資 本 策 略

CSI PROPERTIES LIMITED

資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**158,702**	541,038
Cost of sales		**(50,531)**	(445,667)
Gross profit		**108,171**	95,371
Income and gains from investments	*4*	**9,024**	40,128
Other gains	*5*	**59,110**	330,311
Other income		**1,394**	2,421
Administrative expenses		**(41,174)**	(41,729)
Finance costs	*6*	**(44,902)**	(21,295)
Share of results of jointly controlled entities		**6,461**	23
Share of results of associates		**19,950**	3,250
Profit before taxation		**118,034**	408,480
Taxation	*7*	**(8,318)**	(12,686)
Profit for the period	*8*	**109,716**	395,794

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**110,814**	397,014
Non-controlling interests		**(1,098)**	(1,220)
		109,716	395,794
Earnings per share (HK cents)	*10*		
— Basic		**1.4**	5.9
— Diluted		**1.3**	5.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

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

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Adoption of new and revised HKFRSs effective in the current period

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

Amendment to HKAS 17 "Leases"

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

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

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

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

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

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

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

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

New and revised HKFRSs that are not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013

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

3. SEGMENT INFORMATION

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

(a) Property trading segment, which engages in the trading of properties;

(b) Strategic investment segment, which engages in property investment through strategic alliances with the joint venture partners of the jointly controlled entities and associates; and

(c) Securities investment segment, which engages in the securities trading and investment.

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

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

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

4. INCOME AND GAINS FROM INVESTMENTS

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

5. OTHER GAINS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of subsidiaries *(Note 13)*	**56,783**	—
Exchange gain	**2,327**	1,309
Gain on partial repurchase of convertible notes *(Note i)*	**—**	124,192
Gain on redemption of other borrowings *(Note ii)*	**—**	197,182
Gain on disposal of property, plant and equipment	**—**	7,628
	59,110	330,311

Notes:

(i) During the six months ended 30 September 2009, the Company entered into agreements with certain independent third parties pursuant to which the Company repurchased part of the convertible notes with an aggregate carrying amount of the liability component of HK$418,578,000 at an aggregate consideration of HK$294,386,000, resulting in a gain of HK$124,192,000.

(ii) Pursuant to a loan purchase agreement dated 22 May 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) with an aggregate principal outstanding balance plus accrued interest of HK$433,682,000 at an aggregate consideration of HK$236,500,000, which gave rise to a gain on redemption of HK$197,182,000.

6. FINANCE COSTS

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

7. TAXATION

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

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

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

8. PROFIT FOR THE PERIOD

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE

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

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

12. OTHER PAYABLES AND ACCRUALS

The following is the breakdown of other payables at the end of the reporting period:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Rental and related deposits received	**63,997**	62,298
Receipt in advance for sales of properties held for sale	**—**	22,000
Other payables and accruals	**32,991**	22,727
	96,988	107,025

13. DISPOSAL OF SUBSIDIARIES

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

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

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

Notes:

(i) As part of the disposal arrangements, the Group received cash of HK$342,167,000 from the buyers as settlements of 20% and 100% of the shareholders' loans to Get Wisdom Group and Stand Success Group respectively.

(ii) The carrying amounts of the assets and liabilities held by Get Wisdom at the date it became the Group's jointly controlled entity approximate the fair value of the interest retained in Get Wisdom.

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

INTERIM DIVIDEND

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

REVIEW OF THE RESULTS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

BUSINESS REVIEW AND OUTLOOK

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

Hong Kong

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

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

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

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

China

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

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

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

Outlook

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

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

PLEDGE OF ASSETS

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

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

For certain properties, the Group has assigned to the banks all its right, title and benefit as lessor of relevant properties and amount receivable from lessees, for certain banking facilities granted to the Group.

CONTINGENT LIABILITIES

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

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

EMPLOYEE

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

AUDIT COMMITTEE

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 26 November 2010

As at the date of this announcement, Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong are the executive directors, Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors.