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 2017

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 2017. 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 2017

		Six months ended 30 September	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,171,010**	300,870
Cost of sales and services		**(962,235)**	(77,521)
Gross profit		**208,775**	223,349
Income and gains (loss) from investments	*4*	**81,473**	59,122
Other income	*5*	**52,283**	37,239
Other gains and losses		**25,156**	1,195
Administrative expenses		**(83,335)**	(79,697)
Finance costs	*6*	**(143,257)**	(98,729)
Share of results of joint ventures		**83,649**	(19,403)
Share of results of associates		**(3,076)**	12
Profit before taxation		**221,668**	123,088
Income tax (expense) credit	*7*	**(4,398)**	222
Profit for the period	*8*	**217,270**	123,310
Profit (loss) for the period attributable to:			
Owners of the Company		**213,994**	124,342
Holders of perpetual capital securities		**2,741**	–
Non-controlling interests		**535**	(1,032)
		217,270	123,310
Earnings per share (HK cents)	*10*		
– Basic		**2.13**	1.24

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**217,270**	123,310
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**11,566**	(14,105)
Share of exchange differences of joint ventures	**45,080**	(15,279)
Others	**–**	802
	56,646	(28,582)
Total comprehensive income for the period	**273,916**	94,728
Total comprehensive income (expense) attributable to:		
Owners of the Company	**270,640**	95,760
Holders of perpetual capital securities	**2,741**	–
Non-controlling interests	**535**	(1,032)
	273,916	94,728

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

	NOTES	**30 September 2017 HK$'000 (unaudited)**	31 March 2017 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment		**115,609**	154,455
Available-for-sale investments		**192,093**	191,508
Loan receivables		**59,004**	46,813
Club memberships		**11,915**	11,385
Interests in joint ventures		**1,472,164**	1,604,511
Amounts due from joint ventures		**2,393,853**	2,804,860
Interests in associates		**189,889**	152,303
Amounts due from associates		**941**	38,129
		4,435,468	5,003,964
Current Assets			
Trade and other receivables	*11*	**166,615**	372,227
Deposit for acquisition of properties held for sale		**234,363**	–
Properties held for sale		**12,685,359**	11,752,540
Investments held for trading	*12*	**3,876,948**	2,298,774
Taxation recoverable		**8,850**	10,845
Cash held by securities brokers		**3,988**	30,760
Bank balances and cash		**2,537,205**	3,572,022
		19,513,328	18,037,168
Current Liabilities			
Other payables and accruals	*13*	**236,382**	940,529
Taxation payable		**197,863**	194,889
Amounts due to joint ventures		**11,211**	180,528
Amounts due to non-controlling shareholders of subsidiaries		**195,614**	163,640
Bank borrowings – due within one year		**1,755,998**	1,324,437
Guaranteed notes – due within one year		**817,830**	817,830
		3,214,898	3,621,853
Net Current Assets		**16,298,430**	14,415,315
		20,733,898	19,419,279

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and Reserves		
Share capital	**80,296**	80,296
Reserves	**10,783,055**	10,675,016
Equity attributable to owners of the Company	**10,863,351**	10,755,312
Perpetual capital securities	**1,541,669**	–
Non-controlling interests	**24,396**	14,070
Total Equity	**12,429,416**	10,769,382
Non-Current Liabilities		
Guaranteed notes – due after one year	**1,950,000**	1,950,000
Bank borrowings – due after one year	**6,353,140**	6,696,726
Deferred tax liabilities	**1,342**	3,171
	8,304,482	8,649,897
	20,733,898	19,419,279

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 "HKSE") (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("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 that certain financial instruments, which are measured at fair values.

Except as described below, the principal accounting policies adopted in the condensed consolidated financial statements for the six months ended 30 September 2017 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2017. In addition, the Group has applied the following accounting policy during the current interim period which became relevant to the Group.

Equity instruments

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

Perpetual capital securities issued by the Group that have the above characteristics are classified as equity instruments.

