CSI PROPERTIES LIMITED
資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS
(In HK$ million, except otherwise indicated)

	Year ended 31 March **2018**	2017
Revenue	**3,969**	1,868
Profit attributable to owners of the Company	**1,010**	1,347
Equity attributable to owners of the Company	**11,743**	10,755
Earnings per share – basic *(HK cents)*	**10.06**	13.42
Dividend per share proposed after the end of the reporting year – Final dividend *(HK cents)*	**1.400**	1.620

Supplementary information of contracted sales highlight:

	%	**Recognised contracted sales for the year ended 31 March 2018** *HK$'000*	**Unrecognised contracted sales committed up to 31 March 2018** *HK$'000*
Group level			
Hong Kong residential properties		2,854,600	1,465,433
Hong Kong commercial properties		807,459	1,558,238
Sub-total		3,662,059	3,023,671
Joint ventures and associates			
PRC residential properties	50%	288,283	209,217
Hong Kong residential properties	50%	181,967	–
Hong Kong commercial properties	30% – 50%	1,124,400	779,904
Sub-total		1,594,650	989,121
Total		**5,256,709**	**4,012,792**
Less: Non-controlling interests		(11,728)	(122,377)
Contracted sales attributable to the Group		**5,244,981**	**3,890,415**

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are most excited about the current fiscal year 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. This is a new landmark for the Group in terms of the ability to raise sizeable quasi equity for the Group, besides the traditional equity and debt capital channels, and helps to raise the profile and publicity for the Group by broadening investor base.

Furthermore, the very well received 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 developer 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 future profit generator for the Group in the future.

In addition, in partnership with Wing Tai Properties Limited (Stock Code: 0369.HK), the Group won the tender for the development at Site C of the Gage Street/Graham Street, Central 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 a Grade-A office tower and a hotel, providing a gross floor area of up to 40,275 square metres.

Subsequent to the fiscal year end, the Group also won in partnership with Sino Land the tender for a MTR residential site in Yau Tong in May 2018. It is also the first time for the Group in developing mass residential project at a MTR site. The project is located near the Yau Tong MTR station and will be developed into numerous apartment units at this convenient residential site in East Kowloon. We believe that this is a good beginning for the Group in doing more mass-scale residential projects and further introduce our premium brand to the general public.

Last but not least, the Group also recently won the yearly award for the "Best Managed Mid-cap Company in Hong Kong" by a poll conducted by FinanceAsia based on votes from global investors and analysts. This is the first time for the Group to realise such award in the Mid-cap category following its previous awards in the Small-cap category in 2013 and 2014. It is another strong testimony from the global investor base as to our solid path to being a leading Mid-cap company in Hong Kong.

BUSINESS REVIEW

The Group has a very successful financial year in terms of record high contracted sales commitment. Total contracted sales attributable to the Group as at 31 March 2018 amounted to approximately HK$9.14 billion (including recognised and unrecognised contracted sales), of which the unrecognised contracted sales committed of approximately HK$3.89 billion will be good revenue and profit generators for the Group in the forthcoming two fiscal years.

Commercial Properties

Significant disposals during the year through joint ventures included the sales of the site at No. 232 Wanchai Road and five floors of Enterprise Square Three, Kowloon Bay which currently is leased to Esprit Holdings as its headquarters.

Other disposals included the sale of unit 1006 of the Bank of America Tower, the remaining one floor of the Le Diamant at Nathan Road and one floor plus a car parking space at Seaview Estate in North Point.

In addition, the Group has sold and delivered fourteen office floors of Oriental Crystal Commercial Building at No. 46 Lyndhurst Terrace, Central which we acquired earlier in 2017. Subsequent to the fiscal year end, three more office floors also completed sales in May 2018, bringing the total to seventeen floors. We continue to hold the two ground floor shops, the first floor and rooftop. The renovation work at the lobby and entrance have been completed and we expect a smooth and speedy sale of the remaining floor and shops in the future to realise further upside.

Furthermore, the Group has 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 area of approximately 8,100 square feet, allows the Group to redevelop it into a new, prime commercial building in the heart of Tsim Sha Tsui, targeting prime retail and office clients in the future.

