

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the interim period ended 30 September 2022, the revenue of CSI Properties Limited (the “Company”) and its subsidiaries (the “Group”) was HK\$230.7 million, compared with HK\$99.7 million in the last interim period. Consolidated profit for the interim period ended 30 September 2022 was HK\$93.1 million, representing a decrease of HK\$78.9 million compared with HK\$172.0 million in the last interim period.

Consolidated profit attributable to owners of the Company for the six months ended 30 September 2022 was HK\$61.6 million, representing a decrease of HK\$66.9 million compared with HK\$128.5 million in the last interim period. Earnings per share attributable to shareholders for the interim period was HK0.66 cents compared with HK1.36 cents in the last interim period.

The Group remained profitable in this interim period despite challenging macroeconomic factors, such as rising interest rates and ongoing vigilant COVID-19 measures in Hong Kong and China. These overhangs continue to dampen overall investment sentiment, particularly on the commercial properties front. The Group has maintained a solid financial position through asset disposals on both residential and commercial fronts while remaining prudent with new acquisitions. With a strong balance sheet and healthy gearing, together with solid Hong Kong prime landbanks, we are confident this strong financial standing will ensure the Group’s stability and ability to ride out the current global geopolitical and rate hike challenges in the future.

* *For identification purpose only*

Hong Kong Commercial Properties

Having confidence in the recovery of Hong Kong with borders gradually reopening with China and the rest of world, the Group has continued to develop and upgrade its portfolio of strategic commercial projects that are well-positioned to become our key revenue drivers. One highly anticipated project is the URA project at Gage Street/Graham Street, Central, a joint venture mixed-use commercial development with Wing Tai Properties Limited. The project will deliver a Grade A office tower, a super luxury hotel, F&B and retail shops with a combined gross floor area of approximately 432,000 square feet. Construction is currently underway with foundation works near completion. The Group and its partner, Wing Tai Properties Limited, are well proven in market to deliver classy products and unique lifestyle experiences. We are confident that with its prime location and the expertise and acumen of the two developers, the project will be a spectacular brand-new landmark in Central.

Our Group's newly-opened F&B and lifestyle-focused destination, "FOCO" at No. 48 Cochrane Street, Central, is located at the heart of SoHo district, just a few steps away from "Tai Kwun" and its up-and-coming arts and culture hub. Internationally renowned for its vibrant scene from stylish bars and restaurants to art galleries and live shows, the SoHo district remains a signature destination for locals, expatriates and tourists alike. "FOCO" has a gross floor area of approximately 32,000 square feet. The majority of floors are currently leased out at premium rental rates to leading F&B and lifestyle outlets, a feat in the current challenging rental market in Hong Kong.

Over in Kowloon East, the Group, along with our joint venture partners, have successfully rebranded our prime office tower at No. 8 Lam Chak Street in Kowloon Bay as "Harbourside HQ". Following a substantial refurbishment, the Grade A office building currently boasts a sleek new look in its main lobby, entrance hallway, lifts, lift lobbies and washrooms. With the successful rebranding and enhancements realising the full potential of "Harbourside HQ", the Group envisions retaining and bringing in international caliber tenants, as well as achieving higher rental yields.

The "Hong Kong Health Check Tower" at Nos. 241 and 243 Nathan Road in Jordan has a leading Hong Kong medical service provider, Hong Kong Health Check and Medical Diagnostic Centre Limited, anchored as the main tenant. The tower is strategically located at the junction of Nathan Road and Jordan Road. In addition to its immediate proximity to Tsim Sha Tsui and Jordan MTR station, the area is only a few blocks away from the West Kowloon high-speed rail station, thus is both well-frequented by locals and mainland tourists and renowned as a hub of clinics and medical centres. The Group has made substantial improvement works to the tower's façade, signage, main lobby, lifts, lift lobbies and washrooms. The successful transformation of this dedicated medical service-oriented commercial tower is another showcase of our expertise in upgrading and repositioning properties, with substantially improved rental yields after repositioning. We are confident in the investment value of this enhanced commercial tower should the opportunity of future disposal arises.

