



CSI Properties Limited

Stock code : 497

Interim Report 2013

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

Cheng Yuk Wo (*Chairman*)
 Lam Lee G.
 Wong Sin Just

Remuneration Committee

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

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
 Huang Pu District
 Shanghai, 200020, China

Auditors

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

Principal Registrars

MUFG Fund Services (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

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 2013. 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 STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue		2,164,069	793,017
Cost of sales		(1,469,838)	(314,676)
Gross profit		694,231	478,341
Income and gains (losses) from investments	4	37,688	51,788
Other gains and losses	5	5,684	46
Other income		28,078	14,182
Administrative expenses		(99,641)	(90,087)
Finance costs	6	(64,247)	(33,255)
Share of results of joint ventures		35,433	1,537
Share of results of associates		5,492	14,044
Profit before taxation		642,718	436,596
Taxation	7	(40,998)	(46,552)
Profit for the period	8	601,720	390,044
Profit for the period attributable to:			
Owners of the Company		600,871	372,969
Non-controlling interests		849	17,075
		601,720	390,044
Earnings per share (HK cents)	10		
— Basic and diluted		6.3	4.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period	601,720	390,044
Other comprehensive income (expense)		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations for the period	20,381	(19,817)
Change in fair value of available-for-sale investments	2,228	4,392
	22,609	(15,425)
Total comprehensive income for the period	624,329	374,619
Total comprehensive income attributable to:		
Owners of the Company	623,480	357,544
Non-controlling interests	849	17,075
	624,329	374,619

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTE	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment	11	639,610	670,866
Available-for-sale investments		38,433	39,905
Conversion options embedded in convertible notes		21,284	14,980
Long-term loan receivables	12	—	72,667
Club memberships		6,860	6,860
Interests in joint ventures		1,461,907	1,358,331
Amounts due from joint ventures	13	1,651,728	1,466,960
Interests in associates		123,069	116,537
Amount due from an associate	13	—	1,040
Deposit paid for acquisition of property, plant and equipment	11	8,363	—
		3,951,254	3,748,146
Current Assets			
Trade and other receivables	14	153,516	95,717
Deposit paid for acquisition of properties held for sale		3,000	257,164
Properties held for sale	15	3,929,204	3,562,675
Investments held for trading		1,514,299	690,722
Taxation recoverable		155	2,995
Cash held by securities brokers		11,307	20,192
Bank balances and cash		2,245,608	3,112,049
		7,857,089	7,741,514

	NOTE	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Current Liabilities			
Other payables and accruals	16	127,235	285,770
Taxation payable		238,798	196,130
Amounts due to joint ventures	13	421	19,967
Amount due to an associate	13	22,400	15,800
Amounts due to non-controlling shareholders of subsidiaries	13	27,291	—
Derivative financial instruments		—	1,134
Bank borrowings — due within one year	17	767,554	751,853
		1,183,699	1,270,654
Net Current Assets			
		6,673,390	6,470,860
		10,624,644	10,219,006
Capital and Reserves			
Share capital	18	76,145	76,145
Reserves		7,480,239	6,988,109
Equity attributable to owners of the Company		7,556,384	7,064,254
Non-controlling interests		6,712	20,848
Total Equity		7,563,096	7,085,102
Non-Current Liabilities			
Guaranteed notes	19	1,170,000	1,170,000
Bank borrowings — due after one year	17	1,887,244	1,955,200
Deferred tax liabilities	20	4,304	8,704
		3,061,548	3,133,904
		10,624,644	10,219,006

