

CSI

資本策略

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# INTERIM REPORT 2012

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THE HAMPTON

CSI Properties Limited

Stock Code: 497

## 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

### Nomination Committee

Chung Cho Yee, Mico (*Chairman*)  
 Lam Lee G.  
 Cheng Yuk Wo

### Executive Committee

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

### 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  
 China Construction Bank (Asia) Corporation Limited

### Registered Office

Clarendon House  
 2 Church Street  
 Hamilton HM 11  
 Bermuda

### Hong Kong Head Office and Principal Place of Business

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

### Shanghai Office

Room 804, The Platinum  
 233 Tai Cang Road  
 Lu Wan District  
 Shanghai, 200020, China

### Auditors

Deloitte Touche Tohmatsu  
 35/F., One Pacific Place  
 88 Queensway  
 Hong Kong

### Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited  
 26 Burnaby Street  
 Hamilton HM 11  
 Bermuda

### Hong Kong Branch Share Registrars

Computershare Hong Kong Investor Services Limited  
 Shops 1712–1716  
 17th Floor, Hopewell Centre  
 183 Queen's Road East  
 Wanchai, Hong Kong

### Stock Code

497

### Company Website

[www.csigroup.hk](http://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 2012. 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 2012

	NOTES	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue		793,017	2,510,827
Cost of sales		(314,676)	(1,147,415)
Gross profit		478,341	1,363,412
Income and gains (losses) from investments	4	51,788	(41,931)
Other gains and losses	5	46	(3,495)
Other income		14,182	7,311
Administrative expenses		(90,087)	(99,019)
Finance costs	6	(33,255)	(25,710)
Share of results of jointly controlled entities		1,537	30,169
Share of results of associates		14,044	155,964
Profit before taxation		436,596	1,386,701
Taxation	7	(46,552)	(71,183)
Profit for the period	8	390,044	1,315,518
<b>Profit for the period attributable to:</b>			
Owners of the Company		372,969	1,312,060
Non-controlling interests		17,075	3,458
		390,044	1,315,518
<b>Earnings per share (HK cents)</b>	10		
– Basic		4.5	16.0
– Diluted		4.5	15.5

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Profit for the period</b>	<b>390,044</b>	1,315,518
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations for the period	<b>(19,817)</b>	33,580
Released on disposal of an associate	-	4,737
Change in fair value of available-for-sale investments	<b>4,392</b>	890
	<b>(15,425)</b>	39,207
Total comprehensive income for the period	<b>374,619</b>	1,354,725
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>357,544</b>	1,351,267
Non-controlling interests	<b>17,075</b>	3,458
	<b>374,619</b>	1,354,725

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	NOTES	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment	11	691,072	732,558
Available-for-sale investments		71,822	67,430
Conversion options embedded in convertible notes		21,826	20,180
Long-term loan receivables	12	88,317	14,040
Club memberships		6,860	6,860
Interests in jointly controlled entities	13	1,281,419	1,181,518
Amounts due from jointly controlled entities	14	965,754	498,657
Deposit paid for establishment of a jointly controlled entity	14	–	118,400
Interests in associates		61,338	47,285
Amount due from an associate	14	759	768
		<b>3,189,167</b>	2,687,696
<b>Current Assets</b>			
Trade and other receivables	15	45,392	41,724
Deposit paid for acquisition of properties held for sale		453,689	72,871
Properties held for sale	16	3,079,904	3,241,836
Properties under development for sale	17	532,012	–
Investments held for trading		547,928	551,392
Taxation recoverable		4,086	9,255
Cash held by securities brokers		12,491	20,832
Bank balances and cash		1,834,735	2,424,037
		<b>6,510,237</b>	6,361,947

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 September 2012

	NOTES	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
<b>Current Liabilities</b>			
Other payables and accruals	18	135,267	85,441
Taxation payable		242,924	214,597
Amounts due to jointly controlled entities	14	5,323	457
Amounts due to associates	14	68,399	68,399
Amounts due to non-controlling shareholders of subsidiaries	14	180,663	28,658
Convertible notes – due within one year	19	–	9,398
Derivative financial instruments		4,237	–
Bank borrowings – due within one year	20	792,810	726,169
		<b>1,429,623</b>	1,133,119
<b>Net Current Assets</b>			
		<b>5,080,614</b>	5,228,828
		<b>8,269,781</b>	7,916,524
<b>Capital and Reserves</b>			
Share capital	21	66,447	65,865
Reserves		6,105,509	5,893,023
Equity attributable to owners of the Company		<b>6,171,956</b>	5,958,888
Non-controlling interests		30,558	13,483
Total Equity		<b>6,202,514</b>	5,972,371
<b>Non-Current Liabilities</b>			
Bank borrowings – due after one year	20	2,049,247	1,928,303
Derivative financial instrument		–	7,312
Deferred tax liabilities	22	18,020	8,538
		<b>2,067,267</b>	1,944,153
		<b>8,269,781</b>	7,916,524

