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 2012

The board of directors (the "Board") of CSI Properties Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | | **793,017** | 2,510,827 |
| Cost of sales | | **(314,676)** | (1,147,415) |
| Gross profit | | **478,341** | 1,363,412 |
| Income and gains (losses) from investments | *4* | **51,788** | (41,931) |
| Other gains and losses | *5* | **46** | (3,495) |
| Other income | | **14,182** | 7,311 |
| Administrative expenses | | **(90,087)** | (99,019) |
| Finance costs | *6* | **(33,255)** | (25,710) |
| Share of results of jointly controlled entities | | **1,537** | 30,169 |
| Share of results of associates | | **14,044** | 155,964 |
| Profit before taxation | | **436,596** | 1,386,701 |
| Taxation | *7* | **(46,552)** | (71,183) |
| Profit for the period | *8* | **390,044** | 1,315,518 |

* *For identification purpose only*

**CONDENSED CONSOLIDATED INCOME STATEMENT** *(Continued)*
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **372,969** | 1,312,060 |
| Non-controlling interests | | **17,075** | 3,458 |
| | | **390,044** | 1,315,518 |
| **Earnings per share (HK cents)** | *10* | | |
| – Basic | | **4.5** | 16.0 |
| – Diluted | | **4.5** | 15.5 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 SEPTEMBER 2012*

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*
*AT 30 SEPTEMBER 2012*

| | NOTES | 30 September 2012 HK$'000 (unaudited) | 31 March 2012 HK$'000 (audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Other payables and accruals | *12* | **135,267** | 85,441 |
| Taxation payable | | **242,924** | 214,597 |
| Amounts due to jointly controlled entities | | **5,323** | 457 |
| Amounts due to associates | | **68,399** | 68,399 |
| Amounts due to non-controlling shareholders of subsidiaries | | **180,663** | 28,658 |
| Convertible notes – due within one year | | **–** | 9,398 |
| Derivative financial instruments | | **4,237** | – |
| Bank borrowings – due within one year | | **792,810** | 726,169 |
| | | **1,429,623** | 1,133,119 |
| **Net Current Assets** | | **5,080,614** | 5,228,828 |
| | | **8,269,781** | 7,916,524 |
| **Capital and Reserves** | | | |
| Share capital | | **66,447** | 65,865 |
| Reserves | | **6,105,509** | 5,893,023 |
| Equity attributable to owners of the Company | | **6,171,956** | 5,958,888 |
| Non-controlling interests | | **30,558** | 13,483 |
| Total Equity | | **6,202,514** | 5,972,371 |
| **Non-Current Liabilities** | | | |
| Bank borrowings – due after one year | | **2,049,247** | 1,928,303 |
| Derivative financial instrument | | **–** | 7,312 |
| Deferred tax liabilities | | **18,020** | 8,538 |
| | | **2,067,267** | 1,944,153 |
| | | **8,269,781** | 7,916,524 |

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

## 3. SEGMENT INFORMATION

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

(a) Property holding segment, which engages in the investment and trading of properties and hotel operation;

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

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

**Segment revenue and results**

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

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

*Notes:*

(i) The directors of the Company are not aware of any transactions between the operating segments during the period under review.

(ii) Share of results of associates and jointly controlled entities mainly represents share of the operating profits of these entities from their businesses of property development and trading.

| | Property holding *HK$'000* | Strategic investment *HK$'000* | Securities investment *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| *For the six months ended 30 September 2011 (unaudited)* | | | | |
| **Gross proceeds** | 2,510,827 | – | 91,446 | 2,602,273 |
| **Revenue** | | | | |
| Rental income/hotel operation | 109,376 | – | – | 109,376 |
| Sales of properties held for sale | 2,401,451 | – | – | 2,401,451 |
| | 2,510,827 | – | – | 2,510,827 |
| Interest income and dividend income | – | – | 12,444 | 12,444 |
| Share of results of jointly controlled entities *(Note ii)* | – | 30,169 | – | 30,169 |
| Share of results of associates *(Note ii)* | – | 155,964 | – | 155,964 |
| Segment revenue | 2,510,827 | 186,133 | 12,444 | 2,709,404 |
| **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.

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

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

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

## 5. OTHER GAINS AND LOSSES

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

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

## 6. FINANCE COSTS

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

## 7. TAXATION

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

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

## 8. PROFIT FOR THE PERIOD

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

## 9. DIVIDENDS

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

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

## 10. EARNINGS PER SHARE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | ***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) | **372,969** | 1,312,060 |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible notes (net of tax) | **222** | 1,340 |
| Earnings for the purpose of diluted earnings per share | **373,191** | 1,313,400 |

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

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

## 11. TRADE AND OTHER RECEIVABLES

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

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

## 12. OTHER PAYABLES AND ACCRUALS

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

## INTERIM DIVIDEND

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

## REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2012 of approximately HK$793 million (six months ended 30 September 2011: HK$2,510.8 million), which was mainly generated from income from sale of properties of approximately HK$684.1 million, rental income of approximately HK$108.9 million. The decrease was mainly due to a decrease in sales of properties during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK$372.9 million for the six months ended 30 September 2012 (six months ended 30 September 2011: HK$1,312.1 million) representing a decrease of approximately 71.6%.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$1,847.2 million (31 March 2012: HK$2,444.9 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowing increased from approximately HK$726.2 million as at 31 March 2012 to approximately HK$792.8 million as at 30 September 2012, and long-term bank borrowing increased from approximately HK$1,928.3 million as at 31 March 2012 to approximately HK$2,049.2 million as at 30 September 2012. All the bank borrowings were utilized in financing the Group's properties investments. As a result, the Group's total bank borrowing increased from approximately HK$2,654.5 million as at 31 March 2012 to approximately HK$2,842 million as at 30 September 2012, and the Group's ratio of total debt (represented by bank borrowings) to total assets was 29.3% (31 March 2012: 29.3%). All bank borrowings were denominated in Hong Kong dollars and Renminbi and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile (including borrowings of approximately HK$333.3 million that are not repayable within one year but contain a repayment on demand clause in the loan agreement are grouped under repayable within one year) usually spread over a period of around 5-20 years with approximately HK$792.8 million repayable within one year, HK$1,043.5 million repayable between one to five years, and HK$1,005.7 million over five years.

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

## BUSINESS REVIEW AND OUTLOOK

The period under review remained challenging due to the lingering turbulence from the sovereign debt crisis in Europe, and the slowdown and forthcoming change in government leadership in China, as well as in Hong Kong. Despite these challenges, the Group has continued its drive in establishing itself as a rising player in real estate investment and development in Hong Kong and China.

**Commercial Properties**

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

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

**Couture Homes - Residential Property Development**

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

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

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

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

**Corporate Activities**

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

**Outlook**

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

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

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

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

## CONTINGENT LIABILITIES

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

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

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

## 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 2012 have been reviewed by the Audit Committee of the Company.

## THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

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

i. Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not have a chief executive officer position.

ii. None of the non-executive Directors of the Company is appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the CG Code. However, as the Directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

iii. Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Dato' Wong Sin Just and Dr. Lam Lee G., the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 16 August 2012 due to other prior business engagement.

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

There was no repurchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2012.

## PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 19 November 2012

*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 of the Company, Dato' Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors of the Company.*