



CSI Properties Limited

資本策略地產有限公司*

資本策略

Stock code: 497

Interim Report 2011



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CORPORATE INFORMATION

Board of Directors

Executive Directors:

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

Independent Non-Executive Directors:

Lam Lee G.
 Wong Sin Just
 Cheng Yuk Wo

Audit Committee

Lam Lee G.
 Wong Sin Just
 Cheng Yuk Wo

Remuneration Committee

Chung Cho Yee, Mico
 Lam Lee G.
 Cheng Yuk Wo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
 Industrial and Commercial Bank of China (Asia) Limited
 The Bank of East Asia Limited
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited

Registered Office

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

Hong Kong Head Office and Principal Place of Business

3203
 Bank of America Tower
 12 Harcourt Road
 Central, Hong Kong

Shanghai Office

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

Auditors

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

Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke HM 08
 Bermuda

Hong Kong Branch Share Registrars

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716
 17 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 2011. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	NOTES	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited and restated)
Revenue		2,510,827	394,833
Cost of sales		(1,147,415)	(229,783)
Gross profit		1,363,412	165,050
Income and gains (losses) from investments	4	(41,931)	9,024
Other gains and losses	5	(3,495)	2,231
Other income		7,311	1,394
Administrative expenses		(99,019)	(41,174)
Finance costs	6	(25,710)	(44,902)
Share of results of jointly controlled entities		30,169	6,461
Share of results of associates		155,964	19,950
Profit before taxation		1,386,701	118,034
Taxation	7	(71,183)	(8,318)
Profit for the period	8	1,315,518	109,716
Profit for the period attributable to:			
Owners of the Company		1,312,060	110,814
Non-controlling interests		3,458	(1,098)
		1,315,518	109,716
Earnings per share (HK cents)	10		
— Basic		16.0	1.4
— Diluted		15.5	1.3

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit for the period	1,315,518	109,716
Other comprehensive income		
Exchange differences arising on translation of foreign operations for the period	33,580	25,526
Released on disposal of an associate	4,737	—
Change in fair value of available-for-sale investments	890	3,170
	39,207	28,696
Total comprehensive income for the period	1,354,725	138,412
Total comprehensive income attributable to:		
— Owners of the Company	1,351,267	138,839
— Non-controlling interests	3,458	(427)
	1,354,725	138,412

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

	NOTES	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment	11	122,996	126,522
Available-for-sale investments		28,505	5,005
Conversion options embedded in convertible notes		3,800	—
Club memberships		6,860	6,860
Interests in jointly controlled entities	12	786,362	182,671
Amounts due from jointly controlled entities	13	488,497	401,396
Deposit paid for acquisition of interest in a jointly controlled entity	14	250,000	—
Interests in associates		40,345	11,294
Amount due from an associate	13	1,600	89,360
		1,728,965	823,108
Current Assets			
Trade and other receivables	15	57,849	164,511
Deposit paid for acquisition of properties held for sale		38,227	245,430
Available-for-sale investments		9,130	21,504
Conversion options embedded in convertible notes		—	20
Investments held for trading		383,896	412,748
Properties held for sale	16	4,078,099	4,150,512
Taxation recoverable		811	7,093
Amount due from a non-controlling shareholder of a subsidiary	13	—	25
Cash held by securities brokers		25,312	137,568
Bank balances and cash		2,193,047	1,721,786
		6,786,371	6,861,197

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 SEPTEMBER 2011

	NOTES	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Current Liabilities			
Other payables and accruals	17	183,970	511,394
Taxation payable		171,419	104,696
Amounts due to non-controlling shareholders of subsidiaries	13	13,900	11,203
Amounts due to jointly controlled entities	13	460	439
Amounts due to associates	13	12,244	12,201
Convertible notes-due within one year	18	9,074	78,709
Bank borrowings — due within one year	19	705,275	1,007,958
		1,096,342	1,726,600
Net Current Assets			
		5,690,029	5,134,597
		7,418,994	5,957,705
Capital and Reserves			
Share capital	20	65,865	65,311
Reserves		5,448,141	4,172,224
Equity attributable to owners of the Company		5,514,006	4,237,535
Non-controlling interests		2,737	(721)
Total Equity		5,516,743	4,236,814
Non-Current Liabilities			
Convertible notes — due after one year	18	—	87,136
Bank borrowings — due after one year	19	1,885,240	1,614,007
Derivative financial instrument		9,911	10,415
Deferred tax liabilities	21	7,100	9,333
		1,902,251	1,720,891
		7,418,994	5,957,705