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	Translation reserve	Investment revaluation reserve	Share option reserve	Convertible note equity reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012 (audited)	65,665	1,228,256	371	1,698	276,058	59,685	6,999	7,323	834	4,311,799	5,958,888	13,463	5,972,371
Profit for the period	-	-	-	-	-	-	-	-	-	372,969	372,969	17,075	390,044
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(19,817)	-	-	-	-	(19,817)	-	(19,817)
Increase in fair value of available-for-sale investments recognised directly in equity	-	-	-	-	-	-	4,392	-	-	-	4,392	-	4,392
Total comprehensive income for the period	-	-	-	-	-	(19,817)	4,392	-	-	372,969	357,544	17,075	374,619
Issue of shares upon exercise of share options	582	5,654	-	-	-	-	-	-	-	-	6,436	-	6,436
Transfer on redemption of convertible notes upon maturity	-	-	-	-	-	-	-	-	(834)	834	-	-	-
Disposal of partial interest in a subsidiary without losing control (note 23)	-	-	-	48,430	-	-	-	-	-	-	48,430	-	48,430
Lapse of share options	-	-	-	-	-	-	-	(7,323)	-	7,323	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(199,342)	(199,342)	-	(199,342)
At 30 September 2012 (unaudited)	66,447	1,234,110	371	50,128	276,058	39,868	11,391	-	-	4,493,583	6,171,956	30,558	6,202,514
At 1 April 2011 (audited)	65,311	1,221,459	371	1,698	276,058	21,474	3,170	7,136	17,788	2,623,070	4,237,535	(721)	4,236,814
Profit for the period	-	-	-	-	-	-	-	-	-	1,312,060	1,312,060	3,458	1,315,518
Exchange differences arising on translation of foreign operations	-	-	-	-	-	33,580	-	-	-	-	33,580	-	33,580
Released on disposal of an associate	-	-	-	-	-	4,737	-	-	-	-	4,737	-	4,737
Increase in fair value of available-for-sale investments recognised directly in equity	-	-	-	-	-	-	890	-	-	-	890	-	890
Total comprehensive income for the period	-	-	-	-	-	38,317	890	-	-	1,312,060	1,351,267	3,458	1,354,725
Issue of shares upon exercise of share options	554	6,797	-	-	-	-	-	-	-	-	7,351	-	7,351
Transfer on redemption of convertible notes upon maturity	-	-	-	-	-	-	-	-	(8,046)	8,046	-	-	-
Transfer on early redemption of convertible notes	-	-	-	-	-	-	-	-	(8,908)	8,908	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	184	-	-	184	-	184
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(82,331)	(82,331)	-	(82,331)
At 30 September 2011 (unaudited)	65,865	1,228,256	371	1,698	276,058	59,791	4,060	7,320	834	3,869,753	5,514,006	2,737	5,516,743

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

*For the six months ended 30 September 2012*

Notes:

- (a) The capital reserve as of 1 April 2012 represents the Group's share of the deemed capital contribution arising from interest free loans granted to an associate by its shareholders and the difference between the amount of non-controlling interests disposed of and the fair value of consideration received.

The capital reserve during the six months ended 30 September 2012 represents the difference between the carrying amount of the 40% interest transferred, and the consideration received, net of tax provision, in relation to the disposal of partial interest in Eagle Wonder Limited ("Eagle Wonder").

- (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 2012

	NOTES	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Net cash (used in) from operating activities:</b>			
Increase in properties under development for sale		(532,012)	–
Increase in deposit paid for acquisition of properties held for sales		(388,179)	(34,947)
(Increase) decrease in trade and other receivable		(3,668)	106,301
Decrease (increase) in investments held for trading		22,793	(36,428)
Increase in other payables and accruals		49,826	111,721
Decrease (increase) in properties held for sales		165,899	(185,305)
Net cash inflows from other operating activities		534,075	1,179,476
		(151,266)	1,140,818
<b>Net cash used in investing activities:</b>			
Advances to an associate and jointly controlled entities		(635,570)	(138,836)
Increase in loan receivables		(74,277)	–
Purchase of property, plant and equipment		(169)	(1,949)
Decrease in cash held by securities brokers		8,341	112,256
Repayment from jointly controlled entities		53,688	–
Investment in a jointly controlled entity		–	(500,000)
Deposit paid for acquisition of interest in a jointly controlled entity		–	(250,000)
Proceed from disposal of an associate		–	22,000
Repayment from an associate		–	89,360
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	24	–	113,904
Dividend received from an associate and a jointly controlled entity		–	122,398
Net cash inflows from other investing activities		10,031	6,566
		(637,956)	(424,301)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2012

	NOTES	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Net cash from (used in) financing activities:</b>			
Dividends paid		(199,342)	(82,331)
Repayments of borrowings		(148,807)	(639,150)
Redemption of convertible notes		(9,550)	(174,350)
Proceeds from disposal of partial interest in a subsidiary	23	58,000	–
Advances from non-controlling shareholders of subsidiaries		152,005	2,697
New borrowings raised		336,392	641,600
Net cash inflows from other financing activities		11,222	6,278
		<b>199,920</b>	(245,256)
<b>Net (decrease) increase in cash and cash equivalents</b>			
		<b>(589,302)</b>	471,261
<b>Cash and cash equivalents at beginning of the period</b>			
		<b>2,424,037</b>	1,721,786
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>			
		<b>1,834,735</b>	2,193,047

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

### 1. BASIS OF PREPARATION

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

### 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 7	Financial Instruments: Disclosure – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 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 holding segment, which engages in the investment and trading of properties and hotel operation;
- (b) Strategic investment segment, which engages in property holding 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)