An upcoming development located at the site of the previous “Novotel Hotel” in Jordan has seen its redevelopment plan commenced in September 2021. We have formed a joint venture with the Canada Pension Plan Investment Board and a minority partner to undertake this project. Demolition of the existing structure has already completed and foundation works are well underway. Working with internationally renowned architectural firm, PDP London, the Group and its partners envision a mixed-use commercial and residential tower with a total gross floor area of over 250,000 square feet. Construction is expected to be completed by 2025. The lower commercial floors can be used as a prime office space with a focus on financial services, whereas the upper residential tower will offer future residents a prime address in the heart of Kowloon Peninsula, with superb accessibility to all areas of the city. Presale of the residential units is expected to commence in mid-2023 and we expect to receive good responses at this prime Kowloon address. We anticipate this iconic new tower to be one of the jewels for the Group upon its completion.

Great strides have been made by the Group in driving the development and repositioning of our various commercial assets. We firmly believe that these continual efforts will enable the Group in capitalising on these value creation works in the near future, especially with the reopening of borders with Mainland China and the rest of world foreseen and Hong Kong’s economy gradually recovering its strength.

Couture Homes – Hong Kong Residential Property Development

The Group currently maintains a sizeable portfolio of luxury and mass residential projects in key locations of Hong Kong, all of which are expected to generate profitability in the forthcoming financial periods.

“Dukes Place” at No. 47 Perkins Road in Jardine’s Lookout is our joint venture luxury residential project. Nestled in a quiet, prestigious ultra-high-net-worth neighborhood, the project offers a selective number of super luxury simplexes, duplexes, garden villas and a penthouse, with layouts and sizes ranging from approximately 2,850 square feet to over 6,800 square feet. To date, the Group has entered into contracts for sale for 11 units out of a total of 16 units at superior prices. This is a true achievement in these challenging times as COVID-19 has virtually closed the borders of Hong Kong and limited buying interests from mainland buyers. We are confident in the sales of the remaining special units at top prices as the border with China reopens.

“Infinity” at Nos. 8-12 Peak Road is a joint venture project that saw the refurbishment of a collection of ultra-high-end residences. In addition, the Group wholly owns a detached house for redevelopment purpose at this prime Peak address. This project is endowed with sweeping, full 180-degree views of Victoria Harbour. With the final refurbishment of the residences completed earlier, it is amongst the most desired projects for connoisseurs looking for the best home the prestigious Peak address can offer. We have received positive responses and ongoing interests from the community on the units and are confident that this splendid project will continue to solidify our renowned reputation for ultra-luxury residential projects.

Our residential project “Cadenza” at No. 333 Fan Kam Road in Sheung Shui comprises of 6 luxurious villas, each providing a gross floor area of more than 6,000 square feet. Each villa benefits from its own swimming pool and exquisite private garden, setting the benchmark for the most prestigious country houses. The project is unrivalled in this exclusive neighborhood which is situated a mere three-minute drive from the acclaimed Hong Kong Golf Club at Fanling.

The prime residential project at Nos. 3-6 Glenealy, Central, on which we are working with Pacific Century Premium Developments Limited, is well underway with foundation works currently in progress.

Our Yau Tong MTR residential project in joint venture with Sino Land Company Limited is progressing well according to schedule. The Group is very excited to be working with Sino Land Company Limited on our first MTR residential project. We currently anticipate the presale of the residential units to be around mid-2023 and expect to receive a solid market response due to its convenient location in Kowloon East.