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	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	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	
At 1 April 2013 (audited)	76,145	1,619,636	371	—	276,058	61,925	6,834	—	—	5,023,285	7,064,254	20,848	7,085,102
Profit for the period	—	—	—	—	—	—	—	—	—	600,871	600,871	849	601,720
Exchange differences arising on translation of foreign operations	—	—	—	—	—	20,381	—	—	—	—	20,381	—	20,381
Increase in fair value of available-for-sale investments recognised directly in equity	—	—	—	—	—	—	2,228	—	—	—	2,228	—	2,228
Total comprehensive income for the period	—	—	—	—	—	20,381	2,228	—	—	600,871	623,480	849	624,329
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(14,985)	(14,985)
Dividends recognised as distribution (note 9)	—	—	—	—	—	—	—	—	—	(131,350)	(131,350)	—	(131,350)
At 30 September 2013 (unaudited)	76,145	1,619,636	371	—	276,058	82,306	9,062	—	—	5,492,806	7,556,384	6,712	7,563,096
At 1 April 2012 (audited)	65,865	1,228,256	371	1,698	276,058	59,685	6,999	7,323	834	4,311,799	5,958,888	13,483	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	5,854	—	—	—	—	—	—	—	—	6,436	—	6,436
Transfer on redemption of convertible notes upon maturity	—	—	—	—	—	—	—	—	(834)	834	—	—	—
Disposal of partial interest in a subsidiary without losing control	—	—	—	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

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 2013

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Net cash used in operating activities:		
(Increase) decrease in investments held for trading	(838,752)	22,793
(Decrease) increase in other payables and accruals	(158,535)	49,826
Increase in properties held for sales	(101,819)	(366,113)
Increase in trade and other receivables	(57,799)	(3,668)
Increase in deposit paid for acquisition of properties held for sales	(3,000)	(388,179)
Net cash inflows from other operating activities	626,904	534,075
	(533,001)	(151,266)
Net cash used in investing activities:		
Advances to an associate and joint ventures	(264,396)	(635,570)
Deposit paid for acquisition of property, plant and equipment	(8,363)	—
Purchase of property, plant and equipment	(426)	(169)
Decrease in cash held by securities brokers	8,885	8,341
Proceeds from disposal of a joint venture	30,000	—
Decrease (increase) in loan receivables	72,667	(74,277)
Repayment from joint ventures	—	53,688
Net cash inflows from other investing activities	12,438	10,031
	(149,195)	(637,956)
Net cash (used in) from financing activities:		
Repayments of borrowings	(1,304,218)	(148,807)
Dividends paid	(146,335)	(199,342)
Advances from non-controlling shareholders of subsidiaries	27,291	152,005
New borrowings raised	1,251,963	336,392
Redemption of convertible notes	—	(9,550)
Proceeds from disposal of partial interest in a subsidiary	—	58,000
Net cash (outflows) inflows from other financing activities	(12,946)	11,222
	(184,245)	199,920
Net decrease in cash and cash equivalents	(866,441)	(589,302)
Cash and cash equivalents at beginning of the period	3,112,049	2,424,037
Cash and cash equivalents at end of the period, represented by bank balances and cash	2,245,608	1,834,735

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle; and
HK(IFRIC) — INT 20	Stripping Costs in the Production Phase of a Surface Mine.

2. Principal Accounting Policies (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 21.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. Principal Accounting Policies (Continued)

Amendments to HKAS 34 Interim Financial Reporting

(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM considered there was material change in segment assets and segment liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has included segment assets and segment liabilities information as part of segment information in note 3.

The application of other new or revised 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 joint ventures 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 2013 (unaudited)</i>				
Gross proceeds	2,164,069	—	160,313	2,324,382
Revenue				
Rental income/hotel operation	103,515	—	—	103,515
Sales of properties held for sale	2,060,554	—	—	2,060,554
	2,164,069	—	—	2,164,069
Interest income and dividend income	—	—	46,060	46,060
Gain on disposal of a joint venture	—	5,684	—	5,684
Share of results of joint ventures (Note ii)	—	35,433	—	35,433
Share of results of associates (Note ii)	—	5,492	—	5,492
Segment revenue	2,164,069	46,609	46,060	2,256,738
Segment profit	657,319	48,540	34,279	740,138
Unallocated other income				26,146
Central administrative costs				(59,319)
Finance costs				(64,247)
Profit before taxation				642,718

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 joint ventures 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 30 September 2012 (unaudited)</i>				
Gross proceeds	793,017	—	371,222	1,164,239
Revenue				
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 joint ventures (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
Segment profit	412,743	17,660	41,239	471,642
Unallocated other income				12,102
Other gains and losses				46
Central administrative costs				(13,939)
Finance costs				(33,255)
Profit before taxation				436,596

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 joint ventures mainly represents share of the operating profits of these entities from their businesses of property development and trading.