#### Segment revenue and results

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

	Property holding HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended 30 September 2012 (unaudited)</i>				
<b>Gross proceeds</b>	<b>793,017</b>	<b>–</b>	<b>371,222</b>	<b>1,164,239</b>
<b>Revenue</b>				
Rental income/hotel operation	108,892	–	–	108,892
Sales of properties held for sale	684,125	–	–	684,125
	793,017	–	–	793,017
Interest income and dividend income	–	–	22,406	22,406
Share of results of jointly controlled entities (Note ii)	–	1,537	–	1,537
Share of results of associates (Note ii)	–	14,044	–	14,044
Segment revenue	793,017	15,581	22,406	831,004
<b>Segment profit</b>	<b>412,743</b>	<b>17,660</b>	<b>41,239</b>	<b>471,642</b>
Unallocated other income				12,102
Other gains and losses				46
Central administrative costs				(13,939)
Finance costs				(33,255)
<b>Profit before taxation</b>				<b>436,596</b>

Notes:

- (i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.
- (ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

	Property holding HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>				
<i>30 September 2011</i>				
<i>(unaudited)</i>				
<b>Gross proceeds</b>	2,510,827	–	91,446	2,602,273
<b>Revenue</b>				
Rental income/hotel operation	109,376	–	–	109,376
Sales of properties held for sale	2,401,451	–	–	2,401,451
	2,510,827	–	–	2,510,827
Interest income and dividend income	–	–	12,444	12,444
Share of results of jointly controlled entities (Note ii)	–	30,169	–	30,169
Share of results of associates (Note ii)	–	155,964	–	155,964
Segment revenue	2,510,827	186,133	12,444	2,709,404
<b>Segment profit</b>	1,319,897	198,881	(42,980)	1,475,798
Unallocated other income				7,311
Other gains and losses				(16,243)
Central administrative costs				(54,455)
Finance costs				(25,710)
<b>Profit before taxation</b>				1,386,701

Notes:

- (i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.
- (ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

Segment profit (loss) represents profit (loss) earned/incurred by each segment, interest income, dividend income, fair value change of investments, gain on disposal of an associate and share of results of jointly-controlled entities and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, central administrative costs, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

### 3. SEGMENT INFORMATION (Continued)

#### Segment assets

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

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Property holding	<b>4,617,499</b>	3,899,353
Strategic investment	<b>2,309,270</b>	1,846,628
Securities investment	<b>658,264</b>	655,316
<b>Total segment assets</b>	<b>7,585,033</b>	6,401,297
Property, plant and equipment	<b>171,344</b>	179,667
Cash held by securities brokers	<b>12,491</b>	20,832
Bank balances and cash	<b>1,834,735</b>	2,424,037
Other unallocated assets	<b>95,801</b>	23,810
<b>Consolidated assets</b>	<b>9,699,404</b>	9,049,643

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, certain other receivables, cash held by securities brokers and bank balances and cash.

### 4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
Interest income from		
– investments held for trading	<b>19,498</b>	11,817
– available-for-sale investments	<b>2,099</b>	300
Dividend income from		
– investments held for trading	<b>811</b>	229
– available-for-sale investments	<b>–</b>	98
Increase (decrease) in fair values of		
– investments held for trading	<b>27,845</b>	(65,402)
– conversion options embedded in convertible notes	<b>1,646</b>	(1,500)
– derivative financial instruments	<b>(111)</b>	(2,986)
Gain on derecognition of investments in convertible notes (included in available-for-sale investments) (Note)	<b>–</b>	15,513
	<b>51,788</b>	(41,931)

#### 4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS (Continued)

Note: The amount represented gain on derecognition of the investment in the convertible notes issued by ITC Properties Group Limited ("ITCP") which were acquired in previous years and matured in May 2011 (the "Old ITCP CB"). During the six months ended 30 September 2011, the Group accepted the offer by ITCP to repurchase the Old ITCP CB with new convertible bonds of the principal amount of HK\$26,400,000 issued by ITCP (the "New ITCP CB"). The difference between the then carrying amount of the Old ITCP CB and the fair value of the New ITCP CB at the date of repurchase was therefore recognised as a gain on derecognition of the investment in the convertible notes in the condensed consolidated income statements.

#### 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Other gains (losses) comprise:		
Exchange gain	<b>46</b>	454
Gain on disposal of an associate	-	12,748
Loss on early redemption of convertible notes (Note)	-	(16,697)
	<b>46</b>	(3,495)

Note: During the six months ended 30 September 2011, the Company exercised its early redemption rights by serving notice to the noteholder, an independent third party, to redeem all of the then outstanding 2012 Convertible Notes II (as defined in note 19) at a consideration of HK\$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on early redemption of HK\$16,697,000.

## 6. FINANCE COSTS

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	17,936	11,405
Bank borrowings not wholly repayable within five years but contain a repayment on demand clause in the loan agreement	1,590	2,085
Bank borrowings not wholly repayable within five years	11,980	10,200
Convertible notes wholly repayable within five years	232	2,020
Other borrowings	1,517	–
	<b>33,255</b>	<b>25,710</b>

## 7. TAXATION

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	47,219	73,400
(Over) under provision in prior years	(579)	16
	<b>46,640</b>	<b>73,416</b>
Deferred taxation (note 22)	(88)	(2,233)
	<b>46,552</b>	<b>71,183</b>

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.