Our Wong Chuk Hang MTR residential project, in joint venture with New World Development Company Limited among others, is a superior residential property located on top of the forthcoming Wong Chuk Hang MTR station mall podium. The plan is to develop the prime site into a premium residential complex with total gross floor area of around 636,000 square feet. The residential units will have excellent views of Ocean Park Hong Kong and Deep Water Bay, creating a well-located haven for premium residential units at this convenient address with a short five-minute MTR ride away from Admiralty. Construction work has commenced for this project with target completion in 2025. Presale of the residential units is anticipated in the later part of 2023. The Group is confident that the project will command good responses and profitability due to its extremely convenient location in Hong Kong Island South, with reference to the highly successful presales of two comparable Wong Chuk Hang MTR station residential projects which achieved superior prices in the same vicinity.

The Group is in full support of the Hong Kong Government’s “Northern Metropolis” development plan and will work with the relevant government departments including the Town Planning Board for the development of two important mass residential sites in the area which the Group acquired. The first one is our 50:50 joint venture redevelopment of Lai Sun Yuen Long Centre in Yuen Long. The project has already obtained the necessary government approvals to transform the existing industrial building into a mass residential complex with a future attributable gross floor area of approximately 400,000 square feet. This convenient site presents easy access to the heart of Yuen Long and Long Ping MTR station. The second is our joint venture project in Kwu Tung with a future attributable gross floor area of approximately 1,000,000 square feet in which the Group holds a 40% stake of the project. The “Kwu Tung North Development Area” is expected to be a new town development that will accommodate a population of around 115,000 with strong railway and highway links, as per the development plan of the Government. We believe the site, located near the future Kwu Tung MTR station, to be a landmark mass residential development of the Group in the future.

The Group remains pleased with the performance and development progress of our residential projects made to-date, especially with the sales of our high-end residential units achieving good volume and superior pricing. We have a solid pipeline of residential projects that will be realised in the foreseeable future, especially on the mass residential spectrum, and will contribute to the continued growth of the Group's residential portfolio.

Mainland China Market

“Knightsbridge” is the Group's first luxury residential joint venture project in Beijing and is located at Nos. 90 and 92 Jinbao Street. This project has a classical European style façade which is one-of-a-kind and well recognisable in the locality. The completed renovation works include an upgrade of the façade and common areas, and the fitting out of the interiors of the 2 floors of show units. Sales of the units are well underway with nearly two-thirds of the refurbished units sold at premium pricing despite the COVID lockdowns in Beijing, demonstrating the continual strong demand from affluent mainlanders for high-end luxury residential properties in Mainland China.

In terms of our long-term holding commercial assets in Mainland China, the Group's repositioning works to the “In Point Shopping Mall” at No. 169 Wujiang Road in Shanghai have been completed. Upgrades were made to the primely located mall to create a promenade of double-decker premium street-front stores to enhance the tenancy profile and rental yield. Thanks to the refurbishment, the Group has achieved significant value creation with an improved tenancy profile nearing full occupancy and much improved rental rates which almost doubled the previous levels. The “Richgate Plaza” also enjoyed good occupancy and rental yields.

The Group will remain prudent when strategising our pipeline and investment opportunities in Mainland China, with a key focus on prime locations in first-tier cities including Shanghai, Beijing and key cities in the Greater Bay Area.

Securities Investment

As at 30 September 2022, the Group held financial assets at fair value through profit or loss of approximately HK\$413.9 million (31 March 2022: HK\$655.1 million). The investment portfolio comprises of 43.9% listed debt securities, 2.3% listed equity securities and 53.8% unlisted equity and debt securities. They are denominated in different currencies with 97.8% in United States dollars and 2.2% in Hong Kong dollars.

During the period under review, a mark-to-market valuation of net losses of HK\$95.0 million, comprising HK\$71.7 million of net fair value loss from listed debt securities, HK\$6.0 million of net fair value loss from equity securities (mostly listed in Hong Kong) and HK\$17.3 million arising from net fair value loss from unlisted equity and debt securities.

During the period under review, interest income and dividend income from securities investment decreased to approximately HK\$26.9 million (30 September 2021: HK\$71.0 million).