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to owners of the Company										Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Convertible note equity reserve	Contributed surplus	Translation reserve	Share option reserve	Investment revaluation reserve	Accumulated profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April, 2011 (audited)	65,311	1,221,459	371	1,698	17,788	276,058	21,474	7,136	3,170	2,623,070	4,237,535	(721)	4,236,814
Profit for the period	—	—	—	—	—	—	—	—	—	1,312,060	1,312,060	3,458	1,315,518
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	33,580	—	—	—	33,580	—	33,580
Released on disposal of an associate	—	—	—	—	—	—	4,737	—	—	—	4,737	—	4,737
Increase in fair value of available-for-sale investments recognised directly in equity	—	—	—	—	—	—	—	—	890	—	890	—	890
Total comprehensive income for the period	—	—	—	—	—	—	38,317	—	890	1,312,060	1,351,267	3,458	1,354,725
Issue of shares upon exercise of share options	554	6,797	—	—	—	—	—	—	—	—	7,351	—	7,351
Transfer on redemption of convertible notes upon maturity	—	—	—	—	(8,046)	—	—	—	—	8,046	—	—	—
Transfer on early redemption of convertible notes	—	—	—	—	(8,908)	—	—	—	—	8,908	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	184	—	—	184	—	184
Dividends recognised as distribution (note 9)	—	—	—	—	—	—	—	—	—	(82,331)	(82,331)	—	(82,331)
At 30 September, 2011 (unaudited)	65,865	1,228,256	371	1,698	834	276,058	59,791	7,320	4,060	3,869,753	5,514,006	2,737	5,516,743

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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

Notes:

- The capital reserve represents the Group's share of the deemed capital contribution arising from interest free loans granted to an associate by its shareholders.
- 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 2011

		Six months ended 30 September	
NOTES	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	
Net cash from (used in) operating activities:			
Increase in deposit paid for acquisition of properties held for sales	(34,947)	(78,090)	
Increase in properties held for sales	(185,305)	(357,209)	
Net cash inflows from other operating activities	1,361,070	100,383	
	1,140,818	(334,916)	
Net cash (used in) from investing activities:			
Investment in a jointly controlled entity	(500,000)	—	
Deposit paid for acquisition of interest in a jointly controlled entity	(250,000)	—	
Advances to an associate and a jointly controlled entity	(138,836)	(17,218)	
Purchase of property, plant and equipment	(1,949)	(1,364)	
Proceed from disposal of an associate	22,000	—	
Repayment from an associate	89,360	—	
Decrease (increase) in cash held by securities brokers	112,256	(640)	
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	113,904	259,482	
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended 30 September	
	NOTES	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Dividend received from an associate and a jointly controlled entity		122,398	7,802
Acquisition of assets through acquisition of a subsidiary	22	—	138,395
Net cash inflows from other investing activities		9,263	3,312
		(421,604)	389,769
Net cash (used in) from financing activities:			
Repayments of borrowings		(639,150)	(122,972)
Redemption of convertible notes		(174,350)	—
Dividends paid		(82,331)	(40,819)
New borrowings raised		641,600	293,040
Net cash inflows (outflows) from other financing activities		6,278	(9,075)
		(247,953)	120,174
Net increase in cash and cash equivalents		471,261	175,027
Cash and cash equivalents at beginning of the period		1,721,786	581,745
Cash and cash equivalents at end of the period, represented by bank balances and cash		2,193,047	756,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA:

HKAS 24 (Revised 2009)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs has had no material effect on the amounts in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

New and revised HKFRSs that are not yet effective

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

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9 (Revised 2010)	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 19 (Revised)	Employee Benefits ²
HKAS 27 (Revised)	Separate Financial Statements ²
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ²
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs that are not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2013
- ³ Effective for annual periods beginning on or after 1 July 2012
- ⁴ Effective for annual periods beginning on or after 1 January 2012

The five new or revised standards on consolidation, joint arrangements and disclosures, including HKAS 27 (Revised), HKAS 28 (Revised), HKFRS 10, HKFRS 11 and HKFRS 12, were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 March 2014 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. The directors are in the process of determining its impacts to the Group.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments. All of the Group's jointly controlled entities are currently accounted for using the equity method of accounting and would be classified as joint ventures in accordance with HKFRS 11.

HKFRS 12 "Disclosures of Interests in Other Entities" is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs that are not yet effective (Continued)

HKFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives, which laid down that entities should disclose information that help users of financial statements evaluate the nature of the risks associated with interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in HKFRS 12 are more extensive than those in the current standards. The directors of the Company consider that significant efforts may be required to collect the necessary information for the relevant disclosures.

Other than the above, the directors of the Company anticipate that the application of the other new or revised standards will have no material impact on the results and the financial position of the Group.

