

CSI Properties Limited

資本策略地產有限公司*

Stock Code : 497

I N T E R I M R E P O R T

2016



* For identification purposes only



CORPORATE INFORMATION

Board of Directors

Executive Directors:

Chung Cho Yee, Mico (*Chairman*)

Kan Sze Man

Chow Hou Man

Fong Man Bun, Jimmy

Independent Non-Executive Directors:

Lam Lee G.

Cheng Yuk Wo

Lo Wing Yan, William

Audit Committee

Cheng Yuk Wo (*Chairman*)

Lam Lee G.

Lo Wing Yan, William

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

Fong Man Bun, Jimmy

Company Secretary

Chan Suet Kwan

Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of

China (Asia) Limited

The Bank of East Asia Limited

The Hongkong and Shanghai Banking

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

The Belvedere Building

69 Pitts Bay Road, Pembroke HM08

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 2016. The condensed 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 2016

	NOTES	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue		300,870	228,965
Cost of sales/services		(77,521)	(99,078)
Gross profit		223,349	129,887
Income and gains from investments	4	59,122	35,910
Other income	5	37,239	25,089
Other gains and losses		1,195	(3,502)
Administrative expenses		(79,697)	(102,248)
Finance costs	6	(98,729)	(70,195)
Share of results of joint ventures		(19,403)	525,334
Share of results of associates		12	1,063
Profit before taxation		123,088	541,338
Income tax credit (expense)	7	222	(7,360)
Profit for the period	8	123,310	533,978
Profit (loss) for the period attributable to:			
Owners of the Company		124,342	525,931
Non-controlling interests		(1,032)	8,047
		123,310	533,978
Earnings per share (HK cents)	10		
– Basic		1.24	5.02

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period	123,310	533,978
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations for the period	(14,105)	(15,603)
Change in fair value of available-for-sale investments	–	(376)
Reclassification adjustment on derecognition of non-controlling interest upon deregistration of a subsidiary	802	–
<i>Share of other comprehensive income of joint ventures:</i>		
Share of exchange differences of joint ventures	(15,279)	(15,817)
Reclassification of translation reserve upon derecognition of subsidiaries of joint venture	–	(18,154)
	(28,582)	(49,950)
Total comprehensive income for the period	94,728	484,028
Total comprehensive income (expense) attributable to:		
Owners of the Company	95,760	475,981
Non-controlling interests	(1,032)	8,047
	94,728	484,028

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

	NOTES	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	605,217	623,307
Available-for-sale investments		200,950	59,630
Club memberships		11,385	11,385
Interests in joint ventures		1,348,297	1,308,350
Amounts due from joint ventures	12	1,890,517	1,743,320
Interests in associates		138,351	137,855
Amounts due from associates	12	5,668	4,152
		4,200,385	3,887,999
Current assets			
Trade and other receivables	13	149,699	140,273
Deposit paid for acquisition of properties held for sale		173,250	–
Properties held for sale	14	10,476,552	8,850,223
Investments held for trading		2,153,865	1,813,664
Taxation recoverable		16,344	20,141
Cash held by securities brokers		3,195	3,983
Bank balances and cash		3,884,992	3,525,228
		16,857,897	14,353,512
Current liabilities			
Other payables and accruals	15	432,035	236,598
Taxation payable		180,086	185,864
Amounts due to joint ventures	12	122,022	20,130
Amounts due to non-controlling shareholders of subsidiaries	12	104,919	100,832
Bank borrowings – due within one year	16	1,061,296	561,101
		1,900,358	1,104,525
Net current assets		14,957,539	13,248,987
		19,157,924	17,136,986

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 SEPTEMBER 2016

	NOTES	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Capital and reserves			
Share capital	17	80,296	80,296
Reserves		9,483,741	9,586,815
Equity attributable to owners of the Company		9,564,037	9,667,111
Non-controlling interests		14,011	14,241
Total equity		9,578,048	9,681,352
Non-current liabilities			
Guaranteed notes	18	2,795,130	1,040,130
Bank borrowings – due after one year	16	6,779,941	6,410,008
Deferred tax liabilities	19	4,805	5,496
		9,579,876	7,455,634
		19,157,924	17,136,986