On the operation side, construction work is well underway at No. 38 Wai Yip Street in Kowloon Bay which we invested through a consortium with Billion Development and Sino Land. Presale has recently begun and we have so far presold of approximately 40% of all available floors within a short period. With the recent Sun Hung Kai's record bid for a mixed-use site through government tenders in neighboring Kai Tak area, 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 has commenced presale since beginning of 2018 with several office floors presold already. The Nos. 46 and 48 Cochrane Street site has completed 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.

In the fiscal year, the Group has entered into contract for sale a boutique commercial development site at Nos. 68-70 Electric Road in Tin Hau in February 2018 with target completion in July 2018. The site area is approximately 3,465 square feet.

Furthermore, we have recently completed our purchase of a prime commercial building, the Everest Building, at Nos. 241 and 243 Nathan Road at the heart of Jordon and right next to the MTR exits. The excellent location and accessibility make the building ideal for repositioning and upgrades. We expect to utilise the strong skills and experience of the Group to add value to this new investment.

With a strong pipeline of these forthcoming exciting commercial development projects, in particular the URA project at Gage Street/Graham Street, Central that we mentioned earlier, we are optimistic on the prospective profitability from the commercial division in the coming years.

Couture Homes – Residential Property Development

We also have a very good year for Couture Homes in terms of sales and land bank replenishment.

First of all, 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 residential units presold at record prices for Tuen Mun. This helps to further drive the Couture Homes brand to the mass residential market which desires lifestyle products. We still maintain the retail units which we intend to sell in due course.

We have also entered into contract for sale for a total of 13 villas at the kau to HIGHLAND project at Nos. 39-77 Lai Ping Road since April 2017 for which 12 villas have been delivered and 1 villa is expected to be completed in July 2018. With the formation of the new Kau To Shan area to be a new exclusive neighborhood of luxury living, we expect the remaining villas to be in good demand and be sold in the near future.

Furthermore, the exclusive penthouse unit with full Victoria Harbor view, together with 2 ground floor shops and 5 car parking spaces at the yoo Residence in Causeway Bay were all sold this fiscal year to complete sales of the whole building.

In China, the last batch of target sales totaling 42 villas and 96 apartments at the Queen's Gate project in Shanghai is awaiting the relevant government approval on the pricing scheme and we are optimistic on the successful sales of these units at optimal pricing when sales are completed.

In addition, the Group sold the prime residential site at Nos. 3-6 Glenealy in Central to Pacific Century Premium Developments Limited in March 2018. The transaction allows the Group to realise immediate profit while retaining 50% of all profits from the project in the future.

On the acquisition side, the Group completed its first entry into the Beijing market through a joint venture in the acquisition of Beijing Legendale, a luxury residential project at Nos. 90 and 92 Jinbao Street, for approximately RMB1.76 billion or RMB62,000 per square metres 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 is to refurnish the existing structure including the facade and lobby areas and the interior of residential units to bespoke, modern contemporary designs to capture the significant price appreciation of this primely located project.

Furthermore, the Group won in partnership with Sino Land the tender for a MTR residential site at Yau Tong in May 2018. This is an exciting first successful bid for a MTR project for the Group. The project is located near the Yau Tong station on the MTR line and will be developed into around 500 units at this convenient residential site in East Kowloon.

For the forthcoming fiscal year, we will have a few prime residential projects targeting to launch.

The premium residential tower at Nos. 47 and 49 Perkins Road project at Jardine's Lookout will be targeted for sales in third quarter of calendar year 2018. The sixteen luxurious units in the exclusive premium neighbourhood is expected to have great demand from buyers due to its excellent quality.

The Nos. 8-12 Peak Road project is making good headway and the refurbished units will be ready for sale in early calendar year 2019. We are optimistic that the full value of this project can be extracted with premium pricing to be achieved similar to the pricings for the OPUS and Mount Nicholson projects for this prime address at the Peak.

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

As at 31 March 2018, the Group held available-for-sale investments and investments held for trading of approximately HK$2,017.6 million (31 March 2017: HK$2,490.3 million). The investment portfolio comprises of 78.7% by listed debt securities, 3.9% by listed equity securities and 17.4% unlisted funds and debt securities. They are denominated in different currencies with 95.4% in United States dollars and 4.6% in Hong Kong dollars.

The decrease in investment portfolio mainly arose from disposal of investment of approximately HK$441.1 million and a mark-to-market valuation net loss of HK$31.6 million, comprising loss from debt securities of approximately HK$33.7 million and gain from equity securities (listed in Hong Kong) of approximately HK$2.1 million.

