) Lehman Brothers Commercial Corporation Asia Limited (In Liquidation), is a company owned as to 50% by LBCCA Holdings I LCC. and owned as to 50% by LBCCA Holdings II LCC., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.

Save as disclosed above, none of the Directors or proposed directors is a director or employee of a company which has an interest in shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

AUDIT COMMITTEE

The financial statements for the six months ended 30 September 2010 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the period in review with the required standards as set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is obliged to comply with the requirements for continue listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is committed to practice high standard of corporate governance in its daily management and operations. The Group follows and applies the principles of the Code on Corporate Governance Practices (the “Corporate Governance Code”) in Appendix 14 to the Listing Rules in the period under review, except that (i) the Company does not have the position of chief executive officer, and (ii) the non-executive directors have not been appointed for a specific term, but subject to re-election only.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no repurchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2010.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement and an interim report containing the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.csigroup.hk) in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 26 November 2010