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000			
At 1 April 2016 (audited)	80,296	2,052,135	6,620	72,579	17,933	(785)	7,438,333	9,667,111	14,241	9,681,352
Profit (loss) for the period	-	-	-	-	-	-	124,342	124,342	(1,032)	123,310
Exchange differences arising on translation of foreign operations	-	-	-	-	(14,105)	-	-	(14,105)	-	(14,105)
Share of exchange differences of joint ventures	-	-	-	-	(15,279)	-	-	(15,279)	-	(15,279)
Reclassification adjustment on derecognition of non-controlling interest upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	802	802
Total comprehensive income for the period	-	-	-	-	(29,384)	-	124,342	94,958	(230)	94,728
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	(198,032)	(198,032)	-	(198,032)
At 30 September 2016 (unaudited)	80,296	2,052,135	6,620	72,579	(11,451)	(785)	7,364,643	9,564,037	14,011	9,578,048
At 1 April 2015 (audited)	83,896	2,052,135	3,020	183,922	79,177	(409)	5,862,979	8,264,720	2,066	8,266,786
Profit for the period	-	-	-	-	-	-	525,931	525,931	8,047	533,978
Exchange differences arising on translation of foreign operations	-	-	-	-	(15,603)	-	-	(15,603)	-	(15,603)
Share of exchange differences of joint ventures	-	-	-	-	(15,817)	-	-	(15,817)	-	(15,817)
Decrease in fair value of available-for-sale investments recognised directly in equity	-	-	-	-	-	(376)	-	(376)	-	(376)
Reclassified to profit or loss on derecognition of subsidiaries of joint venture	-	-	-	-	(18,154)	-	-	(18,154)	-	(18,154)
Total comprehensive income for the period	-	-	-	-	(49,574)	(376)	525,931	475,981	8,047	484,028
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	(66,068)	(66,068)	-	(66,068)
At 30 September 2015 (unaudited)	83,896	2,052,135	3,020	183,922	29,603	(785)	6,322,842	8,674,633	10,113	8,684,746

Note:

The contributed surplus of the Group represents the amount arising from capital reorganisation carried out by the Company during the year ended 31 March 2003.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	NOTES	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash used in operating activities:			
(Increase) decrease in investments held for trading		(348,157)	181,577
Increase in other payables and accruals		197,487	44,227
Increase in properties held for sale		(1,043,625)	(440,006)
Increase in available-for-sale investments		(128,390)	–
Decrease in trade and other receivables		13,688	44,831
Decrease (increase) in cash held by securities brokers		788	(6,846)
Increase in deposit paid for acquisition of properties held for sale		(173,250)	(15,995)
Increase in deposit paid for acquisition of properties held for sale through acquisition of subsidiaries		–	(182,500)
Net cash inflows from other operating activities		114,880	42,515
		(1,366,579)	(332,197)
Net cash used in investing activities:			
Investments in joint ventures		–	(514,722)
Investment in an associate		–	(135,000)
Purchase of property, plant and equipment		(1,609)	(304)
(Advances to) repayment from an associate and joint ventures		(124,659)	272,897
Net cash inflow on disposal of subsidiaries	22	92,939	–
Net cash outflow on acquisition of subsidiaries	21	(657,065)	–
Dividend received from a joint venture		2,440	–
Increase in loan receivables		(23,107)	–
Net cash inflows from other investing activities		–	13,329
		(711,061)	(363,800)
Net cash from financing activities:			
Repayments of borrowings		(467,549)	(788,673)
Dividends paid		(198,032)	(66,068)
Advance from an associate		–	209
Advances from non-controlling shareholders of subsidiaries		4,087	73,529
New borrowings raised		1,343,898	1,496,898
Issuance of guaranteed notes		1,950,000	–
Repurchase of guaranteed notes		(195,000)	–
		2,437,404	715,895
Net increase in cash and cash equivalents		359,764	19,898
Cash and cash equivalents at beginning of the period		3,525,228	1,274,443
Cash and cash equivalents at end of the period, represented by bank balances and cash		3,884,992	1,294,341

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 (“HKICPA”) 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 “HKSE”) (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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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 HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements

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



3. Segment information

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

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

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

Therefore, there are four reportable and operating segments in current interim period as follows:

- (a) commercial property holding segment, which engages in the investment and trading of commercial properties and hotels operation, and also the strategic alliances with the joint venture partners of the joint ventures and associates;
- (b) residential property holding segment, which engages in the investment and trading of residential properties, and also the strategic alliances with the joint venture partners of the joint ventures and associates;
- (c) Macau property holding segment, which engages in the investment and trading of properties located in Macau; and
- (d) securities investment segment, which engages in the securities trading and investment.