During the year under review, interest income and dividend income from securities investment increased to approximately HK$161.6 million (31 March 2017: HK$134.5 million).

As at 31 March 2018, approximately HK$263.5 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 issued 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 new strong leadership in China marks a new era of solid growth and development for China 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 stabilization and growth as evidenced by the strong economic data from U.S. 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 interest rate hikes in U.S., continuing saga on the North Korean-U.S. relationship, the trade tensions between the U.S. and China and other worldwide countries. Coupling with the continual unpredictive policies as driven by President Donald Trump in the U.S., these potential events will all have global implications and may have effects on the Chinese and Hong Kong economies and have consequences for the Group in the future.

Despite these potential macro challenges, the Group believes that the property market in Hong Kong will remain strong on both the commercial and residential sides in the future due to the strong economic fundamentals and demand. The Group has a solid balance sheet and disposal pipeline, which includes our premium residential projects at Nos. 47 and 49 Perkins Road and Nos. 8-12 Peak Road, in the future to well position the Group to ride out any market volatilities and continue its path to becoming a leading mid-cap listed property developer in Hong Kong.

RESULTS

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 2018, together with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Revenue	*2*	**3,969,462**	1,868,279
Cost of sales and services		**(3,110,302)**	(1,266,931)
Gross profit		**859,160**	601,348
Income from investments	*4*	**161,580**	134,503
Gains (losses) from investments	*4*	**12,964**	44,580
Other income	*5*	**93,764**	89,444
Other gains	*6*	**26,348**	956,571
Administrative expenses		**(223,944)**	(274,506)
Finance costs	*7*	**(287,989)**	(243,084)
Share of results of joint ventures		**471,957**	53,995
Share of results of associates		**(4,677)**	4,297
Profit before taxation		**1,109,163**	1,367,148
Income tax expense	*8*	**(46,761)**	(21,387)
Profit for the year	*9*	**1,062,402**	1,345,761
Attributable to:			
Owners of the Company		**1,010,233**	1,346,734
Holders of perpetual capital securities		**47,840**	–
Non-controlling interests		**4,329**	(973)
		1,062,402	1,345,761
Earnings per share *(HK cents)*	*11*		
Basic		**10.06**	13.42

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**1,062,402**	1,345,761
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**28,269**	(22,404)
Share of other comprehensive income (expense) of joint ventures:		
Share of exchange differences of joint ventures	**111,537**	(38,882)
Others	**–**	1,587
	139,806	(59,699)
Total comprehensive income for the year	**1,202,208**	1,286,062
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,150,039**	1,286,233
Holders of perpetual capital securities	**47,840**	–
Non-controlling interests	**4,329**	(171)
	1,202,208	1,286,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**266,637**	154,455
Available-for-sale investments		**138,213**	191,508
Loan receivables		**135,193**	46,813
Club memberships		**11,915**	11,385
Interests in joint ventures		**4,223,632**	1,604,511
Amounts due from joint ventures		**3,220,780**	2,804,860
Interests in associates		**251,763**	152,303
Amounts due from associates		**–**	38,129
		8,248,133	5,003,964
Current Assets			
Loan receivables		**51,486**	266,140
Trade and other receivables	*12*	**1,132,247**	106,087
Amounts due from non-controlling shareholders of subsidiaries		**2,460**	–
Properties held for sale		**11,957,211**	11,752,540
Investments held for trading	*13*	**1,879,380**	2,298,774
Taxation recoverable		**9,798**	10,845
Cash held by securities brokers		**2,384**	30,760
Bank balances and cash		**2,577,148**	3,572,022
		17,612,114	18,037,168
Current Liabilities			
Other payables and accruals	*14*	**1,106,879**	940,529
Taxation payable		**220,978**	194,889
Amounts due to joint ventures		**722,382**	180,528
Amounts due to non-controlling shareholders of subsidiaries		**198,073**	163,640
Bank borrowings – due within one year		**1,358,707**	1,324,437
Guaranteed notes – due within one year		**–**	817,830
		3,607,019	3,621,853
Net Current Assets		**14,005,095**	14,415,315
		22,253,228	19,419,279