Change in presentation regarding disposal of subsidiaries holding properties held for sale

During the year ended 31 March 2011, the directors of the Company have determined the disposal of subsidiaries whose single predominated asset was the properties held for sale in their principal business of property trading were in effect disposals of the underlying properties held for sale by the Group. As set out in note 23, the consideration allocated to the sale of the properties held for sale is regarded as revenue generated from sales of properties held for sale by the Group.

The comparatives in respect of the period ended 30 September 2010 have accordingly been restated. The effects of the change in presentation by line items presented in the condensed consolidated income statement are as follows:

	Six months ended 30 September 2010 HK\$'000
Increase in revenue	236,131
Increase in cost of sales	(179,252)
Decrease in other gains	(56,879)
Increase (decrease) in profit for the period	—

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

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

Notes:

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

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Property trading HK\$'000	Strategic investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>				
<i>30 September 2010</i>				
<i>(unaudited and restated)</i>				
Gross proceeds	394,833	—	105,532	500,365
Revenue				
Rental income	158,702	—	—	158,702
Sales of properties held for sale	236,131	—	—	236,131
	394,833	—	—	394,833
Interest income and dividend income	—	—	2,855	2,855
Share of results of jointly controlled entities	—	6,461	—	6,461
Share of results of associates	—	19,950	—	19,950
Segment revenue	394,833	26,411	2,855	424,099
Segment profit	143,705	26,411	7,638	177,754
Other gains				2,327
Unallocated other income				1,394
Central administrative costs				(18,539)
Finance costs				(44,902)
Profit before taxation				118,034

Note: The directors of the Company are not aware of any transactions between the operating segments during the period under review.

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

3. SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by operating segment:

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Property trading	4,152,011	4,543,502
Strategic investment	1,566,804	681,297
Securities investment	438,009	450,690
Total segment assets	6,156,824	5,675,489
Property, plant and equipment	122,996	126,522
Cash held by securities brokers	25,312	137,568
Bank balances and cash	2,193,047	1,721,786
Other unallocated assets	17,157	22,940
Consolidated assets	8,515,336	7,684,305

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than property, plant and equipment, deferred tax assets, taxation recoverable, certain other receivables, cash held by securities brokers and bank balances and cash.

4. INCOME AND GAINS(LOSSES) FROM INVESTMENTS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interest income from		
— investments held for trading	11,817	2,098
— available-for-sale investments	300	314
Dividend income from		
— investments held for trading	229	—
— available-for-sale investments	98	443
Increase (decrease) in fair values of		
— investments held for trading	(65,402)	17,204
— conversion options embedded in convertible notes	(1,500)	—
— derivative financial instruments	(2,986)	(7,305)
— others	—	(3,730)
Gain on derecognition of investments in convertible notes (included in a available-for-sale investments) (Note)	15,513	—
	(41,931)	9,024

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

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited and restated)
Other gains (losses) comprise:		
Gain on disposal of an associate	12,748	—
Exchange gain	454	2,327
Loss on early redemption of convertible notes (Note)	(16,697)	—
Loss on disposal of subsidiaries (Note 23)	—	(96)
	(3,495)	2,231

Note: During the six months ended 30 September 2011, the Company exercised its early redemption rights by serving the notice to the noteholder, an independent third party, to redeem all of the then outstanding 2012 Convertible Notes II (as defined in note 18) at a consideration of HK\$96,800,000, representing a premium of 22% to the outstanding principal amount (inclusive of interest), resulting in a loss on early redemption of HK\$16,697,000.

6. FINANCE COSTS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interests on:		
Bank borrowings wholly repayable within five years	11,405	14,009
Bank borrowings not wholly repayable within five years but contain a repayment on demand clause in the loan agreement	2,085	1,376
Bank borrowings not wholly repayable within five years	10,200	20,376
Convertible notes wholly repayable within five years	2,020	9,141
	25,710	44,902

7. TAXATION

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax	73,416	3,888
People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	—	5,611
	73,416	9,499
Deferred taxation (note 21)	(2,233)	(1,181)
	71,183	8,318

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is calculated based on the statutory rate of 25%. No provision for PRC EIT for the six months ended 30 September 2011 has been made as all of the PRC subsidiaries had no assessable profits for the period.