## 8. PROFIT FOR THE PERIOD

	<b>Six months ended 30 September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	–	–
Salaries and other benefits	<b>8,070</b>	7,770
Performance-related incentive bonus	<b>9,568</b>	51,000
Contributions to retirement benefits schemes	<b>404</b>	140
Share-based payments	–	49
	<b>18,042</b>	58,959
Other staff costs:		
Salaries and other benefits	<b>11,787</b>	8,629
Performance-related incentive bonus	<b>2,472</b>	12,000
Contributions to retirement benefits schemes	<b>547</b>	562
Share-based payments	–	135
	<b>14,806</b>	21,326
Total staff costs	<b>32,848</b>	80,285
Depreciation of property, plant and equipment	<b>41,653</b>	5,486
Cost of properties held for sales recognised as an expense	<b>279,156</b>	1,088,040
and after crediting:		
Bank interest income	<b>10,031</b>	6,474

## 9. DIVIDENDS

	<b>Six months ended 30 September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Final dividend of HK2.4 cents (2011: HK1.0 cent) per share recognised as distribution for the year ended 31 March 2012 (2011: for the year ended 31 March 2011) and paid during the period	<b>199,342</b>	82,331

The directors do not recommend the payment of an interim dividend for the period (2011: nil).

## 10. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<b>372,969</b>	1,312,060
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	<b>222</b>	1,340
Earnings for the purpose of diluted earnings per share	<b>373,191</b>	1,313,400

## 10. EARNINGS PER SHARE (Continued)

	Six months ended 30 September	
	2012 Number of shares	2011 Number of shares
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	<b>8,300,176</b>	8,221,643
Effects of dilutive potential ordinary shares (in thousands):		
Share options	<b>77,773</b>	137,553
Convertible notes	<b>10,496</b>	108,498
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<b>8,388,445</b>	8,467,694

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during both periods.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$169,000 (six months ended 30 September 2011: HK\$1,949,000) on additions of the property, plant and equipment.

## 12. LONG-TERM LOAN RECEIVABLES

The Group offers loans to buyers of properties sold by the Group and the repayment terms of the loan are specified in the loan agreement.

The Group's long-term loan receivables are denominated in Hong Kong dollars, the functional currency of the relevant group entity, and carry interest rates at prime rate minus a fixed margin per annum and are secured by second mortgage over the property acquired by the purchaser. The effective interest rate of the loan receivable is 3.78% (31 March 2012: 3.78%) per annum. The receivable is to be settled within 1 to 2 years by instalments and a lump-sum at maturity.

### 13. MOVEMENTS IN JOINTLY CONTROLLED ENTITIES

During the period, the Group set up Cyrus Point Limited ("Cyrus Point"), an entity jointly controlled by the Group and the joint venture partner, which is an independent third party, and owned as to 50% of the issued share capital by each of the Group and the joint venture partner. In addition, each of the Group and the joint venture partner advanced an amount of HK\$610,450,000 to Cyrus Point as additional capital resources. The amount advanced by the Group is included in amounts due from jointly controlled entities, as set out in note 14.

During the period, Cyrus Point acquired the entire interest in Surplus King Grand Investment Holding Limited, an entity incorporated in the British Virgin Islands whose subsidiaries are engaged in principal business of hotel operation and have principal asset of a hotel property in Hong Kong.

The acquisition was completed in July 2012 and the Group for the purpose of its equity accounting of Cyrus Point is still assessing the fair values of identifiable assets and liabilities of the acquiree.

### 14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/ DEPOSIT PAID FOR ESTABLISHMENT OF A JOINTLY CONTROLLED ENTITY

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Amounts due from jointly controlled entities included in non-current assets (Note i)	<b>965,754</b>	498,657
Amount due from an associate included in non-current assets (Note ii)	<b>759</b>	768
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iii)	<b>180,663</b>	28,658
Amounts due to jointly controlled entities included in current liabilities (Note iv)	<b>5,323</b>	457
Amounts due to associates included in current liabilities (Note iv)	<b>68,399</b>	68,399
Deposit paid for establishment of a jointly controlled entity (Note v)	<b>–</b>	118,400

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

#### 14. AMOUNT(S) DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/ DEPOSIT PAID FOR ESTABLISHMENT OF A JOINTLY CONTROLLED ENTITY

(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. During the period, the Group advanced an aggregate amount of HK\$635,570,000 (six months ended 30 September 2011: HK\$137,236,000) to its jointly controlled entities. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Accordingly, the amounts were classified as non-current.

At the end of the reporting period, the carrying amount is determined based on present value of future cash flows of the principal amount of HK\$1,215,855,000 (31 March 2012: HK\$600,009,000) discounted using effective interest rates ranging from 6% to 6.21% (31 March 2012: 6.9%) per annum. The corresponding adjustment is recognised against the interest in the relevant jointly controlled entities.

In addition, included in the amounts is share of loss of a jointly controlled entity of HK\$4,000 (31 March 2012: HK\$5,364,000) allocated in excess of the cost of investment.

- (ii) The amount was unsecured, non-interest bearing and repayable on demand. The directors considered that the amount form part of the net investment in the associate and the amount was therefore classified as non-current. The directors of the Company considered the carrying amount of the balance approximated its fair value.