As at 30 September 2022, approximately HK\$11.5 million (31 March 2022: HK\$30.8 million) of these listed securities investments were pledged to banks as collateral for banking facilities granted to the Group.

OUTLOOK

Despite the subsiding of the COVID-19 pandemic in most parts of the world, the global macroeconomic environment has slowed down since the beginning of 2022 with the Ukraine-Russia conflict and financial market adjustments due to global inflation concerns. The rising of interest rates globally to tame this inflation storm has added pressure to the overall real estate sector in Hong Kong. We remain cautiously optimistic on the Hong Kong commercial properties sector in the medium to longer term, particularly in prime areas such as Central where the Group holds a few strategic commercial assets.

On the residential front, despite the overall cautious market sentiment from rising interest rates and ongoing border restrictions with China, the Group has so far recorded respectable sales on our luxury market offerings and remain hopeful on the continuing sales when the border reopens. We believe our upcoming ventures in the mass market sector in Hong Kong will also bring forth decent sales and profitability given the city's ongoing shortage in housing supply and persistent local interest in buying homes in the foreseeable future.

The Group continues to retain a solid balance sheet and ample liquidity in the face of the challenges brought by the latest macroeconomic climate globally. Led by our experienced senior management and project management teams, the Group will remain prudent and resilient in its balance sheet management and asset management. Above all, we are confident in the Group's underlying strength and ability to overcome market challenges, optimise our property portfolio and capitalise on our continued growth in the years to come.

RESULTS

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 2022. The condensed consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
		30 September	
		2022	2021
	NOTES	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	230,732	99,665
Cost of sales and services		<u>(106,217)</u>	<u>(47,080)</u>
Gross profit		124,515	52,585
Income and gains (losses) from investments	4	21,832	(206,991)
Other income	5	136,550	105,819
Other gains and losses	6	13,760	731,876
Administrative expenses		(145,090)	(141,122)
Finance costs	7	(191,438)	(146,359)
Share of results of joint ventures		166,665	(215,532)
Share of results of associates		<u>(12,595)</u>	<u>(14,813)</u>
Profit before taxation		114,199	165,463
Income tax (expense) credit	8	<u>(21,128)</u>	<u>6,494</u>
Profit for the period	9	<u><u>93,071</u></u>	<u><u>171,957</u></u>
Profit for the period attributable to:			
Owners of the Company		61,570	128,496
Holders of perpetual capital securities		34,300	36,576
Non-controlling interests		<u>(2,799)</u>	<u>6,885</u>
		<u><u>93,071</u></u>	<u><u>171,957</u></u>
Earnings per share (HK cents)	11		
– Basic		<u><u>0.66</u></u>	<u><u>1.36</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	93,071	171,957
Other comprehensive (expenses) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(333,267)	(12,445)
Share of exchange differences of joint ventures, net of related income tax	(234,989)	15,410
	(568,256)	2,965
Total comprehensive (expense) income for the period	(475,185)	174,922
Total comprehensive (expense) income attributable to:		
Owners of the Company	(506,686)	131,461
Holder of perpetual capital securities	34,300	36,576
Non-controlling interests	(2,799)	6,885
	(475,185)	174,922

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2022

	<i>NOTES</i>	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment		215,056	232,477
Investment properties		3,248,419	3,622,644
Financial assets at fair value through profit or loss (“FVTPL”)	13	255,274	250,344
Derivative financial instruments		15,942	67,060
Club memberships		12,404	11,915
Interests in joint ventures		5,475,190	5,561,570
Amounts due from joint ventures		6,653,607	6,356,190
Interests in associates		466,458	462,635
Amounts due from associates		1,075,234	851,477
Loan receivables		79,030	85,119
		17,496,614	17,501,431
Current Assets			
Loan receivables		113,226	213,314
Trade and other receivables	12	71,930	91,418
Properties held for sale		7,286,264	7,300,656
Financial assets at FVTPL	13	158,594	404,749
Taxation recoverable		728	2,303
Cash held by securities brokers		14,430	23,604
Bank balances and cash		2,607,493	3,455,719
		10,252,665	11,491,763
Current Liabilities			
Other payables and accruals	14	492,892	598,340
Contract liabilities		–	10,588
Taxation payable		183,969	163,654
Amounts due to joint ventures		994,151	788,398
Amounts due to non-controlling shareholders of subsidiaries		164,728	168,310
Bank borrowings - due within one year		2,725,895	2,291,019
		4,561,635	4,020,309
Net Current Assets		5,691,030	7,471,454
Total assets less current liabilities		23,187,644	24,972,885