	2018 *HK$'000*	2017 *HK$'000*
Capital and Reserves		
Share capital	**80,296**	80,296
Reserves	**11,662,454**	10,675,016
Equity attributable to owners of the Company	**11,742,750**	10,755,312
Holders of perpetual capital securities	**1,539,619**	–
Non-controlling interests	**28,190**	14,070
Total Equity	**13,310,559**	10,769,382
Non-Current Liabilities		
Bank borrowings – due after one year	**6,988,999**	6,696,726
Guaranteed notes – due after one year	**1,950,000**	1,950,000
Deferred tax liabilities	**3,670**	3,171
	8,942,669	8,649,897
	22,253,228	19,419,279

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

2. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Rental income and hotel operation income *(Note)*	**307,403**	281,107
Sales of properties held for sale	**3,662,059**	1,587,172
	3,969,462	1,868,279

Note: This comprises of rental income from properties during the year (2017: rental income from properties and hotel operation income).

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"), 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.

There are four reportable and operating segments in current year as follows:

(a) commercial property holding segment, which engages in the investment and trading of commercial properties, properties under development and also the strategic alliances with the joint venture partners of the joint ventures and associates in Hong Kong, Singapore 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 year ended 31 March 2018					
EXTERNAL REVENUE					
Rental income	290,908	13,725	2,770	–	307,403
Sales of properties held for sale	807,459	2,854,600	–	–	3,662,059
Revenue of the Group	1,098,367	2,868,325	2,770	–	3,969,462
Interest income and dividend income	–	–	–	161,580	161,580
	1,098,367	2,868,325	2,770	161,580	4,131,042
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	35,869	612	–	–	36,481
Sales of properties held for sale	1,124,400	470,250	–	–	1,594,650
	1,160,269	470,862	–	–	1,631,131
Segment revenue	2,258,636	3,339,187	2,770	161,580	5,762,173
RESULTS					
Share of results of joint ventures *(Note)*	386,478	85,479	–	–	471,957
Share of results of associates *(Note)*	(4,632)	(45)	–	–	(4,677)
Segment profit (loss) excluding share of results of joint ventures and associates	423,978	436,318	(1,671)	165,306	1,023,931
Segment profit (loss)	805,824	521,752	(1,671)	165,306	1,491,211
Unallocated other income					36,469
Unallocated other gains					24,873
Central administration costs					(155,401)
Finance costs					(287,989)
Profit before taxation					1,109,163

	Commercial property holding *HK$'000*	Residential property holding *HK$'000*	Macau property holding *HK$'000*	Securities investment *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2017					
EXTERNAL REVENUE					
Rental income and hotel operation	271,516	7,625	1,966	–	281,107
Sales of properties held for sale	429,412	1,157,760	–	–	1,587,172
Revenue of the Group	700,928	1,165,385	1,966	–	1,868,279
Interest income and dividend income	–	–	–	134,503	134,503
	700,928	1,165,385	1,966	134,503	2,002,782
SHARE OF REVENUE OF ASSOCIATES AND JOINT VENTURES					
Rental income	27,461	1,547	–	–	29,008
Sales of properties held for sale	–	1,139,878	–	–	1,139,878
	27,461	1,141,425	–	–	1,168,886
Segment revenue	728,389	2,306,810	1,966	134,503	3,171,668
RESULTS					
Share of results of joint ventures *(Note)*	(15,256)	69,251	–	–	53,995
Share of results of associates *(Note)*	4,399	(102)	–	–	4,297
Segment profit (loss) excluding share of results of joint ventures and associates	1,383,089	133,986	(3,203)	174,802	1,688,674
Segment profit (loss)	1,372,232	203,135	(3,203)	174,802	1,746,966
Unallocated other income					32,945
Unallocated other gains					922
Central administration costs					(170,601)
Finance costs					(243,084)
Profit before taxation					1,367,148

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) includes the profit earned (loss incurred) by each segment, interest income from investments held for trading, dividend income, fair value change of investments, net realised gain on change in fair value of derivative financial instruments, gain on disposal of some property, plant and equipment, gain on disposal of subsidiaries, gain on disposal of an available-for-sale investment, reversal of impairment loss on amount due from an associate, reversal of write-down of properties held for sale, share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income) and of other gains, central administrative costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4. INCOME AND GAINS (LOSSES) FROM INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Income from investments includes the following:		
Interest income from investments held for trading	**150,490**	133,025
Dividend income from		
– investments held for trading	**686**	851
– available-for-sale investments	**10,404**	627
	161,580	134,503
Gains (losses) from investments includes the following:		
Net change in fair value of investments held for trading		
– net realised (loss) gain	**(14,249)**	470
– net unrealised (loss) gain	**(31,621)**	44,110
Gain on disposal of an available-for-sale investment	**55,773**	–
Net realised gain on change in fair value of derivative financial instruments	**3,061**	–
	12,964	44,580
	174,544	179,083

