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資本策略

CSI PROPERTIES LIMITED

資本策略地產有限公司*

(Formerly known as Capital Strategic Investment Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010**

The board of directors (the “Board”) of CSI Properties Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2010, together with comparative figures for the previous year.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 March 2010, the Group reported a consolidated profit attributable to the owners of the Company of HK\$546.3 million, compared with HK\$62.4 million reported in 2009.

Total revenue for the Group was HK\$1,447.9 million, compared with HK\$669.4 million for the year ended 31 March 2009.

The increase in profit was mainly attributable to increase in contribution of profits from sale of properties, as well as profits totalling HK\$321.4 million arising from repurchase of convertible notes and redemption of other borrowings during the year.

Overview

The property market has been highly volatile in this financial year. During the first half of the period, the financial markets world-wide were still recovering from damages caused by the financial tsunami and the market uncertainties affected property market sentiment. However, the property market showed a speedy recovery since the third quarter of 2009 thanks to the stimulus measures introduced by various Central Governments to stabilize the market. The resulting low interest rate environment and abundant liquidity have had a positive effect on both property prices and transaction volume.

* For identification purpose only

Hong Kong

During the first half of the financial year, the management swiftly took measures to preserve cash and reduce capital expenditure by disposing some of its non-income generating assets to ensure sufficient liquidity is available to meet potential liabilities. The assets disposed include House B at Tai Tam and a development site at Jervois Street, Sheung Wan. In the second half of 2009, global markets started to show signs of stabilization and recovery and the Group took advantage of this opportunity to dispose two more non-core assets namely, 30 and 30A Stanley Street, Central and Yue Thai Commercial Building, Sheung Wan to realize capital gain and actively seek new investment opportunities.

Our construction projects in Hau Fook Street, Tsimshatsui and Hoi Ping Road, Causeway Bay (25%-owned) are progressing well with completion of both buildings targeted in the last quarter of 2010. Pre-leasing marketing for No. 1, Hoi Ping Road has commenced with good response from major international brand names and food and beverages operators. Our unique commercial complex on No. 8, Hau Fook Street would become a combination of retail and entertainment complex. We recently announced the acquisition of g.i. mall, a chic shopping arcade located on Granville Road which is directly adjacent to our building on Hau Fook Street. Completion of the acquisition is expected in the last quarter of 2010 and the management is currently reviewing potential synergy between the two buildings.

Renovation work at our luxury residential apartments located on Blue Pool Road, Happy Valley should be completed in the later part of the year. These exclusive and elegantly designed high-end residences should be well received by the market.

Our Hong Kong rental properties situated in prime areas of Wan Chai and Tsimshatsui are providing stable rental income and operating cashflow to the Group with average occupancy over 90%.

China

The Group increased its presence in Shanghai during the year and rental contribution from Shanghai properties is expected to rise in the coming year.

International Capital Plaza, a 57,000 square metre commercial and retail complex, on Sichuan North Road in Hongkou district of Shanghai, has commenced its operation in the third quarter of 2009. The retail podium has been very well received and has attracted well-known international and local brand names including C&A, KFC, Xin Wang and 85 Degree C. Leasing of the office portion is progressing well and rental rates have improved with the general recovery of the office market in Shanghai.

In September 2009, the Group completed the acquisition of In Point, a themed avenue shopping street situated in one of the busiest shopping district in Jing An district on top of the Nanjing West Road subway station. Since taking over the property in the last quarter of 2009, our dedicated asset management team has implemented strategic tenant repositioning work and successfully introduced various famous international retail and food and beverage tenants such as Mcdonald's, Krispy Kreme and Urban Outfitters.

Subsequent to the financial year end, the Group acquired an interest in a Grade A commercial property, The Platinum, at No. 233 Tai Cang Road, Luwan District, Shanghai. This superb commercial property is in one of the major business districts in Shanghai where Xin Tian Di area is situated. The Group is optimistic about the long term growth in China and we are confident this property would bring in capital appreciation to the Group.