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Capital and Reserves		
Share capital	74,952	74,974
Reserves	<u>13,862,711</u>	<u>14,432,583</u>
Equity attributable to owners of the Company	13,937,663	14,507,557
Holders of perpetual capital securities	–	1,257,327
Non-controlling interest	<u>38,335</u>	<u>41,934</u>
Total Equity	<u>13,975,998</u>	<u>15,806,818</u>
Non-Current Liabilities		
Bank borrowings - due after one year	6,774,393	6,701,467
Guaranteed notes - due after one year	2,290,944	2,316,956
Deferred tax liabilities	<u>146,309</u>	<u>147,644</u>
	<u>9,211,646</u>	<u>9,166,067</u>
	<u>23,187,644</u>	<u>24,972,885</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the annual improvements which make amendments to HKFRS 9 Financial Instruments.

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

For the six months ended 30 September

	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Sales of properties held for sale - at a point in time	105,879	–
Rental income	124,853	99,665
	<u>230,732</u>	<u>99,665</u>
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Sales of properties held for sale		
Geographical market		
Hong Kong	<u>105,879</u>	<u>–</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended 30 September 2022 (unaudited)</i>					
Segment revenue	271,164	801,627	1,260	26,877	1,100,928
Less: share of revenue of associates and joint ventures					
Rental income	(50,027)	(3,085)	–	–	(53,112)
Sales of properties held for sale	–	(790,207)	–	–	(790,207)
Segment revenue excluding share of revenue of associates and joint ventures	221,137	8,335	1,260	26,877	257,609
Less: other revenue					
Rental income	(115,258)	(8,335)	(1,260)	–	(124,853)
Interest income and dividend income	–	–	–	(26,877)	(26,877)
Revenue from contracts with customers	<u>105,879</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>105,879</u>

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended 30 September 2021 (unaudited)</i>					
Segment revenue	156,180	428,914	1,540	71,022	657,656
Less: share of revenue of associates and joint ventures					
Rental income	(37,035)	(200)	-	-	(37,235)
Sales of properties held for sale	<u>(26,587)</u>	<u>(423,147)</u>	<u>-</u>	<u>-</u>	<u>(449,734)</u>
Segment revenue excluding share of revenue of associates and joint ventures	92,558	5,567	1,540	71,022	170,687
Less: other revenue					
Rental income	(92,558)	(5,567)	(1,540)	-	(99,665)
Interest income and dividend income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,022)</u>	<u>(71,022)</u>
Revenue from contracts with customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Revenue from properties held for sale is recognised at a point in time when the customer obtains the control of the properties, which is the property stated in the sale and purchase agreement being delivered and its title being passed to the customer. The Group receives at least 5% of the contract value as deposits from customers when they sign the preliminary sale and purchase agreements and the balance of purchase price shall be paid upon completion of the sale and purchase of the properties.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Segment information

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM") representing the executive 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.

There are four reportable and operating segments 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 and the People's Republic of China (the "PRC");
- (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;
- (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.

The CODM also considered the share of revenue of associates and joint ventures for the purpose of allocating resources and assessing performance of each segment.