Included in the amounts is share of loss of an associate of HK\$1,341,000 (31 March 2012: HK\$8,832,000) allocated in excess of the cost of investment.

- (iii) Included in the balance as at 30 September 2012, the amount of HK\$137,595,000 (31 March 2012: Nil) is unsecured, carrying interest at 1% above the prime rate and without fixed term of repayment. The remaining balance as at 30 September 2012 and the whole balance as at 31 March 2012 are unsecured, non-interest bearing and repayable on demand.

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

- (v) The entire balance at 31 March 2012 represented a deposit paid by the Group in respect of investment of 50% interest in Cyrus Point. The balance represented 10% of the total amount of the Group's investment to be injected to Cyrus Point and was stakeheld under an escrow account, maintained at a bank in Hong Kong, refundable in full, bearing interest at the prevailing deposit rate. Cyrus Point has been duly incorporated in the current period.

## 15. TRADE AND OTHER RECEIVABLES

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

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Trade receivables:		
0 – 30 days	<b>2,565</b>	1,874
31 – 90 days	<b>2,556</b>	2,318
	<b>5,121</b>	4,192
Loan receivables – due within one year	<b>4,780</b>	780
Prepayments and deposits	<b>13,676</b>	14,524
Other receivables	<b>21,815</b>	22,228
	<b>45,392</b>	41,724

## 16. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group incurred HK\$70,432,000 (six months ended 30 September 2011: HK\$1,005,445,000) on acquisition of properties held for sale.

## 17. PROPERTIES UNDER DEVELOPMENT FOR SALE

During the current period, the Company acquired a piece of land in Shatin, Hong Kong with medium term lease.

The Group intended to develop residential properties on the land. The development work has not yet been commenced and the properties under the development are not scheduled to be realised within twelve months after the end of the reporting period.

## 18. OTHER PAYABLES AND ACCRUALS

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Receipt in advance for sales of properties held for sale	–	10,425
Rental and related deposits received	<b>51,152</b>	50,485
Other tax payables	<b>1,921</b>	1,934
Other payables and accruals	<b>82,194</b>	22,597
	<b>135,267</b>	85,441

Other payables and accruals include accrued renovation costs of approximately HK\$19,243,000 (31 March 2012: HK\$1,394,000) incurred in respect of the Group's properties held for sale.

During the period, the Group also received approximately HK\$28,800,000 from an independent third party to acquire 30% interest in a wholly owned subsidiary of the Group, which is engaged in property trading business in Hong Kong. The intended acquisition was terminated before 30 September 2012 and the amount was refunded to the independent third party subsequent to 30 September 2012.

## 19. CONVERTIBLE NOTES

At 1 April 2011, the convertible notes issued by the Company included (i) an aggregate principal amount of HK\$70,500,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes"), (ii) an aggregate principal amount of HK\$8,000,000 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 all 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. The issuer of the convertible notes has the right to redeem any of the notes from time to time prior to their respective maturity dates.

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

## 19. CONVERTIBLE NOTES (Continued)

During the year ended 31 March 2012, the Company fully redeemed the 2011 Convertible Notes upon its maturity. In addition, the Company exercised its early redemption right by serving the notice to the noteholder, an independent third party, to redeem the entire amount of the 2012 Convertible Notes II at an aggregate consideration of HK\$96,800,000. Convertible note equity reserve transferred to accumulated profits upon redemption of the 2011 Convertible Notes and the early redemption of the 2012 Convertible Notes II amounted to HK\$8,046,000 and HK\$8,908,000 respectively.

At 31 March 2012, the convertible notes issued by the Company included an aggregate principal amount of HK\$8,000,000 ("2012 Convertible Notes I").

During the current period, the Company fully redeemed the 2012 Convertible Notes I with a principal amount of HK\$8,000,000 upon its maturity. Convertible note equity reserve transferred to accumulated profits upon redemption of the 2012 Convertible Notes I amounted to HK\$834,000.

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

	<b>Six months ended 30 September 2012 HK\$'000 (unaudited)</b>	Year ended 31 March 2012 HK\$'000 (audited)
Carrying amount at the beginning of the period/year	<b>9,398</b>	165,845
Redemption	<b>(9,550)</b>	(157,653)
Interest charge	<b>232</b>	2,424
Interest paid	<b>(80)</b>	(1,218)
Carrying amount at the end of the period/year	<b>-</b>	9,398
Analysed for reporting purposes as:		
Current liability	<b>-</b>	9,398

## 20. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK\$336,392,000 (six months ended 30 September 2011: HK\$641,600,000) and repaid bank borrowings of approximately HK\$148,807,000 (six months ended 30 September 2011: HK\$639,150,000). The loans carry interest at market rates ranging from 0.85% to 6.21% (six months ended 30 September 2011: 0.7% to 5.2%) per annum and are repayable in instalments over more than five years. The proceeds were used for general working capital purposes and to finance the acquisition of properties held for sale.

The bank borrowings are secured by the Group's property, plant and equipment and properties held for sale. The carrying amounts of the assets pledged are set out in note 26.