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

	2018	2017
	HK$'000	*HK$'000*
Investments held for trading	**105,306**	178,456
Available-for-sale investments	**66,177**	627
Derivative financial instruments	**3,061**	–
	174,544	179,083

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**13,444**	22,170
Loan interest income	**9,630**	4,931
Interest income from amounts due from joint ventures	**48,387**	46,610
Amortisation of financial guarantee contracts	**3,169**	2,705
Assets management income	**8,908**	9,890
Consultancy fee income	**2,415**	–
Government subsidies *(Note)*	**1,747**	–
Others	**6,064**	3,138
	93,764	89,444

Note: The amounts represent the government subsidies received as reimbursement of operating expenses incurred, for which no condition is required to be fulfilled.

6. OTHER GAINS

	2018	2017
	HK$'000	*HK$'000*
Other gains comprise of:		
Gain on disposal of property, plant and equipment	**23,681**	955,461
Gain on disposal of subsidiaries	**–**	930
Reversal of impairment loss on amount due from an associate	**1,475**	–
Net exchange gain	**1,192**	180
	26,348	956,571

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**179,567**	149,113
Guaranteed notes	**136,159**	119,610
Total borrowing costs	**315,726**	268,723
Less: Amounts capitalised in the cost of qualifying assets	**(27,737)**	(25,639)
	287,989	243,084

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 3.35% (2017: 2.05% to 3.22%) per annum for the year ended 31 March 2018.

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**53,765**	24,947
– Overprovision in prior years	**(7,511)**	(1,242)
Macau Complementary tax		
– Current year	**8**	7
	46,262	23,712
Deferred taxation	**499**	(2,325)
	46,761	21,387

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

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 jurisdiction is calculated at the rate prevailing in the relevant jurisdictions.

9. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**58,702**	68,493
Other staff costs:		
Salaries and other benefits	**51,786**	38,738
Performance-related incentive bonus	**16,733**	12,430
Contributions to retirement benefits schemes	**3,750**	2,974
	72,269	54,142
Total staff costs	**130,971**	122,635
Auditor's remuneration	**3,415**	3,472
Cost of properties held for sale recognised as an expense	**3,042,887**	1,217,224
Depreciation of property, plant and equipment	**18,542**	37,057
Gain on disposal of property, plant and equipment	**(23,681)**	(955,461)
Written off of property, plant and equipment	**110**	–
Reversal of write-down of properties held for sale (included in cost of sales)	**(68,773)**	(41,695)

10. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK1.620 cents per share in respect of financial year ended 31 March 2017 (2017: Final dividend of HK1.973 cents per share in respect of financial year ended 31 March 2016)	**162,601**	198,032
Dividends proposed after the end of the reporting period		
– Final dividend of HK1.400 cents per share (2017: Final dividend of HK1.620 cents per share)	**140,519**	162,601

11. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share: (profit for the year attributable to owners of the Company)	**1,010,233**	1,346,734
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**10,037,090**	10,037,090

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both years.

12. TRADE AND OTHER RECEIVABLES

Trade receivables mainly comprise of rental receivables. Rental receivables are billed and receivable based on the terms of tenancy agreements. The Group allows an average credit period of 0-60 days (2017: 0-60 days) to its tenants. The ageing analysis of the trade receivables, presented based on the debit note date for rental receivables which approximated the revenue recognition date, at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**9,453**	7,644
31 – 90 days	**2,421**	1,115
	11,874	8,759
Prepayments and deposits	**48,391**	61,731
Deposits for acquiring property held for sale *(Note)*	**190,000**	–
Other receivables	**881,982**	35,597
	1,132,247	106,087

Note: On 9 March 2018, an indirect wholly-owned subsidiary of the Company, Realtime Mission Limited, entered into a sale and purchase agreement with an independent third party to acquire property held for sale at a cash consideration of HK$1,900,000,000. As at 31 March 2018, deposits for the acquisition amounting to HK$190,000,000 have been paid.