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

3. Segment Information (Continued)

Segment assets and liabilities

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

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Segment assets		
Property holding	4,472,134	4,386,053
Strategic investment	3,245,065	2,942,868
Securities investment	1,605,739	765,158
Total segment assets	9,322,938	8,094,079
Property, plant and equipment	155,964	164,138
Cash held by securities brokers	11,307	20,192
Bank balances and cash	2,245,608	3,112,049
Other unallocated assets	72,526	99,202
Consolidated assets	11,808,343	11,489,660
Segment liabilities		
Property holding	117,773	273,358
Strategic investment	22,821	35,767
Securities investment	3,683	4,161
Total segment liabilities	144,277	313,286
Guaranteed notes	1,170,000	1,170,000
Bank borrowings	2,654,798	2,707,053
Taxation payable	238,798	196,130
Other unallocated liabilities	37,374	18,089
Consolidated liabilities	4,245,247	4,404,558

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

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

4. Income and Gains (Losses) from Investments

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest income from		
— investments held for trading	43,224	19,498
— available-for-sale investments	1,233	2,099
Dividend income from		
— investments held for trading	1,603	811
Increase (decrease) in fair values of		
— investments held for trading	(15,175)	27,845
— conversion options embedded in convertible notes	6,304	1,646
— derivative financial instruments	(1)	(111)
Gain on disposal of investments in convertible notes (included in available-for-sale investments)	500	—
	37,688	51,788

5. Other Gains and Losses

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Other gains comprise:		
Gain on disposal of a joint venture	5,684	—
Exchange gain	—	46
	5,684	46

6. Finance Costs

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	19,043	17,936
Bank borrowings not wholly repayable within five years but contain a repayment on demand clause in the loan agreement	752	1,590
Bank borrowings not wholly repayable within five years	6,005	11,980
Guaranteed notes	38,447	—
Convertible notes wholly repayable within five years	—	232
Other borrowings	—	1,517
	64,247	33,255

7. Taxation

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	39,161	47,219
Under (over) provision in prior years	6,237	(579)
	45,398	46,640
Deferred taxation (note 20)	(4,400)	(88)
	40,998	46,552

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

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	—	—
Salaries and other benefits	8,212	8,070
Performance-related incentive bonus	20,000	9,568
Contributions to retirement benefits schemes	163	156
	28,375	17,794
Other staff costs:		
Salaries and other benefits	15,082	11,787
Performance-related incentive bonus	4,000	2,472
Contributions to retirement benefits schemes	991	547
	20,073	14,806
Total staff costs	48,448	32,600
Depreciation of property, plant and equipment	31,686	41,653
Cost of properties held for sales recognised as an expense	1,415,093	279,156
and after crediting:		
Bank interest income	8,238	10,031

9. Dividends

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Final dividend of HK1.38 cents (2012: HK2.4 cents) per share recognised as distribution for the year ended 31 March 2013 (2012: for the year ended 31 March 2012) and paid during the period	131,350	199,342

The directors do not recommend the payment of an interim dividend for the period (2012: 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	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	600,871	372,969
Effect of dilutive potential ordinary shares: Interest on convertible notes (net of tax)	—	222
Earnings for the purpose of diluted earnings per share	600,871	373,191

10. Earnings Per Share (Continued)

	Six months ended 30 September	
	2013 Number of shares	2012 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	9,518,120	8,300,176
Effects of dilutive potential ordinary shares (in thousands):		
Share options	—	77,773
Convertible notes	—	10,496
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	9,518,120	8,388,445

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\$426,000 (six months ended 30 September 2012: HK\$169,000) on additions of the property, plant and equipment.

In addition, during period, the Group paid approximately HK\$8,363,000 (six months ended 30 September 2012: Nil) in deposits for acquisition of 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 loans are specified in the loan agreements.