## 21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK0.8 cent each		
<b>Authorised:</b>		
At 1 April 2011, 30 September 2011, 31 March 2012 and 30 September 2012	22,500,000,000	180,000
<b>Issued and fully paid:</b>		
At 1 April 2011	8,163,817,074	65,311
Issue of shares upon exercise of share options (Note i)	69,290,352	554
At 30 September 2011 and 31 March 2012	8,233,107,426	65,865
Issue of shares upon exercise of share options (Note ii)	72,812,250	582
At 30 September 2012	8,305,919,676	66,447

Notes:

- (i) During the six months ended 30 September 2011, 69,290,352 shares of HK0.8 cent each were issued at a price of HK10.61 cents each upon the exercise of share options.
- (ii) During the six months ended 30 September 2012, 72,812,250 shares of HK0.8 cent each were issued at a price of HK8.84 cents each upon the exercise of share options.

All the shares issued by the Company during the six months ended 30 September 2011 and 2012 rank pari passu with the then existing ordinary shares in all respects.

## 22. DEFERRED TAXATION

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

	Disposal of partial interest in a subsidiary HK\$'000	Accelerated tax depreciation HK\$'000	Convertible notes HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2011 (audited)	–	8,687	1,059	(413)	9,333
Credit to condensed consolidated income statement for the year	–	362	(1,049)	(108)	(795)
At 31 March 2012 (audited)	–	9,049	10	(521)	8,538
Credit to condensed consolidated income statement for the period	–	45	(10)	(123)	(88)
Charged to capital reserve	9,570	–	–	–	9,570
At 30 September 2012 (unaudited)	9,570	9,094	–	(644)	18,020

### 23. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

During the period ended 30 September 2012, the Group entered into a sale and purchase agreement with an independent third party, Spring Plus Limited (“Spring Plus”), to dispose of its 40% equity interest in Eagle Wonder, an indirect wholly-owned subsidiary of the Group, at the consideration of HK\$58,000,000. Imperial Time Limited (“Imperial Time”), an indirect wholly-owned subsidiary of Eagle Wonder, has entered into a sales and purchase agreement in connection with the acquisition of certain properties in Hong Kong and the aforesaid acquisition is expected to be completed in December 2012. As the Group has not lost control over Eagle Wonder, HK\$48,430,000, being the difference between the nominal carrying amount of the 40% interests transferred and the consideration received, net of deferred tax provision of HK\$9,570,000, is credited to capital reserve.

### 24. DISPOSAL OF SUBSIDIARIES

During the period ended 30 September 2011, the Group disposed of, to an independent third party, the entire interest in Favor Fast Limited (“Favor Fast”) for a cash consideration of HK\$113,904,000. Since Favor Fast was principally engaged in the business of property trading and the property held for sale represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of Favor Fast in the condensed consolidated income statement as disposal of the underlying property held for sale. The consideration allocated to the sale of property was regarded as revenue generated from sales of properties held for sale by the Group.

The aggregate amounts of the assets and liabilities attributable to Favor Fast on the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Trade and other receivables	361
Properties held for sale	72,114
Other payables and accruals	(1,209)
Amounts due to group entities	(32,909)
Bank borrowings	(33,900)
	4,457
Assignment of shareholders' loans (Note)	32,909
Gain on disposal of a subsidiary	76,538
	113,904
Total consideration satisfied by cash and cash inflow arising on disposal	113,904
	HK\$'000
Gain on disposal of a subsidiary is included in the condensed consolidated income statement as follows:	
Revenue	148,652
Cost of sales	(72,114)
	76,538

## 24. DISPOSAL OF SUBSIDIARIES (Continued)

Note: As part of the disposal arrangement, the consideration received by the Group included an amount of HK\$32,909,000 from the buyer as consideration for the assignment to the purchaser of the shareholders' loans to Favor Fast.

Net cash inflows (outflows) contributed by the subsidiary disposed of during the period up to the date of disposal:

	HK\$'000
Net cash inflows from operating activities	107
Net cash outflows from financing activities	(1,580)
	(1,473)

## 25. CONTINGENT LIABILITIES

	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Jointly controlled entities	597,650	597,650
An associate	141,000	84,800
	<b>738,650</b>	682,450
And utilised by:		
Jointly controlled entities	517,650	533,650
An associate	132,976	84,800
	<b>650,626</b>	618,450

In addition, the other joint venture partner of a jointly controlled entity of which the Group held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant jointly controlled entity amounting to approximately HK\$625 million (At 31 March 2012: 625 million). The banking facilities utilised by the relevant jointly controlled entity amounted to approximately HK\$343.1 million (At 31 March 2012: 318 million) at the end of the reporting period. A counter-indemnity in favour of the other joint venture partner is executed pursuant to which the Group undertakes to indemnify the other joint venture partner 50% of the liabilities arising from the above loan facilities.

The directors assessed the risk of default of the jointly controlled entities and the associates at the end of the reporting period and considered the risk to be insignificant and it is less likely than not that any guaranteed amount will be claimed by the counterparties.

## 26. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Property, plant and equipment	652,479	689,090
Properties held for sale	2,912,055	3,095,275
Property under development for sale	532,012	–
Investments held for trading	121,251	101,061
	<b>4,217,797</b>	3,885,426

## 27. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 October 2012, the Company entered into a placing agreement with placing agents in respect of the placement of up to 1,212,200,000 shares ("The Placing") and a subscription agreement in respect of the issue of up to 1,212,200,000 Shares ("The Subscription") at a subscription price of HK\$0.335 per share. Details of the Placing and the Subscription were announced on 18 October 2012. The Placing was completed and shares were issued on 30 October 2012 and the proceeds, net of transaction cost, of approximately HK\$395 million from the Placing was received accordingly. The proceeds from the Subscription are intended to be applied towards future property investments and as general working capital purposes of the Group.