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in annual improvements to HKFRS 2014 – 2016 cycle

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

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ending 31 March 2018.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Rental income and hotel operation *(Note)*	**140,990**	115,522
Sales of properties held for sale	**1,030,020**	185,348
	1,171,010	300,870

Note: This mainly comprises of rental income from properties.

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.

During the current interim period, in view of the continuing significance of the operation of the joint ventures and associates, the CODM revised the analysis of segment revenue and results that are used to allocate resources and assess performance. The basis of measurement of segment revenue has been changed by including segment revenue attributable to the Group's joint ventures and associates. For segment profit or loss, the basis of measurement has been changed by including segment results attributable to the Group's joint ventures and associates.

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, properties under development, investment in hotel property, and also the strategic alliances with the joint venture partners of the joint ventures and associates in Singapore, Hong Kong and the People's Republic of China (the "PRC") excluding Macau;

(b) residential property holding segment, which engages in the investment and trading of residential properties, properties under development and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong and the PRC excluding Macau;

(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.

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 2017 (unaudited)					
External revenue					
Rental income and hotel operation	**132,803**	**6,696**	**1,491**	**–**	**140,990**
Sales of properties held for sale	**274,222**	**755,798**	**–**	**–**	**1,030,020**
Revenue of the Group	**407,025**	**762,494**	**1,491**	**–**	**1,171,010**
Interest income and dividend income	**–**	**–**	**–**	**79,382**	**79,382**
Segment revenue/income	**407,025**	**762,494**	**1,491**	**79,382**	**1,250,392**
Share of revenue of associates and joint ventures					
Rental income and hotel operation	**13,663**	**297**	**–**	**–**	**13,960**
Sales of properties held for sale	**–**	**454,822**	**–**	**–**	**454,822**
	13,663	**455,119**	**–**	**–**	**468,782**
Combined segment revenue/income	**420,688**	**1,217,613**	**1,491**	**79,382**	**1,719,174**
Results					
Share of results of joint ventures *(Note)*	**7,741**	**75,908**	**–**	**–**	**83,649**
Share of results of associates *(Note)*	**(3,059)**	**(17)**	**–**	**–**	**(3,076)**
Segment profit (loss) excluding share of results of joint ventures and associates	**156,903**	**63,957**	**(858)**	**77,351**	**297,353**
Segment profit (loss)	**161,585**	**139,848**	**(858)**	**77,351**	**377,926**
Unallocated other income					**21,878**
Other gains and losses					**23,681**
Central administrative costs					**(58,560)**
Finance costs					**(143,257)**
Profit before taxation					**221,668**

Segment revenues 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 2016 (unaudited)					
External revenue					
Rental income and hotel operation	112,282	2,575	664	–	115,521
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
Segment revenue/income	209,182	91,024	664	67,078	367,948
Share of revenue of associates and joint ventures					
Rental income and hotel operation	11,740	1,048	–	–	12,788
Sales of properties held for sale	–	110,142	–	–	110,142
	11,740	111,190	–	–	122,930
Combined segment revenue/income	220,922	202,214	664	67,078	490,878
Results					
Share of results of joint ventures *(Note)*	6,699	(26,102)	–	–	(19,403)
Share of results of associates *(Note)*	36	(24)	–	–	12
Segment profit (loss) excluding share of results of joint ventures and associates	198,046	28,730	(2,827)	56,448	280,397
Segment profit (loss)	204,781	2,604	(2,827)	56,448	261,006
Unallocated other income					16,017
Other gains and losses					1,195
Central administrative costs					(56,401)
Finance costs					(98,729)
Profit before taxation					123,088

Note: 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss incurred) by each segment, interest income from investments held for trading, dividend income, fair value change of investments, gain on disposal of subsidiaries, share of results of joint ventures and associates, and reversal of impairment loss of amounts due from an associate, without allocation of certain items of other income (primarily bank interest income) and of other gains and losses (primarily gain on disposal of some properties, plant and equipment), 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 (LOSS) FROM INVESTMENTS