Consequently, the comparative segment information for the interim period ended 30 September 2015 have been re-presented in order to conform with the presentation adopted in current interim period. The changes in the segment information do not have any impact on the Group's condensed consolidated financial statements.

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:

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>					
<i>30 September 2016 (unaudited)</i>					
Gross proceeds	209,182	91,024	664	758,981	1,059,851
External revenue					
Rental income and hotels operation	112,282	-	-	-	112,282
Rental income	-	2,575	664	-	3,239
Sales of properties held for sale	96,900	88,449	-	-	185,349
Revenue of the Group	209,182	91,024	664	-	300,870
Interest income and dividend income	-	-	-	67,078	67,078
Share of results of joint ventures (Note ii)	6,699	(26,102)	-	-	(19,403)
Share of results of associates (Note ii)	36	(24)	-	-	12
Segment revenue/income	215,917	64,898	664	67,078	348,557
Results					
Segment profit (loss)	198,744	(10,261)	(2,827)	56,448	242,104
Unallocated other income					34,919
Other gains and losses					1,195
Central administrative costs					(56,401)
Finance costs					(98,729)
Profit before taxation					123,088

Notes:

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

3. Segment information (Continued)

Segment revenue and results (Continued)

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>					
<i>30 September 2015 (unaudited)</i>					
Gross proceeds	179,764	2,766	46,435	414,703	643,668
External revenue					
Rental income and hotels operation	101,421	–	–	–	101,421
Rental income	–	2,766	335	–	3,101
Sales of properties held for sale	78,343	–	46,100	–	124,443
Revenue of the Group	179,764	2,766	46,435	–	228,965
Interest income and dividend income	–	–	–	46,334	46,334
Share of results of joint ventures (<i>Note ii</i>)	558,634	(33,300)	–	–	525,334
Share of results of associates (<i>Note ii</i>)	1,177	(114)	–	–	1,063
Segment revenue/income (expense)	739,575	(30,648)	46,435	46,334	801,696
Results					
Segment profit (loss)	612,987	(32,650)	20,720	31,809	632,866
Unallocated other income					25,029
Other gains and losses					(3,502)
Central administrative costs					(42,860)
Finance costs					(70,195)
Profit before taxation					541,338

Notes:

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

Segment profit (loss) represents the profit earned (loss incurred) by each segment, interest income, dividend income, fair value change of investments and share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses, central administrative costs, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

3. Segment information (Continued)

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

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Segment assets		
Commercial property holding	9,070,628	7,847,832
Residential property holding	5,269,246	4,507,192
Macau property holding	193,635	193,648
Securities investment	2,380,711	1,901,379
Total segment assets	16,914,220	14,450,051
Property, plant and equipment	165,492	175,469
Cash held by securities brokers	3,195	3,983
Bank balances and cash	3,884,992	3,525,228
Other unallocated assets	90,383	86,780
Consolidated assets	21,058,282	18,241,511
Segment liabilities		
Commercial property holding	160,806	122,219
Residential property holding	386,600	139,522
Macau property holding	61,006	60,903
Securities investment	54,705	18,541
Total segment liabilities	663,117	341,185
Guaranteed notes	2,795,130	1,040,130
Bank borrowings	7,841,237	6,971,109
Taxation payable	180,086	185,864
Other unallocated liabilities	664	21,871
Consolidated liabilities	11,480,234	8,560,159

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

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

4. Income and gains from investments

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest income from		
– investments held for trading	66,719	46,334
Decrease in fair values of		
– investments held for trading	(7,956)	(10,424)
Dividend income from		
– available-for-sale investments	314	–
– investments held for trading	45	–
	59,122	35,910

5. Other income

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Bank interest income	11,840	2,840
Loan interest income	1,090	1,107
Interest income from amount due from a joint venture	18,902	17,504
Amortisation of financial guarantee contracts	1,363	1,002
Assets management income	2,320	60
Others	1,724	2,576
	37,239	25,089

6. Finance costs

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	29,806	28,306
Bank borrowings not wholly repayable within five years	23,617	3,656
Guaranteed notes	45,306	38,233
	98,729	70,195

7. Income tax (credit) expense

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current period	2,101	6,666
Overprovision in prior years	(1,633)	(3)
Macau Complementary Tax		
Current period	468	6,663
	1	2,459
Deferred taxation (<i>note 19</i>)	469	9,122
	(691)	(1,762)
	(222)	7,360

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.

