CSI
PROPERTIES
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 2016

The board of directors (the "Board") of CSI Properties Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016. The condensed consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS28	Investment entities: Applying the consolidation exception
Amendments to HKFRS11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS27	Equity method in separate financial statements

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

3. SEGMENT INFORMATION

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

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

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

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

(a) commercial property holding segment, which engages in the investment and trading of commercial properties and hotels operation, and also the strategic alliances with the joint venture partners of the joint ventures and associates;

(b) residential property holding segment, which engages in the investment and trading of residential properties, and also the strategic alliances with the joint venture partners of the joint ventures and associates;

(c) Macau property holding segment, which engages in the investment and trading of properties located in Macau; and

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

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

Segment revenues and results

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

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

Notes:

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

(ii) Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

Segment revenue and results – continued

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

Notes:

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

(ii) Share of results of associates and joint ventures mainly represent share of the operating profits of these entities from their businesses of property development and trading.

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

4. INCOME AND GAINS FROM INVESTMENTS

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

5. OTHER INCOME

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

6. FINANCE COSTS

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

7. INCOME TAX (CREDIT) EXPENSE

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

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

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

8. PROFIT FOR THE PERIOD

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

9. DIVIDENDS

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

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

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016	2015
	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)	**124,342**	525,931

	Six months ended 30 September	
	2016	2015
	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)	**10,037,090**	10,487,040

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

11. TRADE AND OTHER RECEIVABLES

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

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

12. OTHER PAYABLES AND ACCRUALS

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

INTERIM DIVIDEND

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

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2016 of approximately HK$301 million (six months ended 30 September 2015: HK$229 million), which was mainly generated from income from sale of properties of approximately HK$185 million and rental income of approximately HK$116 million. The increase was mainly due to an increase in sales of properties during the period.

The Group reported a consolidated profit attributable to the owners of the Company of approximately HK$124.3 million for the six months ended 30 September 2016 (six months ended 30 September 2015: HK$525.9 million) representing a decrease of approximately 76.4%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$3,888.2 million (31 March 2016: HK$3,529.2 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowing increased from approximately HK$561.1 million as at 31 March 2016 to approximately HK$1,061.3 million as at 30 September 2016, and long-term bank borrowing increased from approximately HK$6,410.0 million as at 31 March 2016 to approximately HK$6,779.9 million as at 30 September 2016. All the bank borrowings were utilized in financing the Group's properties investments in generating recurrent rental income. As a result, the Group's total bank borrowing increased from approximately HK$6,971.1 million as at 31 March 2016 to approximately HK$7,841.2 million as at 30 September 2016, and the Group's ratio of total debt (bank and other borrowings) to total assets was 50.5% (31 March 2016: 43.9%). All bank borrowings were denominated in Hong Kong dollars, Renminbi and US dollars and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile (including borrowings of approximately HK$214.6 million that are not repayable within one year but contain a repayment on demand clause in the loan agreement are grouped under repayable within one year) usually spread over a period of around 5-20 years with approximately HK$1,061.3 million repayable within one year, HK$6,598.6 million repayable between one to five years, and HK$181.3 million over five years.

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

BUSINESS REVIEW AND OUTLOOK

The period under review has been full of challenges and surprises in the global macroeconomic context. Investment sentiment has been dampened by the rapid devaluation of the Renminbi since the beginning of year. Adding to that the surprising result of BREXIT and the subsequent fallout. These events have caused major upheavals in the global markets in all areas from currencies to interest rate and asset prices and affecting the investment sentiment for both commercial and residential properties.

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

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

Commercial Properties

Disposals completed during the period amounted to the sale of the rooftop sky sign and unit 1502 of AXA Center in Wanchai for a total amount of around HK$100 million.

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

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

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

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

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

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

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

Coutures Homes – Residential Property Development

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

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

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

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

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

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

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

Corporate Activities

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

Outlook

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

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

PLEDGE OF ASSETS

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

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

CONTINGENT LIABILITIES

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

The directors assessed the risk of default of the joint ventures and the associates at the end of the reporting period and considered the risk to be insignificant and it is unlikely that any guaranteed amount will be claimed by the counterparties. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK$6,113,000 (31 March 2016: HK$7,010,000).

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.

AUDIT COMMITTEE

The financial statements for the six months ended 30 September, 2016 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange, and all other relevant laws and regulations during the period, with the exception of the following deviations:

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

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

iii. Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. An independent non-executive director was unable to attend the annual general meeting of the Company held on 16 August 2016 due to other prior business engagement.

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

There was no repurchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2016.

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, 30 November, 2016

As at the date of this announcement, Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Fong Man Bun, Jimmy are the executive directors of the Company; and Dr. Lam Lee G., Mr. Cheng Yuk Wo and Dr. Lo Wing Yan, William are the independent non-executive directors of the Company.