Before accepting new customers, the Group will assess and understand the potential customer's credit quality.

The entire trade receivables balance was neither past due nor impaired and had no default record based on historical information.

As at 31 March 2018, other receivables mainly comprised of deposits received for the pre-sale of the Group's properties held for sale in the amount of HK$847,555,000 (2017: nil) under the custody of the independent lawyers on behalf of the Group.

13. INVESTMENTS HELD FOR TRADING

Investments held for trading, at fair values, comprise:

	2018	2017
	HK$'000	*HK$'000*
Listed equity securities	**78,791**	57,207
Unlisted mutual funds	**17,940**	17,794
	96,731	75,001
Listed debt securities	**1,586,899**	2,223,773
Unlisted debt securities	**195,750**	–
	1,879,380	2,298,774

	2018	2017
Total and reported as:		
Listed		
Hong Kong	**327,724**	481,041
Elsewhere	**1,337,965**	1,799,939
Unlisted	**213,691**	17,794
	1,879,380	2,298,774

14. OTHER PAYABLES AND ACCRUALS

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

	2018	2017
	HK$'000	*HK$'000*
Rental and related deposits received	**92,908**	93,571
Receipt in advance for sales of properties	**852,523**	690,000
Other tax payables	**2,257**	4,287
Deferred income of financial guarantee contracts to joint ventures	**3,334**	6,458
Accrued construction costs	**37,029**	47,215
Accrued consultancy fee	**3,291**	12,208
Accruals and other payables	**115,537**	86,790
	1,106,879	940,529

REVIEW OF THE RESULTS

The Group reported a total revenue of approximately HK$3,969.5 million for the year ended 31 March 2018, which was mainly generated from sale of properties, representing an increase of 112.5% from approximately HK$1,868.3 million recorded last year.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of HK$1,010.2 million for the year ended 31 March 2018, represented a decrease of 25.0% compared with HK$1,346.7 million reported in 2017.

The decrease in profit was mainly due to the decrease in contribution of gain from disposal of property, plant and equipment during the year.

If the Group was to state its properties held for sale at their open market valuations as at 31 March 2018, the net assets attributable to owners of the Company will be adjusted from approximately HK$11.7 billion to HK$19.1 billion for the year ended 31 March 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included bank balance and cash of approximately HK$2,579.5 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 31 March 2018, the Group's total external borrowings, comprise of bank borrowings and guaranteed notes, amounted to approximately HK$10,297.7 million (31 March 2017: HK$10,789.0 million) and the Group's ratio of total debt to total assets was 39.8% (31 March 2017: 46.8%) (measured by total external borrowings as a percentage to the total assets 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 consolidated financial statements for the year ended 31 March 2018, 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 2-10 years with approximately HK$1,358.7 million repayable within one year, HK$6,940.3 million repayable between one to five years, and HK$48.7 million over five years.

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

DIVIDEND

The Board has recommended the payment of a final dividend of 1.40 Hong Kong cents per share (2017: 1.62 Hong Kong cents) or an aggregate amount of approximately HK$140.5 million (2017: HK$162.6 million) for the year ended 31 March 2018, subject to the approval of shareholders of the Company at the 2018 Annual General Meeting, to shareholders whose names appear on the register of members of the Company on 14 September 2018, payable on or around 20 September 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	**5,960,631**	4,760,047
An associate	**282,854**	282,854
	6,243,485	5,042,901
and utilised by:		
Joint ventures	**4,994,926**	3,519,573
An associate	**168,798**	165,684
	5,163,724	3,685,257

The directors of the Company assessed the risk of default of the joint ventures and an associate 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 as at 31 March 2018, there was deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK$3,334,000 (2017: HK$6,458,000).

PLEDGE OF ASSETS

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

	2018	2017
	HK$'000	*HK$'000*
Property, plant and equipment	**254,765**	131,853
Properties held for sale	**11,541,551**	10,676,750
Investments held for trading	**263,468**	336,983
	12,059,784	11,145,586

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 September 2018 to Friday, 14 September 2018, 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 4:30 p.m. on Monday, 10 September 2018.

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 has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the year 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, risk management and financial reporting matters including a review of the financial statements for the year ended 31 March 2018.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held on 5 September 2018.

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 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, 28 June 2018

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.