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



8. Profit for the period

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	–	62
Salaries and other benefits	11,254	10,572
Performance-related incentive bonus	–	18,000
Contributions to retirement benefits schemes	256	264
	11,510	28,898
Other staff costs:		
Salaries and other benefits	21,277	19,988
Performance-related incentive bonus	–	12,000
Contributions to retirement benefits schemes	1,292	993
	22,569	32,981
Total staff costs	34,079	61,879
Depreciation of property, plant and equipment	19,694	18,427
Cost of properties held for sale recognised as an expense	73,579	72,981
and after crediting:		
Bank interest income	11,840	2,840

9. Dividends

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Final dividend of HK1.973 cents (2015: HK0.378 cent) per share recognised as distribution for the year ended 31 March 2016 (2015: for the year ended 31 March 2015) and paid during the interim period	198,032	39,641
Special dividend of HK0.252 cent (2016: nil) per share recognised as distribution for the year ended 31 March 2015 (2016: for the year ended 31 March 2016) and paid during the interim period	–	26,427
	198,032	66,068

The directors do not recommend the payment of an interim dividend for the current interim period (30 September 2015: nil).

10. Earnings per share

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

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	124,342	525,931

	Six months ended 30 September	
	2016 Number of shares	2015 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	10,037,090	10,487,040

Diluted earnings per share for the six months ended 30 September 2016 and 2015 are not presented as there were no dilutive potential ordinary shares outstanding as at 30 September 2016 and 2015.

11. Movements in property, plant and equipment

During the period, the Group incurred HK\$1,609,000 (six months ended 30 September 2015: HK\$304,000) on additions of the property, plant and equipment.

12. Amounts due from (to) joint ventures/associates/non-controlling shareholders of subsidiaries

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Amounts due from joint ventures included in non-current assets (<i>Note i</i>)	1,890,517	1,743,320
Amounts due to joint ventures included in current liabilities (<i>Note iii</i>)	122,022	20,130
Amounts due from associates included in non-current assets (<i>Note ii</i>)	5,668	4,152
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (<i>Note iii</i>)	104,919	100,832

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\$513,130,000 (31 March 2016: HK\$505,930,000), which are unsecured, bear interest at prime rate plus 1% per annum and repayable after one year. The remaining amounts with principal of HK\$1,878,840,000 (31 March 2016: HK\$1,680,755,000) are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, settlement is neither planned nor likely to occur in the foreseeable future. The directors consider that the amounts form part of the net investments in the joint ventures. At the end of the reporting period, the carrying amounts of such non-interest bearing portion of HK\$1,424,326,000 (31 March 2016: HK\$1,274,911,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 5.7% (31 March 2016: 5.7%). It is expected that the amounts will be repayable in 5 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from joint ventures is recognised against the interests in the joint ventures. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

In addition, included in the amounts due from joint ventures are the share of loss of joint ventures of HK\$177,733,000 (31 March 2016: HK\$149,412,000) representing share of the loss in excess of the cost of investment to the extent of the Group's legal or constructive obligations and interest income from amounts due from joint ventures of HK\$128,370,000 (31 March 2016: HK\$109,468,000).

- (ii) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors of the Company, settlement is neither planned nor likely to occur in the foreseeable future. The directors of the Company considered that the amounts as at the end of the reporting period form part of the net investments in the relevant associates. Accordingly, the amounts were classified as non-current. The directors of the Company consider that the carrying amounts of these balances approximates to their fair values.
- (iii) The amounts are unsecured, non-interest bearing and repayable on demand.

13. Trade and other receivables

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Rental receivables are billed and payable in advance by tenants. In respect of sales of properties, the amounts are to be settled based on the terms of sales and purchase agreements of property. The aged analysis of the trade receivables, presented based on the debit note date for rental receivables and agreement date for receivables for sales of properties, both which approximated the revenue recognition date, at the end of the reporting period is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade receivables:		
0 – 30 days	4,957	6,713
31 – 90 days	1,557	2,281
Prepayments and deposits	6,514	8,994
Loan receivables	31,456	48,339
Other receivables	45,972	22,865
	65,757	60,075
	149,699	140,273

14. Movements in properties held for sale

During the period, the Group incurred HK\$1,681,332,000 (six months ended 30 September 2015: HK\$511,223,000) on acquisition of properties held for sale.