The tax charge for the period can be reconciled to the profit before taxation per the condensed consolidated income statement follows:

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit before taxation	1,386,701	118,034
Taxation at Hong Kong Profits Tax rate of 16.5%	228,806	19,476
Tax effect of expenses not deductible for tax purpose	18,485	6,987
Tax effect of income not taxable for tax purpose	(143,173)	(12,174)
Tax effect of share of results of jointly controlled entities	(4,978)	(1,066)
Tax effect of share of results of associates	(25,734)	(3,292)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	4,356
Tax effect of tax losses not recognised	162	853
Utilisation of tax loss previously not recognised	(2,385)	(6,822)
Tax charge for the year	71,183	8,318

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	—	—
Salaries and other benefits	7,770	4,817
Performance-related incentive bonus	51,000	—
Contributions to retirement benefits schemes	140	103
Share-based payments	49	200
	58,959	5,120
Other staff costs:		
Salaries and other benefits	8,629	6,670
Performance-related incentive bonus	12,000	—
Contributions to retirement benefits schemes	562	327
Share-based payments	135	229
	21,326	7,226
Total staff costs	80,285	12,346
Depreciation of property, plant and equipment	5,486	5,374
Cost of properties held for sales recognised as an expense	1,088,040	179,252
and after crediting:		
Bank interest income	6,474	1,394

9. DIVIDENDS

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Final dividend of HK1.0 cent (2010: HK0.5 cent) per share recognised as distribution for the year ended 31 March 2011 (2010: for the year ended 31 March 2010) and paid during the period	82,331	40,819

The directors do not recommend the payment of an interim dividend for the period (2010: 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	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	1,312,060	110,814
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	1,340	2,255
Earnings for the purpose of diluted earnings per share	1,313,400	113,069

	Six months ended 30 September	
	2011 Number of shares	2010 Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	8,221,643	8,163,817
Effects of dilutive potential ordinary shares (in thousands):		
Share options	137,553	130,896
Convertible notes	108,498	225,240
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	8,467,694	8,519,953

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. In addition, it does not assume the conversion of certain of the Company's outstanding convertible notes since exercise of which would result in increase in earnings per share for the respective periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$1,949,000 (six months ended 30 September 2010: HK\$1,364,000) on additions of the property, plant and equipment.

12. MOVEMENTS IN JOINTLY CONTROLLED ENTITIES

During the period, the Group set up and injected an amount of HK\$500,000,000 into Chater Capital Limited ("Chater Capital"), an entity jointly controlled by the Group and the joint venture partner and owned as to 50% of the issued share capital by each of the Group and the joint venture partner. In addition, each of the group and the joint venture partner advanced an amount of HK\$48,342,000 to Chater Capital as additional capital resources. The amount advanced by the Group is included in amounts due from jointly controlled entities, as set out in note 13.

During the the period, Chater Capital acquired a piece of land in Shanghai, the PRC, through acquisition of the entire equity interest of an entity established in the PRC, which represents its principal asset held at the end of the reporting period.

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

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Amounts due from jointly controlled entities included in non-current assets (Note i)	488,497	401,396
Amount due from an associate included in non-current assets (Note ii)	1,600	89,360
Amount due from a non-controlling shareholder of a subsidiary included in current assets (Note iii)	—	25
Amounts due to non-controlling shareholders of subsidiaries included in current liabilities (Note iv)	13,900	11,203
Amounts due to jointly controlled entities included in current liabilities (Note iv)	460	439
Amounts due to associates included in current liabilities (Note iv)	12,244	12,201

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

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

Notes:

- (i) The amounts are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. During the period, the Group advanced an aggregate amount of HK\$137,236,000 (six months ended 30 September 2010: HK\$19,500,000) to its jointly controlled entities. The directors considered that the amount forms part of the net investment in the jointly controlled entity. Accordingly, the amounts were classified as non-current.

At the end of the reporting period, the carrying amount is determined based on present value of future cash flows of the principal amount of HK\$600,009,000 (31 March 2011: HK\$529,592,000) discounted using an effective interest rate of 6.9% (31 March 2011: 5.7%) per annum. The corresponding adjustment is recognised against the interest in the relevant jointly controlled entities.

In addition, included in the amounts is share of loss of a jointly controlled entity of HK\$12,988,000 (31 March 2011: HK\$4,744,000) allocated in excess of the cost of investment.

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

Included in balance as at 31 March 2011 was share of loss of an associate of HK\$7,500,000 allocated in excess of the cost of investment. Such amount was settled during the period by the buyer of the associate upon disposal.

- (iii) The amount as at 31 March 2011 was unsecured, non-interest bearing and expected to be recovered within one year from the end of the reporting period. During the period, the amount was settled in full.

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

14. DEPOSIT PAID FOR ACQUISITION OF INTEREST IN A JOINTLY CONTROLLED ENTITY

The entire balance at 30 September 2011 represented a deposit paid by the Group for the acquisition of 50% interest in the issued share capital of Vastness Investment Limited and its wholly-owned subsidiaries (the "Vastness Group"), which principally held certain properties held for sale situated in Hong Kong. Further details of the transaction is set out in the announcement of the Company dated 11 July 2011.