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 properties acquired by the purchasers. The effective interest rate of the loan receivables is 4.00% (31 March 2013: 4.00%) per annum. The receivable is to be settled within 1 year (31 March 2013: 1 to 2 years) by instalments and a lump-sum at maturity.

During the six months ended 30 September 2013, the non-current portion of the long-term loan receivables are due within one year, and these amounts are reclassified to current portion of loan receivables which are included in trade and other receivables.

13. Amount(s) due from (to) Joint Ventures/an Associate/Non-Controlling Shareholders of Subsidiaries

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Amounts due from joint ventures included in non-current assets (Note i)	1,651,728	1,466,960
Amount due from an associate included in non-current assets (Note ii)	—	1,040
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iii)	27,291	—
Amounts due to joint ventures included in current liabilities (Note iii)	421	19,967
Amount due to an associate included in current liabilities (Note iii)	22,400	15,800

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

Notes:

- (i) Included in the amounts due from joint ventures are principal amounts of HK\$475,930,000 (31 March 2013: HK\$469,330,000), which are unsecured, bear interest at prime rate plus 1% per annum and repayable after one year. The remaining amounts with principal of HK\$1,526,315,000 (31 March 2013: HK\$1,289,653,000) are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors consider that the amounts form part of the net investments in the joint ventures. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK\$1,172,359,000 (31 March 2013: HK\$995,314,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (31 March 2013: 5.7%). It is expected that the amounts will be repayable in 5 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from joint ventures is recognised against the interests in the joint ventures. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

In addition, included in the amounts due from joint ventures are the share of loss of joint ventures of HK\$25,083,000 (31 March 2013: HK\$11,498,000) representing share of the loss in excess of the cost of investment and interest income from amounts due from joint ventures of HK\$28,522,000.

13. Amount(s) due from (to) Joint Ventures/an Associate/Non-Controlling Shareholders of Subsidiaries (Continued)

Notes: (Continued)

- (ii) The amount as at 31 March 2013 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.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand.

14. 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, which approximated the revenue recognition date, at the end of the reporting period are as follows:

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Trade receivables:		
0–30 days	1,975	2,700
31–90 days	4,844	4,909
	6,819	7,609
Loan receivables — due within one year (note 12)	88,317	18,040
Prepayments and deposits	13,644	37,952
Other receivables	44,736	32,116
	153,516	95,717

15. Movements in Properties Held For Sale

During the period, the Group incurred HK\$1,511,028,000 (six months ended 30 September 2012: HK\$70,432,000) on acquisition of properties held for sale.

16. Other Payables and Accruals

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Receipt in advance for sales of properties held for sale	12,053	191,072
Rental and related deposits received	47,582	51,400
Other tax payables	2,022	2,025
Other payables and accruals	65,578	41,273
	127,235	285,770

Other payables and accruals include accrued renovation costs of approximately HK\$5,949,000 (31 March 2013: HK\$7,445,000) incurred in respect of the Group's properties held for sale.

17. Bank Borrowings

During the period, the Group obtained bank borrowings of approximately HK\$1,251,963,000 (six months ended 30 September 2012: HK\$336,392,000) and repaid bank borrowings of approximately HK\$1,304,218,000 (six months ended 30 September 2012: HK\$148,807,000). The loans carry interest at market rates ranging from 0.75% to 6.50% (six months ended 30 September 2012: 0.85% to 6.21%) 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 24.

18. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2012, 30 September 2012, 31 March 2013 and 30 September 2013	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2012	8,233,107,426	65,865
Issue of shares upon exercise of share options (Note i)	72,812,250	582
At 30 September 2012	8,305,919,676	66,447
Placing of shares (Note ii)	1,212,200,000	9,698
At 31 March 2013 and 30 September 2013	9,518,119,676	76,145

Notes:

- (i) During the six months ended 30 September 2012, the Company has issued 72,812,250 shares upon exercise of share options by the directors and consultants at an exercise price of HK\$0.0884 per share.
- (ii) During the year ended 31 March 2013, the Company has placed 1,212,200,000 shares at a price of HK\$0.335 per share.