Segment revenue 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
<i>For the six months ended</i>					
<i>30 September 2022 (unaudited)</i>					
External revenue					
Rental income	115,258	8,335	1,260	-	124,853
Sales of properties held for sale	105,879	-	-	-	105,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Revenue of the Group	221,137	8,335	1,260	-	230,732
Interest income and dividend income	-	-	-	26,877	26,877
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	221,137	8,335	1,260	26,877	257,609
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Share of revenue of associates and joint ventures					
Rental income	50,027	3,085	-	-	53,112
Sales of properties held for sale	-	790,207	-	-	790,207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	50,027	793,292	-	-	843,319
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	<u>271,164</u>	<u>801,627</u>	<u>1,260</u>	<u>26,877</u>	<u>1,100,928</u>
Results					
Share of results of joint ventures (Note)	(49,654)	216,319	-	-	166,665
Share of results of associates (Note)	1,090	(13,685)	-	-	(12,595)
Segment profit (loss) excluding share of results of joint ventures and associates	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	140,250	(12,143)	(847)	4,067	131,327
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit (loss)	<u>91,686</u>	<u>190,491</u>	<u>(847)</u>	<u>4,067</u>	<u>285,397</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated other income					49,764
Unallocated other gains and losses					13,760
Central administrative costs					(43,284)
Finance costs					(191,438)
					<hr/>
Profit before taxation					<u>114,199</u>

	Commercial property holding HK\$'000	Residential property holding HK\$'000	Macau property holding HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>					
<i>30 September 2021 (unaudited)</i>					
External revenue					
Rental income	92,558	5,567	1,540	–	99,665
Revenue of the Group	92,558	5,567	1,540	–	99,665
Interest income and dividend income	–	–	–	71,022	71,022
	<u>92,558</u>	<u>5,567</u>	<u>1,540</u>	<u>71,022</u>	<u>170,687</u>
Share of revenue of associates and joint ventures					
Rental income	37,035	200	–	–	37,235
Sales of properties held for sale	26,587	423,147	–	–	449,734
	<u>63,622</u>	<u>423,347</u>	<u>–</u>	<u>–</u>	<u>486,969</u>
Segment revenue	<u>156,180</u>	<u>428,914</u>	<u>1,540</u>	<u>71,022</u>	<u>657,656</u>
Results					
Share of results of joint ventures (<i>Note</i>)	(43,844)	(171,688)	–	–	(215,532)
Share of results of associates (<i>Note</i>)	(895)	(13,918)	–	–	(14,813)
Segment profit (loss) excluding share of results of joint ventures and associates	<u>60,247</u>	<u>29,645</u>	<u>513</u>	<u>(213,374)</u>	<u>(122,969)</u>
Segment profit (loss)	<u>15,508</u>	<u>(155,961)</u>	<u>513</u>	<u>(213,374)</u>	<u>(353,314)</u>
Unallocated other income					25,190
Unallocated other gains and losses					731,876
Central administrative costs					(91,930)
Finance costs					<u>(146,359)</u>
Profit before taxation					<u>165,463</u>

Note: Share of results of associates and joint ventures mainly represent share of the operating profits (losses) of these entities from their business engaging in 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, income and gains (losses) from investments, assets management income, interest income from amounts due from joint ventures and an associate, consultancy fee income and share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income, loan interest income, amortisation of financial guarantee contracts income and others) and other gains and losses (including gain on disposal of a subsidiary, recovery of loan receivable written-off in prior year, impairment loss recognised on financial guarantee contracts, impairment loss recognised on amounts due from joint ventures and net exchange gain), 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

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income from financial assets at FVTPL	16,364	55,228
Dividend income from financial assets at FVTPL	10,513	15,794
Losses from change in fair value of financial assets at FVTPL	(96,127)	(262,684)
Gains (losses) from change in fair value of derivative financial instruments	91,082	(15,329)
	<u>21,832</u>	<u>(206,991)</u>

5. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	13,025	1,010
Loan interest income	18,388	15,264
Interest income from amounts due from joint ventures and an associate	74,290	79,540
Amortisation of financial guarantee contracts income	4,257	3,443
Assets management income	12,401	1,089
Consultancy fee income	95	–
Others	14,094	5,473
	<u>136,550</u>	<u>105,819</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other gains (losses) comprise of:		
Gain on disposal of a subsidiary	–	742,435
Recovery of loan receivable written-off in prior year	–	32,282
Net exchange gain	24,897	20,375
Impairment loss recognised on financial guarantee contracts	–	(63,216)
Impairment loss recognised on amounts due from joint ventures	(11,137)	–
	<u>13,760</u>	<u>731,876</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	123,255	88,787
Other borrowings	6,473	5,949
Guaranteed notes	64,145	57,575
Loan from a joint venture partner	1,090	1,090
	<u>194,963</u>	<u>153,401</u>
Total borrowing costs	194,963	153,401
Less: Amounts capitalised in the cost of qualifying assets	(3,525)	(7,042)
	<u>191,438</u>	<u>146,359</u>

Borrowing costs capitalised are interest expenses incurred for financing the development of properties under development. Interest rate of borrowing costs to expenditure on qualifying assets ranged from 1.38% to 3.67% (six months ended 30 September 2021: 1.28% to 1.93%) per annum for the six months ended 30 September 2022.

8. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge (credit) comprises of:		
Hong Kong Profits Tax		
Current period	22,413	1,607
Under(over) provision in prior years	49	(770)
	<u>22,462</u>	<u>837</u>
Deferred taxation	(1,334)	(7,331)
	<u>21,128</u>	<u>(6,494)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 exempt from tax.

According to the budget for the financial year of 2022 approved by the Macau Legislative Assembly, the tax-free income threshold for the complementary tax has been increased from MOP32,000 to MOP600,000 for income derived in the tax year of 2021.

No provision for Macau complementary tax was required as the subsidiaries of the Group in Macau did not have assessable profits more than MOP300,000 for both periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both periods.

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% for both periods.

No provision for PRC EIT tax was required as the subsidiaries of the Group in PRC have accumulated losses available for offset against future profits for both periods.

9. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' remuneration:		
Salaries and other benefits	17,047	12,424
Contributions to retirement benefits schemes	660	417
	<u>17,707</u>	<u>12,841</u>
Other staff costs:		
Salaries and other benefits	41,408	31,525
Contributions to retirement benefits schemes	923	1,239
	<u>42,331</u>	<u>32,764</u>
Total staff costs	<u>60,038</u>	<u>45,605</u>
Depreciation of property, plant and equipment	17,344	17,979
Cost of properties held for sale recognised as an expense	64,616	–
	<u>17,344</u>	<u>17,979</u>

10. DIVIDENDS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend of HK0.42 cents (2021: HK0.42 cents) per share recognised as distribution for the year ended 31 March 2022 and paid during the interim period	<u>39,361</u>	<u>39,732</u>

The directors do not recommend the payment of an interim dividend for the current interim period (30 September 2021: HK\$nil).

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:

	Six months ended 30 September	
	2022	2021
	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)	61,570	128,496
	9,370,443	9,468,176
	Six months ended 30 September	
	2022	2021
	Number	Number
	of shares	of shares
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	9,370,443	9,468,176

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

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 credit period of 0 - 60 days (31 March 2022: 0 - 60 days) to its tenants. The aging 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:

	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables:		
0 - 30 days	5,845	7,056
31 - 90 days	2,640	2,279
	8,485	9,335
Prepayments and deposits	8,255	20,945
Other receivables	55,190	61,138
	71,930	91,418

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

The financial assets at FVTPL comprise of:

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Listed equity securities	9,481	15,477
Unlisted equity securities/limited partnership	180,663	195,207
Listed debt securities	181,594	387,508
Unlisted debt security	42,130	56,901
	<u>413,868</u>	<u>655,093</u>
Total and reported as:		
Listed		
Hong Kong	106,656	258,945
Singapore	53,340	76,697
Elsewhere	31,079	67,343
Unlisted	222,793	252,108
	<u>413,868</u>	<u>655,093</u>
Analysed for reporting purpose as:		
Non-current assets	255,274	250,344
Current assets	158,594	404,749
	<u>413,868</u>	<u>655,093</u>