Subsequent to the end of the reporting period, the transaction has been completed. Details are set out in note 26.

15. TRADE AND OTHER RECEIVABLES

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

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Trade receivables:		
0–30 days	1,862	1,690
31–90 days	2,099	1,734
	3,961	3,424
Consideration receivables for sales of properties held for sale	—	124,000
Prepayments and deposits	22,283	20,027
Other receivables	31,605	17,060
	57,849	164,511

16. MOVEMENTS IN PROPERTIES HELD FOR SALE

During the period, the Group incurred HK\$1,005,445,000 (six months ended 30 September, 2010: HK\$2,510,504,000) on acquisition of properties held for sale.

17. OTHER PAYABLES AND ACCRUALS

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Receipt in advance for sales of properties held for sale	51,583	437,936
Rental and related deposits received	52,085	50,367
Other tax payables	5,076	7,993
Other payables	6,869	1,762
Accruals	68,357	13,336
	183,970	511,394

18. CONVERTIBLE NOTES

At 1 April 2010, the convertible notes issued by the Company included (i) an aggregate principal amount of HK\$70,500,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes"), (ii) an aggregate principal amount of HK\$23,600,000 unsecured 2% convertible notes due 2012 (the "2012 Convertible Notes I") and (iii) an aggregate principal amount of HK\$78,000,000 unsecured 4% convertible note due 2012 ("2012 Convertible Notes II").

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

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

During the year ended 31 March 2011, the Company entered into an agreement with an independent third party and completed the redemption of part of the 2012 Convertible Note I with a principal amount of HK\$15,600,000.

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

At 30 September 2011, the remaining convertible notes comprised of 2012 Convertible Notes I, the aggregate amount of which was HK\$8,000,000 with a conversion price of HK\$0.429 per share. Upon conversion, a maximum of 18,648,018 shares could be issued.

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

	Six months ended 30 September 2011 HK\$'000 (unaudited)	Year ended 31 March 2011 HK\$'000 (audited)
Carrying amount at the beginning of the period/year	165,845	168,939
Redemption	(157,653)	(16,860)
Interest charge	2,020	18,260
Interest paid	(1,138)	(4,494)
Carrying amount at the end of the period/year	9,074	165,845
Analysed for reporting purposes as:		
Current liability	9,074	78,709
Non-current liability	—	87,136
	9,074	165,845

19. BANK BORROWINGS

During the period, the Group obtained bank borrowings of approximately HK\$641,600,000 (six months ended 30 September 2010: HK\$293,040,000) and repaid bank borrowings of approximately HK\$639,150,000 (six months ended 30 September 2010: HK\$122,972,000). The loans carry interest at market rates ranging from 0.7% to 5.2% (six months ended 30 September 2010: 0.8% to 5.9%) 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 disclosed in note 25.

20. SHARE CAPITAL

Ordinary shares of HK0.8 cent each

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2010, 30 September 2010, 31 March 2011 and 30 September 2011	22,500,000,000	180,000
Issued and fully paid:		
At 1 April 2010, 30 September 2010 and 31 March, 2011	8,163,817,074	65,311
Issue of shares upon exercise of share options	69,290,352	554
At 30 September 2011	8,233,107,426	65,865

21. DEFERRED TAXATION

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

	Accelerated tax depreciation	Convertible notes	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2010 (audited)	18,891	2,172	(356)	20,707
Credit to consolidated income statement for the year	(10,204)	(1,113)	(57)	(11,374)
At 31 March, 2011 (audited)	8,687	1,059	(413)	9,333
Credit to condensed consolidated income statement for the period	(1,015)	(1,028)	(190)	(2,233)
At 30 September, 2011 (unaudited)	7,672	31	(603)	7,100

22. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the six months ended 30 September 2010

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

The net assets acquired in the transaction are as follows:

	HK\$'000
Net assets acquired:	
Properties held for sale	2,105,295
Other receivables	7,732
Bank balances and cash	138,395
Other payables and accruals	(60,990)
Taxation payable	(5,953)
Bank borrowings	(363,984)
	<u>1,820,495</u>
Total consideration satisfied by:	
Cash paid during the year ended 31 March 2010	<u>1,820,495</u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>138,395</u>

23. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 September 2011

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

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

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

	HK\$'000
Gain on disposal of a subsidiary is included in the condensed consolidated income statement as follows:	
Revenue	148,652
Cost of sales	(72,114)
	76,538

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

23. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 September 2011 (Continued)

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

	HK\$'000
Net cash inflows from operating activities	107
Net cash inflows from financing activities	(1,580)
	<u>(1,473)</u>

For the six months ended 30 September 2010

During the period, the Group disposed of its 20% interest in Get Wisdom Limited, a subsidiary owned by the Group as to 70% immediately before the transaction, to the non-controlling shareholder of Get Wisdom Limited for a cash consideration of HK\$195,177,000. Get Wisdom Limited and its subsidiaries ("Get Wisdom Group") became jointly controlled entities of the Group following the transaction.