All the shares issued by the Company during the six months ended 30 September 2012 and 2013 rank pari passu with the then existing ordinary shares in all respects.

19. Guaranteed Notes

On 9 January 2013, a wholly-owned subsidiary of the Company, Estate Sky Limited, has issued guaranteed notes, of which the Company is the guarantor, in the aggregate principal amount of US\$150,000,000 (equivalent to approximately HK\$1,170,000,000) at an interest rate of 6.5% per annum, payable semi-annually in arrears. The guaranteed notes will mature on 16 January 2018.

20. Deferred Taxation

The followings 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 2012 (audited)	9,049	10	(521)	8,538
Charge (credit) to condensed consolidated statement of profit or loss for the year	751	(10)	(575)	166
At 31 March 2013 (audited)	9,800	—	(1,096)	8,704
(Credit) charge to condensed consolidated statement of profit or loss for the period	(4,548)	—	148	(4,400)
At 30 September 2013 (unaudited)	5,252	—	(948)	4,304

The following is the analysis of deferred tax balances for financial reporting purposes:

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Deferred tax assets	(948)	(1,096)
Deferred tax liabilities	5,252	9,800
	4,304	8,704

21. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at 30 September 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Conversion options classified as conversion options embedded in convertible notes in the statement of financial position	HK\$21,284,000	Level 3	Binomial option pricing model	Volatility determined by the annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share price.	The higher the volatility, the higher the fair value.
Unlisted debt securities classified as available-for-sale investments in the statement of financial position	HK\$33,428,000	Level 3	Discounted cash flow. Future cash flows are discounted by the discount rate.	Discount rate determined by reference to the listed bonds in similar rating.	The higher the discount rate, the lower the fair value.
2) Held-for-trading non-derivative financial assets classified as investments held for trading in the statement of financial position	Listed equity securities in Hong Kong: HK\$52,945,000 Listed debt securities in Hong Kong: HK\$92,014,000 Listed debt securities in elsewhere: HK\$1,369,340,000	Level 1	Quoted bid price in active market	N/A	N/A

21. Fair Value Measurements of Financial Instruments (Continued)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

In addition, the Group's investment in unlisted equity interest classified as available-for-sale investment of approximately HK\$5,005,000 is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

22. Disposal of Subsidiaries

During the period ended 30 September 2013, the Group disposed of, to an independent third party, the entire interest in Ample Thrive Global Limited, Ample Faith Developments Limited and Amorita Holdings Limited ("the disposed subsidiaries") for a cash consideration of HK\$283,565,000. Since the disposed subsidiaries were principally engaged in the business of property held for sale, which represented their single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the disposed subsidiaries in the condensed consolidated statement of profit or loss as disposal of the underlying property held for sale. The consideration allocated to the sale of properties were regarded as revenue generated from sales of properties held for sale by the Group.

The amounts of the assets attributable to the disposed subsidiaries on the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Properties held for sale	266,771
Gain on disposal of subsidiaries	16,794
Gross cash consideration	283,565
Transaction cost for disposal of subsidiaries	(3,497)
Total consideration satisfied by cash and cash inflow arising from disposal	280,068
Gain on disposal of subsidiaries is included in the condensed consolidated statement of profit or loss as follows:	
Revenue	283,565
Cost of sales	(266,771)
	16,794

23. Contingent Liabilities

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	1,668,506	1,523,312
An associate	96,000	96,000
	1,764,506	1,619,312
And utilised by:		
Joint ventures	1,114,570	971,570
An associate	96,000	96,000
	1,210,570	1,067,570

In addition, the other joint venture partner of a joint venture of which the Group held as to 50% of the issued share capital, provided corporate guarantees to the full amount for loan facilities granted by a bank to the relevant joint venture amounting to approximately HK\$625 million (31 March 2013: 625 million). The banking facilities utilised by the relevant joint venture amounted to approximately HK\$366 million (31 March 2013: 365 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 joint ventures 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.