With our enlarged resources and presence in Shanghai, we are confident that we would be able to repeat the success of our property repositioning model in China.

Corporate Activities

During the year, the Group successfully completed a number of corporate transactions to strengthen its statement of financial position and consolidated its investment in International Capital Plaza, Shanghai.

In May and September 2009, the Company repurchased in aggregate HK\$429 million of the outstanding convertible notes of the Company at total consideration of about HK\$294 million. The current outstanding 2011 Convertible Notes and 2012 Convertible Notes I amount to HK\$70.5 million and HK\$23.6 million respectively.

In July 2009, the Group successfully completed the purchase of the term loan outstanding of about HK\$434 million granted by the Lehman Brothers (In Liquidation) to our Shanghai project, International Capital Plaza, for a consideration of about HK\$236.5 million and the acquisition of all the minority equity interest in the project.

The Company also completed a rights issue and share placement in July and September 2009 to raise approximately HK\$165.5 million and HK\$240.4 million (after expenses) respectively. In December 2009, the Company further raised HK\$78 million from the issuance of convertible notes to an investment fund managed by Templeton Asset Management Limited. The positive feedback and support from leading international investors not only demonstrated the recognition of the Group's proven business model, but also will improve the Group's profile in the international financial community.

In January 2010, the name of the Company has been changed to 'CSI Properties Limited'. The name change not only more accurately reflects the core business activities of the Group, but also more appropriate to symbolize and highlight to investors and the public the business focus of the Group and reflects its corporate image and identity.

Outlook

Year 2009 is no doubt a challenging year with plenty of difficulties especially in the earlier part of the year but gradual stabilization occurred in the mid of the year and overall global business environment is improving. The recent fund raising exercises have further consolidated and strengthened our financial position to seek business opportunities and expansion should appropriate opportunities arise. The Group will continue to remain progressive yet cautious in making investment decision and continue to create values for our properties portfolio. Going forward, the weighting of our China properties portfolio will gradually increase with target to equally split the Group's investment between Hong Kong and Shanghai in the near future.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 0.5 Hong Kong Cents (2009: 0.22 Hong Kong Cents) per share or an aggregate amount of approximately HK\$40.8 million (2009: HK\$15.8 million) for 2010, subject to the approval of shareholders of the Company at the 2010 Annual General Meeting, to shareholders whose names appear on the register of members of the Company on 5 August 2010, payable on or around 11 August 2010.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		1,447,907	669,426
Cost of sales		(1,178,959)	(459,933)
Gross profit		268,948	209,493
Income and gains (losses) from investments	3	64,728	(27,101)
Other income	4	48,443	25,879
Other gains and losses	5	331,396	(53,416)
Administrative expenses		(81,106)	(49,800)
Finance costs	6	(54,951)	(113,321)
Share of results of jointly controlled entities		(6,509)	136,436
Share of results of associates		(4,199)	(47,186)
Profit before taxation		566,750	80,984
Taxation	8	(21,765)	(17,861)
Profit for the year	7	<u>544,985</u>	<u>63,123</u>
Attributable to:			
Owners of the Company		546,271	62,373
Non-controlling interests		(1,286)	750
		<u>544,985</u>	<u>63,123</u>
Earnings per share (HK cent(s))			
Basic	10	<u>7.32</u>	<u>1.00</u>
Diluted	10	<u>5.36</u>	<u>0.98</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	<u>544,985</u>	<u>63,123</u>
Other comprehensive income (expense)		
Exchange differences arising on translation	(372)	6,464
Reclassification adjustment for exchange differences released by a jointly controlled entity upon disposal of subsidiaries	—	(35,750)
Share of exchange difference of associates	<u>(2,586)</u>	<u>(331)</u>
	<u>(2,958)</u>	<u>(29,617)</u>
Total comprehensive income for the year	<u><u>542,027</u></u>	<u><u>33,506</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	543,313	30,203
Non-controlling interests	<u>(1,286)</u>	<u>3,303</u>
	<u><u>542,027</u></u>	<u><u>33,506</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		33,502	11,039
Prepaid lease payments		99,603	102,370
Available-for-sale investments		29,142	24,669
Conversion options embedded in convertible notes		3,750	3,041
Club memberships		6,860	6,860
Interests in jointly controlled entities		5,508	31,204
Interests in associates		8,151	7,937
Amount due from a jointly controlled entity		5,818	12,222
Amounts due from associates		99,873	63,738
Deposit paid for acquisition of property, plant and equipment		—	5,742
Deferred tax assets		—	2,698
		292,207	271,520
Current Assets			
Trade and other receivables	<i>11</i>	20,511	13,967
Deposit paid for acquisition of properties held for sale		48,000	—
Other deposit		1,820,495	—
Prepaid lease payments		2,767	2,767
Investments held for trading		258,102	212,441
Properties held for sale		4,724,281	4,329,832
Taxation recoverable		6,542	4,750
Amount due from a non-controlling shareholder of a subsidiary		25	3,440
Amounts due from jointly controlled entities		—	14,489
Pledged bank deposits		35,183	8,375
Bank balances and cash		581,745	1,197,978
		7,497,651	5,788,039
Current Liabilities			
Other payables and accruals	<i>12</i>	107,025	122,456
Taxation payable		25,050	24,903
Amounts due to non-controlling shareholders of subsidiaries		299,128	9,641
Amounts due to jointly controlled entities		5,078	4,759
Amount due to an associate		2,000	2,000
Convertible notes — due within one year		1,975	3,293
Bank and other borrowings — due within one year		896,689	890,973
		1,336,945	1,058,025
Net Current Assets		6,160,706	4,730,014
		6,452,913	5,001,534