In addition, the Group also disposed of, to independent third parties, the entire interests in (i) Ocean Plaza Investments Limited and its subsidiaries and (ii) Stand Success Limited and its subsidiaries (collectively referred to as the "Other Disposals Group") for a cash consideration of HK\$236,186,000. As set out in note 2, since all of the subsidiaries of the Other Disposals Group were principally engaged in the business of property trading and the respective properties held for sale represented the single predominant asset of the relevant subsidiaries, the Group is principally selling, and the buyers are principally acquiring, the respective properties held for sale. Accordingly, the Group has accounted for the disposal of the Other Disposals Group in the condensed consolidated income statement as disposal of the underlying properties held for sale. The consideration allocated to the sale of properties is regarded as revenue generated from sales of properties held for sale by the Group.

23. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 September 2010 (Continued)

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

	Get Wisdom Group HK\$'000	Other Disposals Group HK\$'000	Total HK\$'000
Net assets disposed of:			
Trade and other receivables	5,229	173	5,402
Properties held for sale	2,121,633	179,252	2,300,885
Bank balances and cash	169,431	2,450	171,881
Other payables and accruals	(53,363)	(2,568)	(55,931)
Taxation payable	(9,673)	—	(9,673)
Amounts due to group entities	(685,289)	(146,990)	(832,279)
Amount due to non-controlling shareholder of a subsidiary	(292,390)	—	(292,390)
Bank borrowings	(1,255,096)	—	(1,255,096)
	482	32,317	32,799
Non-controlling interests	(145)	—	(145)
Assignment of shareholders' loans (Note i)	195,177	146,990	342,167
Interest in a jointly controlled entity (Note ii)	(241)	—	(241)
Gain (loss) on disposal of subsidiaries	(96)	56,879	56,783
	195,177	236,186	431,363
Total consideration satisfied by:			
Cash	195,177	236,186	431,363
Net cash inflows (outflows) arising on disposal:			
Cash received	195,177	236,186	431,363
Bank balances and cash disposed of	(169,431)	(2,450)	(171,881)
	25,746	233,736	259,482
Gain (loss) on disposals of subsidiaries is included in the condensed consolidated income statement as follows:			
Revenue	—	236,131	236,131
Cost of sales	—	(179,252)	(179,252)
Other gains and losses (note 5)	(96)	—	(96)
	(96)	56,879	56,783

Notes:

- (i) As part of the disposal arrangements, the Group received an aggregate cash amount of HK\$342,167,000 from the buyers as consideration for the assignment to the purchasers of 20% of the shareholders' loans to Get Wisdom Group and 100% of the shareholders' loans to each of the subsidiaries disposed of within the other Disposals Group.
- (ii) The carrying amounts of the assets and liabilities held by Get Wisdom Group at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom Group.

23. DISPOSAL OF SUBSIDIARIES (Continued)

For the six months ended 30 September 2010 (Continued)

Net cash inflows (outflows) contributed by the subsidiaries disposed of during the period up to the respective dates of disposals:

	Get Wisdom Group	Other Disposals Group	Total
	HK\$'000	HK\$'000	HK\$'000
Net cash inflows (outflows) from operating activities	(10,548)	14	(10,534)
Net cash inflows from financing activities	11,544	4	11,548
	996	18	1,014

24. CONTINGENT LIABILITIES

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Guarantees given to banks in respect of banking facilities granted to a/an:		
Jointly controlled entity	447,500	447,500
Associate	84,800	84,800
	532,300	532,300
Utilised by a/an:		
Jointly controlled entity	397,100	413,100
Associate	84,800	84,800
	481,900	497,900

The directors assessed the risk of default of the jointly controlled entity and the associate at the end of the reporting period and considered the risk to be insignificant and it is not probable that any guaranteed amount will be claimed by the counterparties.

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 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
Property, plant and equipment	86,514	87,751
Properties held for sale	3,792,702	3,755,566
	3,879,216	3,843,317

26. EVENT AFTER THE END OF THE REPORTING PERIOD

In October 2011, the Group completed the acquisition of the 50% of the Vastness Group at an aggregate consideration of approximately HK\$337,000,000. Pursuant to the relevant shareholders' agreement, the Group and the joint venture partner have the right to appoint equal number of directors in the boards of the companies comprising the Vastness Group and accordingly decisions on operating and financing activities of Vastness Group require unanimous consent from both joint venture partners. Accordingly, neither the Group nor the other joint venture partner has the ability to control Vastness Group unilaterally and it is considered as jointly controlled by the Group and the joint venture partner, and accounted for as a jointly controlled entity of the Group.