	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Interest income from investments held for trading	**72,640**	66,719
Dividend income from		
– available-for-sale investments	**6,055**	314
– investments held for trading	**687**	45
Net change in fair value of investments held for trading		
– net realised gain (loss)	**1,702**	(26,170)
– net unrealised gain	**389**	18,214
	81,473	59,122

5. OTHER INCOME

	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Bank interest income	**7,936**	11,840
Loan interest income	**6,065**	1,090
Interest income from amounts due from joint ventures and associates	**26,116**	18,902
Amortisation of financial guarantee contracts	**1,573**	1,363
Assets management income	**4,289**	2,320
Others	**6,304**	1,724
	52,283	37,239

6. FINANCE COSTS

	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Interests on:		
Bank borrowings	**83,216**	65,422
Guaranteed notes	**74,737**	45,306
Total borrowing costs	**157,953**	110,728
Less: Amounts capitalised in the cost of qualifying assets	**(14,696)**	(11,999)
	143,257	98,729

Borrowing costs capitalised are interest expenses incurred for financing the development of properties under development. Capitalisation rate of borrowing costs to expenditure on qualifying assets ranged from 1.48% to 2.95% (for the six months ended 30 September 2016: 2.02% to 3.03%) per annum for the six months ended 30 September 2017.

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	**6,242**	2,101
Overprovision in prior years	**(19)**	(1,633)
	6,223	468
Macau Complementary Tax		
Current period	**4**	1
	6,227	469
Deferred taxation	**(1,829)**	(691)
	4,398	(222)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 exempted from tax.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration:		
Fees	–	–
Salaries and other benefits	**11,580**	11,254
Contributions to retirement benefits schemes	**303**	256
	11,883	11,510
Other staff costs:		
Salaries and other benefits	**26,577**	21,277
Contributions to retirement benefits schemes	**1,519**	1,292
	28,096	22,569
Total staff costs	**39,979**	34,079
Depreciation of property, plant and equipment	**9,075**	19,694
Cost of properties held for sales recognised as an expense	**919,233**	73,579
and after crediting:		
Bank interest income	**7,936**	11,840

9. DIVIDENDS

	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Final dividend of HK1.620 cents (2016: HK1.973 cents) per share recognised as distribution for the year ended 31 March 2017 and paid during the interim period	**162,601**	198,032

The directors do not recommend the payment of an interim dividend for the current interim period (30 September 2016: 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**213,994**	124,342

	Six months ended 30 September	
	2017	2016
	Number of shares	*Number of shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	**10,037,090**	10,037,090

No diluted earnings per share is presented as there are no potential ordinary shares outstanding as at 30 September 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Rental receivables are billed and receivable based on the terms of tenancy agreements. The Group allows an average credit period of 0-60 days to its 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 of which approximated the revenue recognition date, at the end of the reporting period is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
0 – 30 days	**8,475**	7,644
31 – 90 days	**502**	1,115
	8,977	8,759
Loan receivables – due within one year	**78,486**	266,140
Prepayments and deposits	**36,559**	61,731
Other receivables	**42,593**	35,597
	166,615	372,227

For loan receivables which are repayable over one year from the drawdown dates pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrower in full before the maturity of the loans. Hence, they are classified as current assets.

12. INVESTMENTS HELD FOR TRADING

Investments held for trading, at fair values, comprise:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed equity securities	**86,902**	57,207
Unlisted mutual funds	**16,955**	17,794
	103,857	75,001
Listed debt securities	**3,577,341**	2,223,773
Unlisted debt securities	**195,750**	–
	3,876,948	2,298,774
Total and reported as:		
Listed		
Hong Kong	**1,250,208**	481,041
Elsewhere	**2,414,035**	1,799,939
Unlisted	**212,705**	17,794
	3,876,948	2,298,774

13. OTHER PAYABLES AND ACCRUALS

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Rental and related deposits received	**97,040**	93,571
Receipt in advance for sales of properties	**–**	690,000
Other tax payables	**2,598**	4,287
Deferred income of financial guarantee contracts to joint ventures	**4,855**	6,458
Accrued construction costs	**54,766**	47,215
Accrued consultancy fee	**3,291**	12,208
Accruals and other payables	**73,832**	86,790
	236,382	940,529

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016: Nil).