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital and Reserves		
Share capital	65,311	39,525
Reserves	<u>3,348,124</u>	<u>2,430,246</u>
Equity attributable to owners of the Company	<u>3,413,435</u>	<u>2,469,771</u>
Non-controlling interests	<u>174</u>	<u>38,763</u>
Total Equity	<u>3,413,609</u>	<u>2,508,534</u>
Non-Current Liabilities		
Convertible notes — due after one year	166,964	502,258
Bank and other borrowings — due after one year	2,842,439	1,973,122
Derivative financial instruments	9,194	6,657
Deferred tax liabilities	<u>20,707</u>	<u>10,963</u>
	<u>3,039,304</u>	<u>2,493,000</u>
	<u><u>6,452,913</u></u>	<u><u>5,001,534</u></u>

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard (“HKFRS”) 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee) — Interpretation (“HK(IFRIC) — Int”) 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 2). Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures on fair value measurements in accordance with the transitional provision set out in the amendments.

As part of Improvements to HKFRSs (2008), HKAS 1 “Presentation of Financial Statements” has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement” should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement dates. Prior to the amendment, the Group presented, as current, all derivative financial instruments in accordance with HKAS 39. The amendment has had no impact on the Group’s results for the reported periods. The amendment has resulted in the derivative financial instruments with an aggregate carrying amount of HK\$6,657,000 as at 31 March 2009 being reclassified from current liabilities to non-current liabilities. In addition, at 31 March 2010, derivative financial instruments with an aggregate carrying amount of HK\$9,194,000 have been presented as non-current liabilities based on their maturity dates.

No consolidated statement of financial position as at 1 April 2008 has been presented as the above reclassification has no effect on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

⁴ Effective for annual periods beginning on or after 1 January 2010

⁵ Effective for annual periods beginning on or after 1 February 2010

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for annual periods beginning on or after 1 January 2011

⁸ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the Group’s accounting treatment for changes in the parent’s ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Group, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

The Group's operating and reportable segments under HKFRS 8 are identified to be its business segments under HKAS 14, namely:

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

Segment revenue and results

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

	Property trading <i>HK\$'000</i>	Strategic investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the year ended 31 March 2010</i>				
Gross proceeds	<u>1,447,907</u>	<u>—</u>	<u>355,107</u>	<u>1,803,014</u>
EXTERNAL REVENUE				
Rental income	189,602	—	—	189,602
Income from sales of properties	<u>1,258,305</u>	<u>—</u>	<u>—</u>	<u>1,258,305</u>
	1,447,907	—	—	1,447,907
Interest income and dividend income	—	—	10,219	10,219
Share of results of jointly controlled entities	—	(6,531)	—	(6,531)
Share of results of associates	<u>—</u>	<u>(4,199)</u>	<u>—</u>	<u>(4,199)</u>
Segment revenue	<u>1,447,907</u>	<u>(10,730)</u>	<u>10,219</u>	<u>1,447,396</u>
RESULT				
Segment profit (loss)	<u>279,811</u>	<u>(10,309)</u>	<u>62,396</u>	331,898
Unallocated other income				2,344
Other gains				331,396
Central administration costs				(43,959)
Finance costs				(54,951)
Share of results of a jointly controlled entity				<u>22</u>
Profit before taxation				<u>566,750</u>

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

	Property trading <i>HK\$'000</i>	Strategic investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the year ended 31 March 2009</i>				
Gross proceeds	<u>669,426</u>	<u>—</u>	<u>104,103</u>	<u>773,529</u>
EXTERNAL REVENUE				
Rental income	143,249	—	—	143,249
Income from sales of properties	<u>526,177</u>	<u>—</u>	<u>—</u>	<u>526,177</u>
	669,426	—	—	669,426
Interest income and dividend income	—	—	10,690	10,690
Share of results of jointly controlled entities	—	136,436	—	136,436
Share of results of associates	<u>—</u>	<u>(47,273)</u>	<u>—</u>	<u>(47,273)</u>
Segment revenue	<u>669,426</u>	<u>89,163</u>	<u>10,690</u>	<u>769,279</u>
RESULT				
Segment profit (loss)	<u>132,721</u>	<u>91,842</u>	<u>(32,921)</u>	191,642
Unallocated other income				23,200
Other losses				(468)
Central administration costs				(20,156)
Finance costs				(113,321)
Share of results of an associate				<u>87</u>
Profit before taxation				<u>80,984</u>

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

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

3. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income from:		
— investments held for trading	8,268	8,046
— available-for-sale investments	395	74
Dividend income from:		
— investments held for trading	727	915
— available-for-sale investments	829	1,655
Increase (decrease) in fair values of:		
— investments held for trading	62,151	(42,009)
— available-for-sale investments	182	169
— derivative financial instruments	<u>(7,824)</u>	<u>4,049</u>
	<u>64,728</u>	<u>(27,101)</u>

The following is the analysis of the investment income and gain (loss) from respective financial instruments:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
— investments held for trading	71,146	(33,048)
— available-for-sale investments	1,406	1,898
— derivative financial instruments	(7,824)	4,049
	<u>64,728</u>	<u>(27,101)</u>

4. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reversal of impairment loss on properties held for sale	45,678	—
Bank interest income	2,250	21,487
Income from a jointly controlled entity (<i>Note</i>)	—	1,500
Amortisation of financial guarantee contracts	421	1,179
Others	94	1,713
	<u>48,443</u>	<u>25,879</u>

Note: The amount represented the arrangement fee received from a jointly controlled entity.

5. OTHER GAINS AND LOSSES

Other gains (losses) comprise:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on partial repurchase of convertible notes (<i>Note i</i>)	124,192	—
Gain on redemption of other borrowings (<i>Note ii</i>)	197,182	—
Gain on disposal of property, plant and equipment	7,628	—
Exchange gain (loss)	2,394	(468)
Impairment loss on/forfeiture of deposit paid for acquisition of properties held for sales (<i>Note iii</i>)	—	(52,948)
	<u>331,396</u>	<u>(53,416)</u>

Notes:

- (i) During the year, the Company entered into agreements with certain noteholders, who are independent third parties, pursuant to which the Company repurchased certain of the convertible notes with an aggregate principal amount of HK\$428,900,000 and aggregate carrying amount of the liability component of HK\$418,578,000 at an aggregate consideration of HK\$294,386,000, resulting in a gain of HK\$124,192,000.
- (ii) Pursuant to a loan purchase agreement dated 22 May 2009, the Group bought back the loan from Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) (“Lehman Brothers”) with an aggregate principal outstanding balance plus accrued interest of HK\$433,682,000 at an aggregate consideration of HK\$236,500,000, resulting in a gain of HK\$197,182,000.
- (iii) During the year ended 31 March 2009, an impairment loss of approximately HK\$5,148,000 was made on the deposit paid for acquisition of properties held for re-sale. At 31 March 2009, the directors of the Company considered the decrease in estimated fair value of the relevant properties which will be held for re-sale is greater than the deposit made, therefore, full provision was made.

Besides, the Group entered into a sale and purchase agreement for the acquisition of certain properties in Hong Kong. An amount of HK\$47,800,000 was paid to the vendor, an independent third party, as a deposit for the acquisition. Due to the fluctuation of the property markets, the management determined not to complete the transaction. A cancellation agreement was subsequently entered into with the vendor pursuant to which the entire amount of the said deposit was forfeited. All obligations, covenants and undertakings contained in the relevant sale and purchase agreement was released and the vendor would have no claim against the Group in respect of the proposed acquisition.

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interests on:		
Bank and other borrowings wholly repayable within five years	14,930	28,187
Bank and other borrowings not wholly repayable within five years	23,443	45,323
Convertible notes wholly repayable within five years	16,578	39,811
	<u>54,951</u>	<u>113,321</u>

7. PROFIT FOR THE YEAR

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration:		
Fees	300	300
Salaries and other benefits	10,316	7,897
Bonus	9,657	1,329
Contributions to retirement benefits schemes	371	367
Share-based payments	573	1,086
	<u>21,217</u>	<u>10,979</u>
Other staff costs:		
Salaries and other benefits	11,298	11,608
Bonus	2,879	1,575
Contributions to retirement benefits schemes	633	801
Share-based payments	654	1,241
	<u>15,464</u>	<u>15,225</u>
Total staff costs	<u>36,681</u>	<u>26,204</u>
Auditor's remuneration	870	800
Depreciation of property, plant and equipment	7,203	4,544
Release of prepaid lease payments	2,767	2,767
Cost of properties held for sale recognised as an expense	1,136,400	382,772
Impairment loss on properties held for sale (included in cost of sales)	—	48,503
and after crediting:		
Net rental income from investment properties after outgoings of HK\$Nil (2009: HK\$13,000)	<u>—</u>	<u>535</u>

8. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
— Current year	8,127	19,198
— Underprovision in prior years	2,956	782
	<u>11,083</u>	<u>19,980</u>
Deferred taxation	10,682	(2,119)
	<u>21,765</u>	<u>17,861</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for PRC EIT has been made in the consolidated financial statements as all of the PRC subsidiaries had no assessable profits for both years.

9. DIVIDENDS

A final dividend for the year 2009 of HK0.22 cent per share amounting to HK\$15,760,000 was paid to shareholders during the year.

A final dividend for the year 2008 of HK0.8 cent per share amounting to HK\$39,525,000 was paid to shareholders during the year ended 31 March 2009.

A final dividend of HK0.5 cent per share amounting to HK\$40,819,000 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	546,271	62,373
Effect of dilutive potential ordinary share:		
Interest on convertible notes (net of tax)	15,900	—
Gain on partial repurchase of convertible notes (net of tax)	(123,947)	—
	<u>438,224</u>	<u>62,373</u>
Earnings for the purpose of diluted earnings per share	<u>438,224</u>	<u>62,373</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	7,463,869	6,256,460
Effect of dilutive potential ordinary shares (in thousands):		
Share options	139,162	83,787
Convertible notes	571,398	—
	<u>8,174,429</u>	<u>6,340,247</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<u>8,174,429</u>	<u>6,340,247</u>

For the year ended 31 March 2009, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in increase in earnings per share for the year.