24. Pledge of Assets

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

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Property, plant and equipment	609,502	636,031
Properties held for sale	3,663,017	3,394,825
Investments held for trading	289,127	92,926
	4,561,646	4,123,782

25. Related Party Disclosures

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

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Short-term benefits	9,678	9,270
Post-employment benefits	236	216
	9,914	9,486

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other 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

27 November 2013

Interim Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 September 2013 (2012: Nil).

Review of the Results

The Group reported a total gross revenue for the six months ended 30 September 2013 of approximately HK\$2,164.1 million (six months ended 30 September 2012: HK\$793 million), which was mainly generated from income from sale of properties of approximately HK\$2,060.6 million, rental income of approximately HK\$103.5 million. The increase was mainly due to an increase in sales of properties during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK\$600.9 million for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$372.9 million) representing an increase of approximately 61.1%.

Liquidity and Financial Resources

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$2,256.9 million (31 March 2013: HK\$3,132.2 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\$751.9 million as at 31 March 2013 to approximately HK\$767.6 million as at 30 September 2013, and long-term bank borrowing decreased from approximately HK\$1,955.2 million as at 31 March 2013 to approximately HK\$1,887.2 million as at 30 September 2013. All the bank borrowings were utilized in financing the Group's properties investments in generating recurrent rental income. As a result, the Group's total bank borrowing decreased from approximately HK\$2,707.1 million as at 31 March 2013 to approximately HK\$2,654.8 million as at 30 September 2013, and the Group's ratio of total debt (bank and other borrowings) to total assets was 32.4% (31 March 2013: 33.7%). All bank borrowings were denominated in Hong Kong dollars, Renminbi and US dollars 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\$79.8 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\$767.6 million repayable within one year, HK\$1,058.3 million repayable between one to five years, and HK\$828.9 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 has been challenging due to the introduction of various government stamp duties measures in Hong Kong, resulting in limited liquidity in the market on both the residential and commercial property fronts. The transition of government leadership in China has also caused uncertainties in the policies on China's property market. Despite these challenges, the Group has continued to deliver solid results and profitability in the period and continued its drive to establishing itself as a rising leader in real estate investment and development in Hong Kong and China. The Group's management team is confident that the Group will be able to capitalize from this uncertain market condition by utilizing its abundant cash balance to acquire prime projects on both the commercial and residential fronts to further build up its land bank and accelerate the growth of the Group in the coming years.

Commercial Properties

Significant disposals completed during the period included the sale of Le Diamant, a new commercial building at 703-705 Nathan Road in Mongkok, for HK\$1.029 billion, the sale of the commercial tower H8 in Tsim Sha Tsui for approximately HK\$668 million and one commercial office floor of the Enterprise Square in Kowloon Bay for HK\$284 million. These successful sales helped the Group realize significant profit in the period.

On the acquisition side, the Group, together with our partner, completed the acquisition of a prime retail shop on the busiest section of Sai Yeung Choi Street in Mongkok for a consideration of approximately HK\$593 million. The current plan is to capitalize on the increasing traffic flow of mainland tourists in the area to upgrade the tenant with rental revenue set to be more than doubled with the new tenancy contract starting next year. The project has significant valuation upside potential due to its prime location for retail operation targeting both locals and mainland tourists in Kowloon. Furthermore, the Group has actively evaluated numerous prime commercial opportunities in key districts like Central, Causeway Bay and Tsim Sha Tsui, and submitted bids including our recent consortium bid with Sinoland and Lai Sun Development for the Murray Building in Central under the government land tender in Hong Kong.

Coutures Homes — Residential Property Development

Unit 2A the Hampton was sold within the period for a consideration of HK\$80 million. Subsequent to the reporting date, the last unit was also completed for a consideration of HK\$87 million. The sale illustrates that despite quiet market environment resulting from the new stamp duty measures from the Hong Kong government, demand for such high-end lifestyles units is still good.

In addition, our life-style oriented project in Causeway Bay, yoo Residence, achieved tremendous sales during the pre-sales period in this interim period, with over 120 out of the 144 units sold already with completion expected in mid-2015. The pricing achieved is at a significant premium to neighbouring projects by other developers. The strong response reinforces the market recognition of our team's strength in designing and marketing and helps to cement Couture Homes as the leading premium life-style residential development company in Asia.