15. Other payables and accruals

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Rental and related deposits received	110,715	97,233
Receipt in advance for sales of properties	142,000	–
Other tax payables	2,449	3,610
Other payables	6,193	7,087
Accrued construction costs	62,892	65,907
Accrued interest expenses	36,703	19,373
Other accrued expenses	71,083	43,388
	432,035	236,598

16. Bank borrowings

During the period, the Group obtained bank borrowings of approximately HK\$1,343,898,000 (six months ended 30 September 2015: HK\$1,496,898,000) and repaid bank borrowings of approximately HK\$467,549,000 (six months ended 30 September 2015: HK\$788,673,000). The loans carry interest at market rates ranging from 0.90% to 4.9% (six months ended 30 September 2015: 0.65% to 6.49%) 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 25.

17. Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK0.8 cent each		
Authorised:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2015 and 30 September 2015 Share repurchases (<i>Note</i>)	10,487,039,676 (449,950,000)	83,896 (3,600)
At 31 March 2016 and 30 September 2016	10,037,089,676	80,296

Note:

During the year ended 31 March 2016, the Company repurchased 449,950,000 of its own shares through the HKSE. The above shares were cancelled upon repurchase and the total amount paid to acquire these cancelled shares of HK\$114,152,000 was deducted from equity holder's equity. The details were as follows:

Month, Year of repurchase	Number of ordinary shares repurchased and cancelled	Price per share		Aggregate Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
December 2015	266,880,000	0.265	0.236	67,029
January 2016	183,070,000	0.265	0.249	47,123
	449,950,000			114,152

All the shares repurchased by the Company during the year ended 31 March 2016 rank pari passu with the then existing ordinary shares in all respects.

18. Guaranteed notes

On 9 January 2013, a wholly-owned subsidiary of the Company, Estate Sky Limited (“Estate Sky”), issued guaranteed notes, of which the Company is the guarantor. As at 30 September 2016, the aggregate principal amount was US\$108,350,000 (equivalent to approximately HK\$845,130,000) which bears interest at 6.5% per annum, and payable semi-annually in arrears. The guaranteed notes will be repaid upon maturity on 16 January 2018. In addition, during the period ended 30 September 2016, the Group repurchased US\$25,000,000 (equivalent to approximately HK\$195,000,000) of such guaranteed notes through open market.

On 8 August 2016, Estate Sky Limited further issued guaranteed notes, of which the Company is the guarantor, in the aggregate principal amount of US\$250,000,000 (equivalent to approximately HK\$1,950,000,000) at an interest rate of 4.875% per annum, payable semi-annually in arrears. The guaranteed notes will be matured on 8 August 2021.

19. 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 HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2015	10,110	(1,580)	8,530
Credit to condensed consolidated statement of profit or loss for the period	(2,701)	(333)	(3,034)
At 31 March 2016	7,409	(1,913)	5,496
Charge (credit) to condensed consolidated statement of profit or loss for the period	157	(848)	(691)
At 30 September 2016	7,566	(2,761)	4,805

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

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Deferred tax assets	(2,761)	(1,913)
Deferred tax liabilities	7,566	7,409
	4,805	5,496

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

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

Financial assets	30 September 2016 HK\$'000	Fair value as at 31 March 2016 HK\$'000	Fair value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Held-for-trading non-derivative financial assets classified as investments held for trading in the condensed consolidated statement of financial position	Listed equity securities in: – Hong Kong: 40,162	Listed equity securities in: – Hong Kong: 32,487	Level 1	Quoted bid prices in an active market	N/A	N/A
	Listed debt securities in: – Hong Kong: 400,268 – Elsewhere: 1,697,431	Listed debt securities in: – Hong Kong: 504,797 – Elsewhere: 1,262,962	Level 1	Quoted bid prices in an active market	N/A	N/A
	Unlisted mutual funds 16,004	Unlisted mutual funds 13,418	Level 2	Quoted prices for identical assets in market that are not active	N/A	N/A
2) Unlisted equity securities classified as available-for-sale investments in the condensed consolidated statement of financial position	195,945	54,625	Level 2	Quoted prices for identical assets in market that are not active	N/A	N/A

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

There were no transfers between Level 1 measurements and Level 2 measurements in the current period.