REVIEW OF THE RESULTS

The Group reported a total gross revenue for the six months ended 30 September 2017 of approximately HK$1,171.0 million (six months ended 30 September 2016: HK$300.9 million), which was mainly generated from income from sale of properties of approximately HK$1,030.0 million and rental income of approximately HK$141.0 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$214.0 million for the six months ended 30 September 2017 (six months ended 30 September 2016: HK$124.3 million) representing an increase of approximately 72.2%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$2,541.2 million (31 March 2017: HK$3,602.8 million). The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 30 September 2017, the Group's total external borrowings, comprise of bank borrowings and guaranteed notes, amounted to approximately HK$10,877.0 million (31 March 2017: HK$10,789.0 million) and the Group's ratio of total debt to total assets was 45.4% (31 March 2017: 46.8%) (measured by total external borrowings as a percentage to the total asset value of the Group).

On 20 September 2017, Estate Sky Limited, a wholly-owned subsidiary of the Group, issued US$200,000,000 5.75 per cent. senior perpetual capital securities with key features as below:

– No fixed maturity and are callable at the Company's option on 20 September 2022; and

– After 20 September 2022, the distribution rate will be reset every five years to a percentage per annum equal to the sum (i) the 5-year U.S. Treasury Benchmark Rate; (ii) the Initial Spread which is 4.005% and (iii) the Step-up Margin which is 3%.

The senior perpetual capital securities have been accounted for as equity in the Group's condensed consolidated financial statements for the period ended 30 September 2017, which has improved the capital base of the Group.

All bank borrowings were denominated in Hong Kong dollars, Renminbi, US dollars and Australian dollars which 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$214.5 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$1,756.0 million repayable within one year, HK$6,224.3 million repayable between one to five years, and HK$128.8 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.

CONTRACTED SALES HIGHLIGHT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

A summary of the key contracted sales highlight of the Group on both commercial and residential divisions is listed below for easier referencing.

	%	For the six months ended 30 September 2017 *HK$'000* (unaudited)	Unrecognised contracted sales committed up to 30 September 2017 *HK$'000* (unaudited)
Group level			
Hong Kong residential properties		755,798	1,064,789
Hong Kong commercial properties		274,222	165,419
Sub-total		1,030,020	1,230,208
Joint ventures and associates			
PRC residential properties	50%	272,855	218,508
Hong Kong residential properties	50%	181,967	–
Hong Kong commercial properties	40%-50%	–	1,124,400
Sub-total		454,822	1,342,908
Total		**1,484,842**	**2,573,116**
Less: Non-controlling interests		(5,264)	(14,384)
Contracted sales attributable to the Group		**1,479,578**	**2,558,732**

BUSINESS REVIEW AND OUTLOOK

We are very excited about the current fiscal interim period as it marks a new milestone for the Group in terms of a number of firsts.

In September 2017, the Group successfully issued US$200,000,000 senior perpetual capital securities at 5.75% coupon, one of the first unrated perpetual capital securities issuance by Hong Kong mid-cap real estate companies in recent memories. This is a new landmark for the Group in terms of the ability to raise significant quasi equity for the Group, besides the traditional equity and debt capital channels, and helps significantly raise the profile and publicity for the Group by broadening investor base.

Furthermore, the successful pre-sale of COO Residence in Tuen Mun, our first Couture Homes' mass market residential project with all 204 units presold, also marked the beginning of Couture Homes as a full scale residential development company with both premium and mass market residential offerings. The strong oversubscription and the record prices set for residential offering in Tuen Mun at over HK$15,000 per square feet further reinforce the significant growth of Couture Homes as a forthcoming residential development brand in Hong Kong and a key profit generator of the Group in the future.

In addition, in partnership with Wing Tai Properties Limited, the Group won the tender for the development at Site C of the Gage Street/Graham Street project from the Urban Renewal Authority ("URA"), which is our first URA tender project. The project is well located in the heart of the bustling Central financial hub and will be developed into a commercial complex comprising Grade-A office tower, a hotel and retail shops, providing a gross floor area of up to 40,275 square meter.