## 28. RELATED PARTY DISCLOSURES

(a) The remuneration of directors and other members of key management during the period is as follows:

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
Short-term benefits	9,270	8,970
Post-employment benefits	464	200
Share-based payments	–	49
	<b>9,734</b>	9,219

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



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## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF CSI PROPERTIES LIMITED

*(incorporated in Bermuda with limited liability)*

#### Introduction

We have reviewed the condensed consolidated financial statements of CSI Properties Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 2 to 27, which comprise the condensed consolidated statement of financial position as of 30 September 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

19 November 2012

## INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2012 (2011: Nil).

## REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2012 of approximately HK\$793 million (six months ended 30 September 2011: HK\$2,510.8 million), which was mainly generated from income from sale of properties of approximately HK\$684.1 million, rental income of approximately HK\$108.9 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\$372.9 million for the six months ended 30 September 2012 (six months ended 30 September 2011: HK\$1,312.1 million) representing a decrease of approximately 71.6%.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$1,847.2 million (31 March 2012: HK\$2,444.9 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 borrowing increased from approximately HK\$726.2 million as at 31 March 2012 to approximately HK\$792.8 million as at 30 September 2012, and long-term bank borrowing increased from approximately HK\$1,928.3 million as at 31 March 2012 to approximately HK\$2,049.2 million as at 30 September 2012. All the bank borrowings were utilized in financing the Group's properties investments and general working capital. As a result, the Group's total bank borrowing increased from approximately HK\$2,654.5 million as at 31 March 2012 to approximately HK\$2,842 million as at 30 September 2012, and the Group's ratio of total debt (represented by bank borrowings) to total assets was 29.3% (31 March 2012: 29.3%). All bank borrowings were denominated in Hong Kong dollars and Renminbi and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile (including borrowings of approximately HK\$333.3 million that are not repayable within one year but contain a repayment on demand clause in the loan agreement are grouped under repayable within one year) usually spread over a period of around 5-20 years with approximately HK\$792.8 million repayable within one year, HK\$1,043.5 million repayable between one to five years, and HK\$1,005.7 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 period under review remained challenging due to the lingering turbulence from the sovereign debt crisis in Europe, and the slowdown and forthcoming change in government leadership in China, as well as in Hong Kong. Despite these challenges, the Group has continued its drive in establishing itself as a rising player in real estate investment and development in Hong Kong and China.

### Commercial Properties

Significant disposal completed during the period included the sale of the basement of AXA Centre, No. 151 Gloucester Road, for a consideration of approximately HK\$188 million. The Group continues to hold more than 8 office floors, as well as the sky sign on the roof, all ground floor shops and 78 car parking spaces of the AXA Centre with an annual income of approximately HK\$60 million, which will be periodically reviewed by the Group as to the optimal time for their disposal.

On the acquisition side, the Group, completed the acquisition of Novotel Hotel Jordan, a retail and hotel complex comprising of 389 rooms in the heart of the shopping and tourist hub of Nathan Road, Kowloon. The transaction totaled HK\$2.4 billion, and equated to an entry yield of approximately 5.5%. The current plan is to add additional hotel rooms and reposition with tenants to maximize rental revenue. The project also has significant valuation upside potential due to redevelopment opportunity arising from its prime location in Kowloon.

### Couture Homes - Residential Property Development

The continuing successful sale of units at The Hampton, despite the relatively quiet market environment, has reconfirmed Couture Homes as the ultimate brand in the luxury residential property development market in Hong Kong. Couture Homes, through the various new projects in the pipeline, will continue to strive to deliver superior quality residential units and be at the forefront of the luxury residential market. Through a combination of design concepts from world renowned interior designers, together with the use of bespoke furniture, fabrics, rugs, varnished wood panels, wall decoration and leather upholstery, Couture Homes has been able to set new standards of quality and lifestyle in the high end luxury residential market.



Of the total of 11 units at The Hampton, each with its own unique distinctive design and lifestyle concept, 9 had been fully furnished and sold. For this current interim period, the sale for 3 units of The Hampton was completed with proceeds totaling HK\$400 million. We had also sold a further unit of The Hampton for a total of HK\$84 million with the transaction scheduled for completion on 16 November, 2012. We are confident that the remaining 2 units, each with its own uniqueness, will continue to set new standards and benchmark in attracting buyers who are looking for premium lifestyle residences.

In May 2012, Couture Homes won the government tender for a house lot of approximately 50,376 square feet in Kau To Shan, the renowned luxury residential district in Kowloon. The prime site is expected to be developed into over 20 life-style oriented luxury villas. Situated at the top of the ridge, the villas will command a magnificent view of the Shatin racecourse and the surroundings, while offering extreme convenience to the owners with a 20 minutes short drive to Central or the border with the mainland. Through the design driven spear of Couture Homes, these villas are expected to become another hallmark of quality living and lifestyle.