The other residential development projects for Couture Homes, including the villa projects at Kau To Shan in the New Territories and Qingpu district in Shanghai are under vigorous construction schedule and we are planning to start presale of these villa units towards the end of next year. The super luxury lifestyle development project at Jardine's Lookout, namely Monterey Court, will soon be undergoing demolition of the current structure and the new residential tower is expected to be completed in 2017. Partnering with the prestigious Grosvenor Fund from the UK, this is expected to be one of the most iconic residential buildings in Asia Pacific upon its completion. Furthermore, we have acquired more than 80% interest in a residential building in prime Central close to the Lan Kwai Fong area with a plan to acquire the remaining and thereafter redeveloping the site into a brand new apartment building in due course.

With these new projects on the horizon, we aim to continue the drive to have Couture Homes recognized by the market as one of the leading developers in supplying distinct and unique personalized home, satisfying the increasing needs of buyers who are looking for more than just a mass market apartment.

Outlook

The global economy is undergoing a slow recovery with the more healthy data coming from the US and Eurozone. The new Chinese administration is also going through a smooth leadership transition with steady economic policies to stimulate the growth of the economy. In addition, after the introduction of various stamp duties measures from the current government administration in Hong Kong, we are seeing a stabilization of the property market, as evidenced by the strong reception in the sales from primary units in Hong Kong by various developers. These factors all allow CSI and Couture Homes to take advantage of the current market opportunities to continue the steady growth of the Group.

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 2013, 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	4,398,982,062(L)	–	46.22
	Interest of controlled corporation	The Company	4,395,937,062(L)	–	46.18
Kan Sze Man	Beneficial owner	The Company	23,790,500(L)	–	0.25

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 4,398,982,062 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 4,395,937,062 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 2013, 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 2013, 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\$4,122,310,000, which represented approximately 34.9% of the Group's total assets value as at 30 September 2013.

As at 30 September 2013, the advances and guarantees made by the Group to its joint ventures and associates are as follows:

	Advances	Guarantees
	HK\$'000	HK\$'000
Chater Capital Limited	14,546	389,256
City Synergy Limited	11,026	—
Cyrus Point Limited	610,450	—
Eagle Wonder Limited	504,451	690,000
Expert Dragon Limited	—	96,000
Fame Allied Limited	60,807	—
Get Wisdom Limited	639,417	447,500
Vastness Investment Limited (Note)	47,000	312,500
Vital Triumph Limited	154,799	141,750
Buzz Concepts International Holdings Limited	2,808	—
	2,045,304	2,077,006

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:

	Combined balance sheet	Group's attributable interests
	HK\$'000	HK\$'000
Non-current assets	2,447,927	1,221,724
Current assets	8,865,322	4,353,003
Current liabilities	(3,178,304)	(1,562,416)
Non-current liabilities	(5,685,092)	(2,822,098)
	2,449,853	1,190,213

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 2013 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 (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Company has applied the principles and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, and all other relevant laws and regulations 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. One independent non-executive director was unable to attend the annual general meeting of the Company held on 20 August 2013 due to other prior business engagement.

During the six months ended 30 September 2013, the Company has approved and adopted a diversity policy (the "Policy") which sets out to achieve diversity on the Board. The Nomination Committee of the Company is responsible for monitoring the implementation of the Policy.

Update on Directors' Information

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Dr. Lam Lee G. was appointed as an independent non-executive Director of China Communication Telecom Services Company Limited on 1 January 2013 and was subsequently re-designated as non-executive director on 18 March 2013. He was appointed as an independent non-executive director of Wai Chun Mining Industry Group Limited on 1 January 2013 and retired on 23 May 2013. He was re-designated as independent non-executive director of Glorious Sun Enterprises Limited on 20 August 2012. The shares of all the captioned companies are listed on the Stock Exchange.

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 2013.

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) and the Company (www.csigroup.hk) in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 27 November 2013