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CSI PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 30, which comprises the condensed consolidated statement of financial position of CSI Properties Limited (the “Company”) and its subsidiaries as of 30 September 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 November 2011

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2011 (2010: Nil).

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2011 of approximately HK\$2,602.3 million (six months ended 30 September 2010: HK\$500.4 million), which was mainly generated from income from sale of properties of approximately HK\$2,401.5 million, rental income of approximately HK\$109.4 million and securities investment of approximately HK\$91.4 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\$1,312.1 million for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$110.8 million) representing an increase of approximately 1,084%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$2,218.4 million (31 March 2011: HK\$1,859.4 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 decreased from approximately HK\$1,008.0 million as at 31 March 2011 to approximately HK\$705.3 million as at 30 September 2011, and long-term bank borrowing increased from approximately HK\$1,614.0 million as at 31 March, 2011 to approximately HK\$1,885.2 million as at 30 September 2011. All the bank borrowings were utilized in financing the Group's properties investments. As a result, the Group's total bank borrowing decreased from approximately HK\$2,622.0 million as at 31 March 2011 to approximately HK\$2,590.5 million as at 30 September, 2011, and the Group's ratio of total debt (represented by bank borrowings) to total assets was 30.4% (31 March 2011: 34.1%). All bank borrowings were denominated in Hong Kong dollars and Renminbi and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile (including borrowings 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 7–15 years with approximately HK\$705.3 million repayable within one year, HK\$680.9 million repayable between one to five years, and HK\$1,204.3 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

We are pleased to announce another remarkable result for the Group during the period under review despite a volatile market. The property market in Hong Kong remained active in the first half of 2011, yet both local stock and property prices have been adversely affected by the European sovereign debt crisis since the third quarter of 2011. We have taken advantage of the strength of the property market in the latter part of last year and sold down some of our properties which have already undergone repositioning and value enhancement, so as to lock-in the gains from their appreciation in value, resulting in an increase in profits for the period under review.

Hong Kong

Disposals completed during the period included the sale of Mohan Building, Nos. 14–16 Hankow Road, Tsimshatsui for a consideration of HKD1.38 billion and Unit 6B of The Hampton, No. 45 Blue Pool Road for a consideration of HKD88 million. Besides, we have also completed the sale of 6 office floors of AXA Centre, No. 151 Gloucester Road in total, for a combined consideration of approximately HKD933 million. There is still 1 office floor contracted to sell which is due to complete in the fourth quarter of 2011. The Group remains to hold more than 8 office floors, as well as sky sign on the roof, basement, all ground floor shops and over 80 car parking spaces of AXA Centre and will periodically review the Group's strategy as to their disposal.

On the acquisition side, the Group has completed the acquisition of 'Jia' boutique hotel in No. 1 Irving Street, Causeway Bay. With the efforts of our dedicated asset management team, occupancy rate continued to rise since taking over of the hotel in May 2011. Subsequent to the period under review, the Group has also completed the acquisition of 50% interest in a prime residential site in Causeway Bay. Management is currently reviewing the redevelopment potentials and the repositioning strategy for these projects.

Our residential project, The Hampton, No. 45 Blue Pool Road, Happy Valley, is ready for sales. In addition to Unit 6B which was sold during the period, we have contracted to sell Unit 3A for a consideration of HKD81 million which is scheduled to complete by the first quarter of 2012. Branded under "Couture Homes" — a newly established property brand by the Group, each of these 11 unique luxurious apartments is uniquely designed with its own theme and features by the internationally renowned designer team led by Mr. Steve Leung.

China

As for our China portfolio, the Platinum, No. 233 Tai Cang Road, Luwan District, Shanghai which the Group owns 50% interest continued to generate stable rental income with occupancy of almost 100%. Inpoint, the shopping avenue located in Jing An District, Shanghai has also undergone strategic repositioning work and is now a chic shopping icon in the area with occupancy rate of over 95%.

On the acquisition side, we have recently completed the acquisition of 50% interests in a residential site in Qingpu District, Shanghai. The site is conveniently located near the Hong Qiao International airport with only 15 minutes driving distance and is situated within a traditional high-end luxurious villa district. The total site area is approximately 1.6 million sft with GFA of approximately 650,000 sft which will be developed into premium luxurious villas. Management is working with our joint venture partner in the design and planning of the project and we are confident in its growth potential.