Further details of the key developments of the commercial and residential divisions of the Group can be found as below.

Commercial Properties

Significant disposals during the interim period through joint ventures included the contracted sales of the site at No. 232 Wan Chai Road for a consideration of approximately HK$1.18 billion and five floors of Enterprise Square Three which currently is leased to Esprit Holdings as its headquarters for a consideration of approximately HK$1.34 billion. The disposals of No. 232 Wan Chai Road and Enterprise Square Three are expected to be completed in October 2017 and March 2018 respectively.

Other disposals included the sale of unit 1006 of the Bank of America Tower for a consideration of approximately HK$52 million, the remaining one floor of the Le Diamant at Nathan Road for a consideration of HK$33 million and one floor plus a car parking space at Sea View Estate at North Point for a consideration of approximately HK$104.5 million.

Last but not least, the Group sold or contracted to sell a total of six office floors of Oriental Crystal Commercial Building, which was acquired earlier in the year, for the interim period. Subsequent to the interim period, seven more office floors have been entered into sale agreements, bringing the total to thirteen floors sold out of the eighteen floors. The renovation work at the lobby and entrance has been well underway and we expect a smooth and speedy sale of the remaining floors and shops in the future.

Besides, the Group has also completed the purchase of the remaining two units at No. 21A Ashley Road in Tsim Sha Tsui. The successful consolidation of the ownership interest at Nos. 21-27 Ashley Road, a combined site of approximately 8,100 square feet, allows the Group to potentially redevelop into a new, prime commercial building in the heart of Tsim Sha Tsui, targeting prime retail, F&B and hospitality clients in the future.

On the operation side, construction work is well underway at our Kowloon Bay office land site opposite to the Enterprise Square Three building which we invested through a consortium with Billion Development and Sino Land. With the recent record bid by Nan Fung for a commercial office site through government tender in neighboring Kai Tak area for around HK$31.6 billion or around HK$12,800 per square feet, we are quite optimistic on good profitability in the future for this project.

In addition, our two commercial redevelopment sites next to the escalator in prime Central are also making solid progress. The Nos. 2-4 Shelley Street project is making good headway in the construction phase and is positioned for presale in near future. The Nos. 46 and 48 Cochrane Street site has completed the demolition of the old structure for redevelopment into a new iconic commercial building with GFA of over 30,000 square feet at this prime commercial/entertainment area in Central.

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.

Couture Homes – Residential Property Development

On the disposal side and as detailed earlier, the Group had a landmark success in the presale of COO Residence at 8 Kai Fat Path in Tuen Mun in September and October 2017 with all 204 units presold at record prices for Tuen Mun. This helps to further drive the Couture Homes brand to the mass residential market which desires premium products.

Three more villas of the kau to HIGHLAND project at Nos. 39-77 Lai Ping Road were entered into contract for sale since April 2017, bring total sales to seven villas at the end of the interim period. With the gradual formation of the new Kau To Shan area to be a new exclusive neighborhood of luxury living, we expect the remaining villas to have good demand and be sold in the near future. We also disposed a villa at the Henderson Road in Jardine's Lookout to realise good profit.

The remaining exclusive penthouse unit with full Victoria Harbour view, together with 2 ground floor shops and 5 car parking spaces at the yoo Residence in Causeway Bay were all sold. The completion of the sale of these remaining units at premium price helps to reconfirm Couture Homes as a recognised force in the premium residential market in Hong Kong.

The remaining inventory of 44 villas and 96 apartments at the Queen's Gate project in Shanghai are awaiting the relevant government approval on the pricing scheme and we are optimistic on the successful sales of these units at optimal pricing in the near future.

On the acquisition side, the Group officially completed its first entry into the Beijing market through a joint venture in the acquisition of Beijing Legendale, a luxury residential project at No.90 and 92 JinBao Street, for approximately RMB1.76 billion or RMB62,000 per square meter in May 2017. The area is one of the most prime locations in Beijing and neighboring 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 bespoke, modern contemporary design to capture the significant price appreciation of this primely located project.