14. OTHER PAYABLES AND ACCRUALS

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Rental and related deposits received	97,300	101,754
Other tax payables	2,518	1,170
Financial guarantee contracts to joint ventures	79,818	85,695
Interest payables	44,460	33,877
Accrued construction costs	243,804	249,856
Accruals and other payables	24,992	125,988
	<u>492,892</u>	<u>598,340</u>

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK\$nil).

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 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Property, plant and equipment	186,680	195,534
Investment properties	3,248,419	3,622,644
Properties held for sale	7,067,770	6,802,235
Financial assets at FVTPL	11,475	30,766
	<u>10,514,344</u>	<u>10,651,179</u>

FINANCIAL GUARANTEE CONTRACTS

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	8,881,326	9,474,920
Associates	1,054,280	1,054,280
	<u>9,935,606</u>	<u>10,529,200</u>
and utilised by:		
Joint ventures	7,494,388	7,516,627
Associates	790,774	972,440
	<u>8,285,162</u>	<u>8,489,067</u>

The directors of the Company have performed impairment assessment of joint ventures and associates at the end of the reporting period as well as assessed the expected credit loss allowance in relation to the guarantees which is not material, other than the loss allowance of HK\$nil (six months ended 30 September 2021: HK\$63,216,000) recognised in the profit or loss.

EMPLOYEE

As at 30 September 2022, the total number of employees of the Group was 113 (31 March 2022: 115). 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.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 September 2022, except for the deviation from code provision C.2.1 of the Code which is explained below.

Code provision C.2.1 of the Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a chief executive officer position. The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place.

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") in Appendix 10 to the Listing Rules relating to dealings in securities. Memorandum was sent to directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each director and had received their written confirmation that the directors complied throughout the period in review with the required standards as set out in the Model Code.

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

For the six months ended 30 September 2022, the Company repurchased a total of 2,790,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$540,710. All the repurchased shares were subsequently cancelled. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company. Details of the repurchases are as follows:

Month, Year	Number of ordinary shares repurchased	Purchase price		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
July, 2022	<u>2,790,000</u>	0.195	0.193	<u>540,710</u>
Total	<u><u>2,790,000</u></u>			<u><u>540,710</u></u>

REPURCHASES AND REDEMPTIONS OF SECURITIES LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

For the six months ended 30 September 2022, the Company has made a repurchase of an aggregate principal amount of US\$3,868,000 of the US\$300,000,000 5.45 per cent. guaranteed notes issued on 21 July 2021 (the “2025 Notes”) at the average price of 84.05 per cent.. The repurchase was carried out by way of on-market purchases via a fellow subsidiary of Estate Sky Limited (“ESL”). Immediately after the repurchase and following cancellation, the aggregate outstanding principal amount of the 2025 Notes is US\$296,132,000.

Pursuant to the terms and conditions of the US\$200,000,000 5.75 per cent. senior perpetual capital securities, ESL as the issuer has the right to redeem all of the outstanding securities on the call date. All outstanding perpetual capital securities have been redeemed on 20 September 2022 at their principal amount plus distribution accrued to the call date (including any arrears of distribution and any additional distribution amount). Accordingly, such securities have been cancelled and delisted from the SGX-ST pursuant to the procedures of the SGX-ST.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2022 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.csigroup.hk). The 2022/23 interim report of the Company will be published on the above websites and despatched to the shareholders of the Company in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 29 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man, Mr. Fong Man Bun, Jimmy, Mr. Ho Lok Fai and Mr. Leung King Yin, Kevin; and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Cheng Yuk Wo, Mr. Shek Lai Him, Abraham, GBS, JP and Dr. Lo Wing Yan, William, JP.