Corporate Activities

During the period, the Group successfully redeemed some of the convertible notes which further strengthen its statement of financial position.

In April 2011, the Company early redeemed all of the outstanding HKD78 million 2012 Convertible Note II from Templeton Strategic Emerging Markets Fund III, LDC for HKD96.8 million. In June 2011, the Company redeemed all of the outstanding HKD70.5 million 2011 Convertible Notes upon maturity for HKD77.5 million.

Effective from 31 May 2011, the Company has become a constituent stock of MSCI Hong Kong Small Cap Index. This shows recognition of the Group's successful business model in the property sector and this will also enhance our presence amongst global financial investors.

Outlook

Recently the global financial market has been volatile largely due to the recent European sovereign debt crisis. Furthermore, the Hong Kong SAR Government and the Central Government have introduced various regulatory measures to cool down the property market so as to curb speculative activities and to ensure a healthier development of the real estate market. Thus, there will undoubtedly be a level of uncertainty, as well as fluctuations in both property and stock markets going forward.

Despite short term uncertainty, with relatively solid and strong economic fundamentals in Hong Kong and the mainland China, the Group is cautiously optimistic on the medium and long term outlook of both Hong Kong and China, and we will continue to remain progressive yet cautious in making investment decision and so as to create values for our shareholders.

EMPLOYEE

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

DIRECTORS' INTERESTS

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

As at 30 September 2011, 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)	Option Scheme type	Number of Options held	Derivative interests	Approximate percentage of total shareholding (%)
Chung Cho Yee, Mico ("Mr. Chung") (Note 2)	Beneficial owner	The Company	2,836,362,062(L)	—	—	—	34.45
	Interest of controlled corporation	The Company	2,833,317,062(L)	—	—	18,648,018(L)	0.23
Kan Sze Man	Beneficial owner	The Company	24,534,562(L)	—	—	—	34.41
				2002	19,785,938(L)	—	0.23
Chow Hou Man	Beneficial owner	The Company	5,302,631(L)	—	—	—	0.30
				2002	19,785,938(L)	—	0.24
Wong Chung Kwong	Beneficial owner	The Company	—	—	—	—	0.06
				2002	25,326,000(L)	—	0.24
				(Note 3)			0.31

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Mr. Chung is the beneficial owner of 2,836,362,062 shares in the Company (being the aggregate of personal interest of Mr. Chung of 3,045,000 shares and the corporate interest held by Earnest Equity Limited ("Earnest Equity") of 2,833,317,062) and 18,648,018 shares relate to the derivative interests held by Earnest Equity in 2012 Convertible Notes I. Earnest Equity is a wholly-owned subsidiary of Digisino Assets Limited ("Digisino"). The entire issued share capital of Digisino is held by Mr. Chung and thus both Digisino and Earnest Equity are corporations wholly-owned and controlled by him. Therefore, Mr. Chung is deemed to be interested in any shares or equity derivatives held by Earnest Equity or Digisino.

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

Save as disclosed above, as at the 30 September 2011, 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 2011, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of part XV of the SFO:

Name of Shareholder	Nature of interests	Company/name of associated corporation	Number of Shares held (Note 1)	Derivative interests	Approximate Shareholding percentage (%)
Lehman Brothers Holdings Inc.	Interest of controlled corporation (Note 2)	The Company	450,820,000(L)	—	5.48

Notes:

- (1) The letter "L" denotes a person's long position in such securities.
- (2) Lehman Brothers Commercial Corporation Asia Limited (In Liquidation), is a company owned as to 50% by LBCCA Holdings I LCC. and owned as to 50% by LBCCA Holdings II LCC., respectively, which were, in turn wholly-owned subsidiaries of Lehman Brothers Holdings Inc.

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

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\$1,206,067,000, which represented approximately 14.2% of the Group's total assets value as at 30 September 2011.

As at 30 September 2011, the advances and guarantees made by the Group to its jointly controlled entities and associates are as follows:

	Advances	Guarantees
	HK\$'000	HK\$'000
Chater Capital Limited	48,342	—
City Synergy Limited	4,565	—
Clever Keen Limited	62,229	—
Expert Vision Investments Limited	—	84,800
Get Wisdom Limited	551,667	447,500
GI Plus Space Limited	5,364	—
Maxland Management Limited	1,600	—
	673,767	532,300

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	3,616,888	1,777,084
Current assets	845,290	283,204
Current liabilities	(1,646,055)	(819,818)
Non-current liabilities	(1,524,571)	(626,858)
	1,291,552	613,612

AUDIT COMMITTEE

The financial statements for the six months ended 30 September 2011 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

There was no repurchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2011.

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 website 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, 22 November 2011