Last but not least in July 2012, we signed an agreement to acquire Monterey Court, a prime luxury apartment building located on Perkins Road at the Jardine's Lookout on Hong Kong Island. The building, situated within this renowned high-end luxurious district cherished by the mega-rich tycoons in Hong Kong, is only a short 7 minutes driving distance away from Central. The site, with a GFA of approximately 75,000 sq. ft., will be developed into a new iconic, super luxury residence. We will also be partnering with Grosvenor Limited, an internationally renowned real estate developer in this project. We are confident that this new project will become the masterpiece of Couture Homes in Hong Kong, while setting new benchmark and standards in the high end luxury residential market.

## Corporate Activities

In October 2012, the Company completed a top-up placement exercise through CLSA Equity Capital Markets Limited and J.P. Morgan Securities (Asia Pacific) Limited whereby a total of approximately 1,212 million new shares were issued and the total number of outstanding shares of the Company was increased to approximately 9,518 million shares. The total proceeds from the placement exercise amounted to approximately HK\$400 million, which the management will utilize for acquisition of new projects that would generate significant value to shareholders, as demonstrated through our previous trackrecord.

## Outlook

The global economy is undergoing a slow recovery in light of the challenges of the continuing European debt crisis and the slow recovery of the US economy. China's economy is also expected to have slower but healthy economic growth in conjunction with the change in Chinese government leadership. In addition, with the current new administration of the Government under Mr. C.Y. Leung initiating various new housing policies and stamp duty measures with the ultimate goal in achieving stable development in the Hong Kong real estate market, these factors and uncertainties could potentially result in more market fluctuations, but at the same time presenting CSI and Couture Homes with more opportunities.

For Couture Homes, the Group is mindful that the new Buyer's Stamp Duty and Special Stamp Duty measures will dampen the immediate short term sentiment on the residential housing market. However, we believe these measures will ultimately help the Government in achieving stable development in the Hong Kong real estate market. Thus for Couture Homes, as the majority of our high-end residential projects will not come out to the market until late 2014 onwards, we believe by then the lingering impact to the market and also potential buyers from overseas may become minimal. With the proceeds from the successful equity placement, the management believes that the current uncertain market conditions will allow the Group to better capture more acquisition opportunities at fair prices for prime property sites so as to continue our building up of land banks, enabling Couture Homes to leverage its uniqueness and establish itself as the premium life style developer in Hong Kong and China.

On the investment property side, the management will continue to leverage on its established strength in the market and continue to actively identify and invest in prime commercial properties that fit into our model of value enhancement in Hong Kong and Shanghai.

## 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 rewarded 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 2012, 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 the 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	4,211,362,062(L)	-	50.70
	Interest of controlled corporation	The Company	4,208,317,062(L)	-	50.67
Chow Hou Man	Beneficial owner	The Company	23,790,500(L)	-	0.29
Kan Sze Man	Beneficial owner	The Company	20,088,569(L)	-	0.24

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 4,211,362,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("Earnest Equity") of 4,208,317,062 shares. 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 30 September 2012, 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 2012, 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, no person, other than a Director or chief executive of the Company, had any 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK\$2,296,527,000, which represented approximately 23.7% of the Group's total assets value as at 30 September 2012.

As at 30 September 2012, the advances and guarantees made by the Group to its jointly controlled entities and associates are as follows:

	<b>Advances</b>	<b>Guarantees</b>
	HK\$'000	HK\$'000
Get Wisdom Limited	596,712	447,500
Chater Capital Limited	29,938	150,150
City Synergy Limited	4,565	–
Clever Keen Limited	2,954	–
Expert Vision Investments Limited	–	141,000
Vastness Investment Limited (Note)	–	312,500
Maxland Management Limited	759	–
Cyrus Point Limited	610,450	–
	<b>1,245,378</b>	<b>1,051,150</b>

In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies and the Group's attributable interests in those affiliated companies based on their latest financial statements available are presented below:

	<b>Combined balance sheet</b>	<b>Group's attributable interests</b>
	HK\$'000	HK\$'000
Non-current assets	5,937,888	2,968,932
Current assets	2,215,485	961,475
Current liabilities	(1,587,755)	(787,324)
Non-current liabilities	(4,519,381)	(2,126,714)
	<b>2,046,237</b>	<b>1,016,369</b>

Note:

The amount represents a counter-indemnity in favor of the other joint venture partner executed pursuant to which the Group undertakes to indemnify the other joint venture partner 50% of the liabilities arising from bank loan facilities granted by a bank amounting to approximately HK\$625 million.

## AUDIT COMMITTEE

The financial statements for the six months ended 30 September 2012 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 Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Policies (the “Former Code”) contained in Appendix 14 to the Listing Rules and renamed it as Corporate Governance Code (the “CG Code”). The CG Code took effect on 1 April 2012. The Company has applied the principles and complied with all the code provisions and some recommended best practices of the Former Code; and fully complied with the CG Code during the Period, with the exception of the following deviations:—

- i. Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not have a chief executive officer position.
- ii. None of the non-executive Directors of the Company is appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the CG Code. However, as the Directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures are in place to ensure that the Company’s corporate governance practices are no less exacting than the CG Code.
- iii. Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Dato’ Wong Sin Just and Dr. Lam Lee G., the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 August 2012 due to other prior business engagement.

## 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 2012.

## 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.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.csigroup.hk](http://www.csigroup.hk)) in due course.

By order of the Board  
**Chung Cho Yee, Mico**  
*Chairman*

Hong Kong, 19 November 2012