21. Acquisition of assets through acquisition of subsidiaries

During the period ended 30 September 2016, the Group completed the acquisition of the equity interest of Go High Investments Limited through a wholly owned subsidiary for a consideration of HK\$737,537,000 (the "Acquisition"). This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the Acquisition are as follow:

	HK\$'000
Properties held for sales	1,592,413
Other receivables	507
Bank balances and cash	80,472
Other payables	(27,239)
Bank borrowings	(908,616)
	<hr/> 737,537 <hr/>
Total consideration satisfied by:	
Cash paid	737,537
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(737,537)
Bank balances and cash	80,472
	<hr/> (657,065) <hr/>

22. Disposal of assets through disposal of subsidiaries

During the period ended 30 September 2016, the Group disposed of the entire interest in Future Radiance Limited, Sky Accord Limited, Prime North Limited, Century Unicorn Limited and Trinity Value Limited (the "disposed subsidiaries") for a cash consideration of HK\$93,507,000. Since the disposed subsidiaries were principally engaged in the business of property held for sale, which represented its single predominant asset, the Group is principally selling, and the buyer is principally acquiring, the property held for sale. Accordingly, the Group had accounted for the disposal of the disposed subsidiaries in the 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.



22. Disposal of assets through disposal of subsidiaries (Continued)

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

	HK\$'000
Net assets disposed of:	
Properties held for sales	24,174
Other receivables	3
Bank balances and cash	568
Other payables	(421)
	24,324
Transaction cost for disposal of subsidiaries	1,189
Gain on disposal	67,994
Total consideration satisfied by:	
Cash received	93,507
Net cash inflow arising on disposal:	
Cash consideration received	93,507
Bank balances and cash	(568)
	92,939

23. Contingent liabilities

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	3,743,163	3,628,959
An associate	262,919	262,919
	4,006,082	3,891,878
And utilised by:		
Joint ventures	2,637,269	2,638,712
An associate	127,212	126,298
	2,764,481	2,765,010

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 unlikely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK\$6,113,000 (31 March 2016: HK\$7,010,000).

24. Share option scheme

The Company has a share option scheme for eligible participants of the Group.

No share options were outstanding at the beginning and end of the period during the six months ended 30 September 2016 and 2015.

25. 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 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Property, plant and equipment	573,080	584,375
Properties held for sale	10,073,795	8,414,618
Investments held for trading	8,517	74,326
	10,655,392	9,073,319

26. Related party disclosures

(a) During the period, the Group entered into the following transactions with related parties:

		Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Joint venture	Sales of properties held for sale	21,507	–
Joint venture	Asset management income	1,200	60
Joint venture	Interest income	18,902	17,504

(b) The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. Details of the amounts due from (to) joint ventures and associates are set out in the condensed consolidated statement of financial position and on note 12.

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

		Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
	Short-term benefits	12,502	11,571
	Post-employment benefits	319	314
		12,821	11,885

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

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 24, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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

30 November 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016. (2015: Nil)

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2016 of approximately HK\$301 million (six months ended 30 September 2015: HK\$229 million), which was mainly generated from income from sale of properties of approximately HK\$185 million and rental income of approximately HK\$116 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\$124.3 million for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$525.9 million) representing a decrease of approximately 76.4%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$3,888.2 million (31 March 2016: HK\$3,529.2 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\$561.1 million as at 31 March 2016 to approximately HK\$1,061.3 million as at 30 September 2016, and long-term bank borrowing increased from approximately HK\$6,410.0 million as at 31 March 2016 to approximately HK\$6,779.9 million as at 30 September 2016. 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 increased from approximately HK\$6,971.1 million as at 31 March 2016 to approximately HK\$7,841.2 million as at 30 September 2016, and the Group's ratio of total debt (bank and other borrowings) to total assets was 50.5% (31 March 2016: 43.9%). 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\$214.6 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\$1,061.3 million repayable within one year, HK\$6,598.6 million repayable between one to five years, and HK\$181.3 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 full of challenges and surprises in the global macroeconomic context. Investment sentiment has been dampened by the rapid devaluation of the Renminbi since the beginning of year. Adding to that the surprising result of BREXIT and the subsequent fallout. These events have caused major upheavals in the global markets in all areas from currencies to interest rate and asset prices and affecting the investment sentiment for both commercial and residential properties.

For Hong Kong, the significant softening on the retail and tourism fronts has further affected sentiment in commercial retail properties. For the mainland, the rapid devaluation of the Renminbi and the government residential properties curbs have also dampened the investment sentiment in the Chinese market.

Despite these challenging operating environments, the Group has strived to deliver sound profitability and continued to make further advancement in real estate investment and development in Hong Kong and China. Furthermore, the Group has recently raised new debt capital to further strengthen its healthy balance sheet for further acquisition of additional prime commercial and residential projects, with details in the following section, and to further build up its land bank and drive future growth.

Commercial Properties

Disposals completed during the period amounted to the sale of the rooftop sky sign and unit 1507 of AXA Center in Wanchai for a total amount of around HK\$100 million.