The weighted average number of ordinary shares for both years for the purpose of basic and diluted earnings per share had been adjusted to reflect the effect of rights issue during the year ended 31 March 2010.

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, based on the invoice date, at the end of the reporting period are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables:		
0 — 30 days	1,583	1,270
31 — 90 days	1,258	209
	2,841	1,479
Other receivables	7,534	4,569
Prepayments and deposits	10,136	7,919
	20,511	13,967

Before accepting new customers, the Group will assess and understand the potential customer's credit quality and defines its credit limit. Credit limit attributed to each customer is reviewed regularly.

The counterparties of the entire trade receivable balance were neither past due nor impaired and had no default record based on historical information.

12. OTHER PAYABLES AND ACCRUALS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Rental and related deposits received	62,298	34,767
Receipt in advance for sales of properties held for sale	22,000	—
Accruals	20,566	87,180
Other payables	2,161	509
	107,025	122,456

REVIEW OF THE RESULTS

The Group reported a total revenue of approximately HK\$1,447.9 million for the year ended 31 March 2010, which was mainly generated from sale of properties and rental income and repurchase of convertible notes and other borrowings, representing an increase of 116.3% from approximately HK\$669.4 million recorded in last year.

The Group reported a consolidated profit attributable to the owners of the Company of HK\$546.3 million for the year ended 31 March 2010, represented an increase of 775.5% compared with HK\$62.4 million reported in 2009.

The increase in profit was mainly attributable to increase in contribution of profits from sale of properties, and profits arising from repurchase of convertible notes and other borrowings during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK\$616.9 million, and highly liquid investment for trading of approximately HK\$258.1 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\$891 million as at 31 March 2009 to approximately HK\$896.7 million as at 31 March 2010, and long-term bank borrowing increased from approximately HK\$1,973.1 million as at 31 March 2009 to approximately HK\$2,842.4 million as at 31 March 2010. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowing increased from approximately HK\$2,864.1 million as at 31 March 2009 to approximately HK\$3,739.1 million as at 31 March 2010, and the Group's ratio of total debt (bank and other borrowing) to total assets was 48.0% (At 31 March 2009: 47.3%). 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 spread over a period of 10 years with approximately HK\$896.7 million repayable within one year, HK\$1,915.8 million repayable between one to five years, and HK\$926.6 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.

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.

CONTINGENT LIABILITIES

Corporate guarantee given by the Group for banking facilities granted to a/an:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
— Jointly controlled entity	—	105,000
— Associate	<u>84,800</u>	<u>84,800</u>
	<u>84,800</u>	<u>189,800</u>

and utilised by:

— Jointly controlled entity	—	68,100
— Associate	<u>59,050</u>	<u>50,650</u>
	<u>59,050</u>	<u>118,750</u>

The directors assess the risk of default of the jointly controlled entities and associates at the end of each reporting period and consider the risk to be insignificant and it is more likely than not any guaranteed amount will be claimed by the counterparties.

Included in accruals and other payables represents deferred income in respect of financial guarantee contracts given to a/an:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
— Jointly controlled entity	—	5
— Associate	<u>43</u>	<u>465</u>
	<u>43</u>	<u>470</u>

PLEDGE OF ASSETS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Property, plant and equipment	1,951	2,039
Prepaid lease payment	88,275	90,661
Properties held for sale	4,622,741	4,264,816
Bank deposits	35,183	8,375
	<u>4,748,150</u>	<u>4,365,891</u>

CAPITAL COMMITMENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	<u>—</u>	<u>22,970</u>

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 2 August 2010 to Thursday, 5 August 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Friday, 30 July 2010.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, 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 year in review with the required standards as set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

There was no purchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements for the year ended 31 March 2010.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of the Company will be held on 5 August 2010.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

A results announcement and annual report containing the information required by the Listing Rules will be published on the website, 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, 18 June 2010

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