In addition, on the operation side, the Nos. 8-12 Peak Road refurbishment project is making good headway and the estate renovation work is progressing well. Working with leading international architectural firm PDP London, the whole estate is being 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 design and fittings to commensurate this towering and tranquil address with 180 degrees Victoria Harbour view. We are optimistic 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.

Construction work at Nos. 47 and 49 Perkins Road project at Jardine's Lookout is in great progress with the structure being topped out and interior design and furnishing work to follow. The building can be targeted for presale soon, while we expect additional premium pricing can be further achieved with finished products when they become ready by end of 2018. This unique luxurious residential tower in the exclusive tycoon populated neighbourhood is expected to have great demand from the ultra high-net-worth in Hong Kong with premium pricing.

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 recognised in the market as the distinct and unique supplier of personalised luxury homes.

Securities Investment

At 30 September 2017, the Group held available-for-sale investments and investments held for trading of approximately HK$4,069.0 million (31 March 2017: HK$2,490.3 million). The investment portfolio comprise 87.9% by listed debt securities, 2.1% by listed equity securities and 10% unlisted funds and securities. They are denominated in different currencies with 95.2% in United States dollar, 2.3% in Hong Kong dollar and 2.5% in Australian dollar.

The portfolio increase mainly arose from further investment of HK$1,576.6 million and a mark-to-market valuation net gain of HK$2.1 million, comprising HK$2.3 million loss from debt securities and HK$4.4 million gain from equity securities (listed in Hong Kong).

During the period under review, interest income and dividend income from securities investment increased to HK$79.4 million (30 September 2016: HK$67.1 million).

At 30 September 2017, an approximate value of HK$230.1 million (31 March 2017: HK$337.0 million) of these listed debt securities are pledged to secure the general banking facilities granted to the Group.

Corporate Activities

The Group completed the inaugural senior perpetual capital securities issue through leading banks including DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, UBS AG Hong Kong Branch, AMTD Asset Management Limited, China Merchants Securities (HK) Co., Limited, ICBC International Securities Limited and Oceanwide Securities Company Limited to raise US$200 million in September 2017 at an attractive coupon of 5.75%. This issue follows the great success of our 5-year notes issue in 2016, with strong reception from both institutional and private investors and helps to broaden the funding avenues for the Group in the future.

Outlook

The completion of the 19th Plenum in China marks a new era of solid growth and development for China under the strong Chinese leadership and also solidifies the path for China to be a well-recognised world power. The strong liquidity and economic power of China will continue to benefit Hong Kong in terms of economic growth and premium real estate demand. The global economy is also going through a solid path of stabilisation and growth as evidenced by the strong economic data from US and Europe. The Group, with its premium portfolio of prime commercial and residential real estate in Hong Kong and leading cities like Shanghai and Beijing, is well positioned to benefit from this strong positive global market.

However, there are still uncertainties as to the continuing Korean Peninsula saga and also future development of BREXIT for both EU and the UK, coupling with the relative unpredictive policies as dictated by President Donald Trump in the USA which will have global implications. These factors may have effects on the Chinese and Hong Kong economies which may have consequences for the Group in the future. Despite these potential macro challenges, we believe the Group has a strong balance sheet and solid disposal pipeline for the forthcoming years to well position the Group to ride out any market volatilities and continue its path to becoming a leading mid cap listed property player in Hong Kong.

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 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Property, plant and equipment	**98,270**	131,853
Properties held for sale	**11,633,261**	10,676,750
Investments held for trading	**230,100**	336,983
	11,961,631	11,145,586

CONTINGENT LIABILITIES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	**4,680,494**	4,760,047
An associate	**282,854**	282,854
	4,963,348	5,042,901
And utilised by:		
Joint ventures	**3,576,609**	3,519,573
An associate	**165,944**	165,684
	3,742,553	3,685,257

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$4,855,000 (31 March 2017: HK$6,458,000).

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 2017 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 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, 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.

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 2017.

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, 29 November 2017

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.