On the acquisition side, the Group purchased a retail shopping mall named the Richgate in prime Xiantiandi area for a total consideration of RMB1.37 billion. Following future refurbishment and repositioning of the mall by bringing in premium brand tenants, we believe the prime location of this retail mall will drive significant value creation.

On the operation side, construction is making good progress at our Kowloon Bay office land site opposite to the Enterprise III building which we invested through a consortium with Billion Development and SinoLand. With the recent record sales price achieved for an adjacent land site sold by Swire Properties, we are quite confident on decent profitability in the future for this project.

In addition, our two commercial redevelopment sites in the prime area of Central are also making solid progress. The Shelley Street project is making good headway in the construction phase and is positioned for presale in 2017. The Cochrane Street site will commence demolition of the existing building soon for redevelopment into a new iconic commercial building with GFA of over 30,000 square feet at this prime commercial/entertainment area in Central.

The J-Plus by yoo hotel and the Novotel hotel have both been able to maintain steady occupancy and room rates despite the slowdown in mainland tourist numbers. We will closely monitor the market to ensure decent hospitality revenue for these two key hotel assets.

For the In-point shopping mall in Shanghai, we have received the necessary government approvals to convert into double decker retail shops to further enhance our tenancy profiles and rental income. With the opening of the adjacent Daizhongli complex by Swire Properties, we expect the project will have significant value creation through tenancy upgrades and rental enhancement.

On our Ashley Road redevelopment, we are nearing ownership consolidation of the entire site of approximately 8,000 square feet and the current plan is to commence redevelopment within the next 12 to 18 months.

With a strong pipeline of these forthcoming exciting commercial development projects, we are optimistic on the prospective profitability from the commercial division in the coming years.

Coutures Homes – Residential Property Development

On the disposal side, 12 units of our life-style oriented project in Causeway Bay, yoo Residence, were sold in this interim period for a total amount of approximately HK\$162 million. The exclusive penthouse unit with full Victoria harbor view and retail shops will be put up for sale and we expect top valuation to be achieved. The premium pricing achieved for these units help to cement the reputation of Couture Homes as a leading lifestyle property developer in Greater China.

The villas in our Queen's Gate project in Daihongqiao in Shanghai have received tremendous responses with 109 villas sold in this interim period for approximately RMB1.6 billion. In total, over 170 villas have been sold for approximately RMB2.4 billion, with delivery for all units expected before the end of the fiscal year. The remaining inventory of 42 villas and 96 apartments are awaiting the relevant government approval on the pricing scheme and we are optimistic on the successful sales of these units at optimal pricing.

The Kau To Shan villa project have also witnessed positive momentum with another two villas sold in this fiscal year-to-date. With the neighbouring projects from Sun Hung Kai Properties and Wing Tai Properties, etc. nearing completion, the area is expected to become the new high-end residential landmark in Shatin and attracting more affluent spenders to move into this stylish and scenic locality.

The residential project in Tuen Mun is making good construction progress and presale work is expected in the first half of 2017 for this mix commercial/residential project. With the continuing demand for quality residences from buyers in Hong Kong despite the new stamp duty measures, we expect this new luxurious residential high-rise with over 200 units will have strong support from lifestyle-oriented buyers in Hong Kong at this convenient and vibrant location.

In addition, the Peak Road refurbishment project is making good headway and the estate renovation work will commence soon. Working with leading international architectural firm PDP London, the whole estate will be revamped with complete refurbishment of the façade, internal common spaces and landscape. In addition, the interiors of the units will be restyled to trendy contemporary designs and fittings to commensurate this towering and tranquil address with 180 degrees Victoria Harbour view. We are in strong belief that post the revamp, the full value of this project can be extracted with premium pricing similar to the OPUS or Mount Nicholson for this prime peak address.

Subsequent to the interim period, the Group made its first entry into the Beijing market through a joint venture in the acquisition of, the Legendale, a luxury residential project at JinBao Street for RMB1.83 billion. The area is one of the most prime locations in Beijing and neighbouring the Regent Hotel and the Hong Kong Jockey Club clubhouse in Beijing. The plan will be to refurbish the existing structure including the facade and lobby areas and the interior of residential units to modern designs to capture the significant price appreciation of this primely located project.

With these exciting new projects on the horizon and the expected liquidity and demand for premier high end residential properties from mainland and Hong Kong investors and users, we aim to continue the drive to have Couture Homes recognized in the market as the distinct and unique supplier of personalized luxury homes.

Corporate Activities

The Group completed a new bond issue through HSBC, UBS and DBS to raise US\$250 million in August 2016 at an attractive coupon of 4.875%. This issue is the second time for the Group to access the debt capital markets and was very successful in terms of reception from both institutional and private investors with six times oversubscription.

Outlook

The global economy is going through uncertain times due to unclear policies outlook from the BREXIT event and the election of Mr. Donald Trump as the forthcoming president of the United States of America. The Renminbi rapid devaluation is also exerting strong pressure on the Chinese and Hong Kong economies. Last but not least is the extra stamp duty measures imposed by the Hong Kong government for residential properties.

Despite these uncertainties, the Group will continue to actively enhance our commercial and residential portfolio to add value and increase our net asset value. Furthermore, we will closely monitor the market in terms of new disposals and acquisitions to ensure our solid balance sheet can be further enhanced, while optimally replenishing our land bank to further develop and 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 rewarded to employees after assessment of the performance of the Group and the individual employee.

OTHER INFORMATION

DIRECTORS' INTERESTS

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

As at 30 September 2016, 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 Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register of the 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:

Long positions in shares:

Name of Directors	Nature of interests	Company/ name of associated corporation	Number of shares held (Note 1)	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	4,611,412,062 (L)	45.94
	Interest of controlled corporation	The Company	4,608,367,062 (L)	45.91
Kan Sze Man	Beneficial owner	The Company	23,790,500 (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 4,611,412,062 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 4,608,367,062). Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and Earnest Equity are corporations wholly-owned and controlled by him. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

Save as disclosed above, as at 30 September 2016, 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 2016, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in 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:

Long position

Name of shareholders	Capacity	Number of shares (Note 1)	Derivative interests (Note 1)	Approximate shareholding percentage (%)
Value Partners Group Limited	Interest of controlled corporation (Note 2)	740,720,000 (L)	-	7.38
Value Partners High-Dividend Stocks Fund	Beneficial owner	740,250,000 (L)	-	7.38
FIL Limited	Investment Manager	577,912,014 (L)	-	5.76
		-	24,130,000 (L)	0.24

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) These shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, which is wholly-owned by Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the shares held by Value Partners Limited by virtue of the SFO.

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

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\$6,532,786,000, which represented approximately 31% of the Group's total assets value as at 30 September 2016.

As at 30 September 2016, the advances and guarantees made by the Group to its joint ventures and associates are as follows:

	Advances HK\$'000	Guarantees HK\$'000
BCI Group Holdings Limited & Pacific Deluxe Holdings Limited	4,295	–
Best Catch Ventures Limited	119,857	260,000
Century Bliss Limited	130,651	–
Chater Capital Limited	57,132	591,792
City Synergy Limited	10,754	–
Cleveland Global Limited	628,745	778,375
Eagle Wonder Limited	643,931	690,000
Faith Shores Limited	19,800	–
Fame Allied Limited	60,800	55,246
Great Maker Limited	478,022	780,000
Hillcharm Limited	201,869	425,000
Star Trail Limited	7,856	21,000
Vital Triumph Limited	155,549	141,750
Wealth Explorer Holdings Limited	7,443	262,919
	2,526,704	4,006,082

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 HK\$'000	Group's attributable interests HK\$'000
Non-current assets	829,636	412,288
Current assets	14,726,686	6,385,434
Current liabilities	(3,451,819)	(1,717,576)
Non-current liabilities	(10,431,811)	(4,483,474)
	1,672,692	596,672

AUDIT COMMITTEE

The financial statements for the six months ended 30 September 2016 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 Listing Rules on 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 on the Stock Exchange, 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. An independent non-executive director was unable to attend the annual general meeting of the Company held on 16 August 2016 due to other prior business engagement.

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 the Chairman of Hong Kong Cyberport Management Company Limited with effect from 5 June 2016; a board member of the Chinese General Chamber of Commerce of Hong Kong with effect from 1 November 2016; and the Vice Chairman of Hong Kong Myanmar Chamber of Commerce with effect from 1 October 2016. Dr. Lam has been re-designated from Alternate Chairman to the Chairman of UNESCAP Business Advisory Council with effect from 1 November 2016.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE OF DIRECTOR

Mr. Wong Chung Kwong retired as an executive director of the Company with effect from the conclusion of the 2016 annual general meeting of the Company held on 16 August 2016 in accordance with bye-law 99(A) of the Company's bye-laws.

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 2016.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 30 November, 2016

