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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 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the interim period ended 30 September 2021, the revenue of CSI Properties Limited (the “Company”) and its subsidiaries (the “Group”) was HK\$99.7 million, compared with HK\$246.6 million in the last interim period. Consolidated profit for the interim period ended 30 September 2021 was HK\$172.0 million, representing a decrease of HK\$145.9 million compared with HK\$317.9 million in the last interim period.

Consolidated profit attributable to owners of the Company for the six months ended 30 September 2021 was HK\$128.5 million, representing a decrease of HK\$148.1 million compared with HK\$276.6 million in the last interim period. Earnings per share attributable to shareholders for the interim period was HK1.36 cents compared with HK2.85 cents in the last interim period.

The Group has remained profitable in this challenging interim period despite the effects from the COVID-19 pandemic still hurting investment sentiment, particularly on the commercial properties front. We strive to maintain a solid financial position through steady asset disposals on both residential and commercial fronts to strengthen our liquidity. With a strong cash and cash equivalent position, we are confident our strong balance sheet will ensure the Group’s stability and ability to capture opportunities in the future.

* *For identification purpose only*

Commercial Properties

The Group is actively developing and upgrading a number of strategic commercial projects that will be our key revenue drivers in the upcoming years. The URA project at Gage Street/ Graham Street, Central is a joint venture commercial development project with Wing Tai Properties Limited. The project will deliver a Grade A office tower, super luxury hotel and retail shops with a combined gross floor area of approximately 432,000 square feet. It is currently undergoing the master planning process. Construction work is currently ongoing with the whole development expected to be completed by 2025. The Group and its partner, Wing Tai Properties Limited, have proven on multiple occasions the ability to curate unforgettable experiences and spaces. Therefore, we are confident that with its prime location and highly experienced team, the project will be a nexus in the area for offices, hospitality, retail, F&B and culture.

The newly named tower “FOCO” at No. 48 Cochrane Street, Central, is a commercial development project located at the heart of SOHO district, and is situated immediately across from “Tai Kwun”. The SOHO district is world famous for its restaurants, bars, art galleries and comedy clubs and therefore is also highly frequented by tourists, expatriates and locals alike. The Group’s plan is to make the project a Ginza-style F&B destination that offers a New York meatpacking district inspired design theme. The project is nearing construction completion and with a substantial portion of the floors already leased or preleased to a number of leading F&B outlets. The project has a gross floor area of approximately 32,000 square feet.

In Kowloon East, the Group, together with our joint venture partners, successfully rebranded our prime office tower located at No. 8 Lam Chak Street in Kowloon Bay as the “Harbourside HQ”. The building had undergone substantial enhancement works to the main lobby, entrance hallway, lifts, washrooms and lift lobbies to unlock its full potential. Following the improvement works, the Group’s target is actively recruiting high paying tenants from the banking, insurance, and technology, media and telecommunications sectors in order to create further value by improving rental yield.

“Hong Kong Health Check Tower” is located at Nos. 241 and 243 Nathan Road in Jordan. The building is situated at the junction of Nathan Road and Jordan Road and directly opposite to Jordan MTR station. In addition, “Hong Kong Health Check Tower” is also a fifteen-minute walk from the high-speed railway station which provides fast and frequent access to Mainland China. The area is also well known to both the locals and mainland tourists for its high density of clinic and medical centres. Hong Kong Health Check Tower’s proximity to both the MTR and highspeed railway network, the “golden mile” (Jordan Road) and the area’s reputation for medical services create high consistent levels of organic foot traffic. The Group has strategically targeted to make the majority of Hong Kong Health Check Tower’s tenant mix towards the medical services industry. With this new strategy, the building had undergone substantial improvement works to its façade, signage, main lobby, lifts, lift lobbies and washrooms which were completed in the first quarter of 2021. With this upgrade, we have secured a leading Hong Kong medical service provider, the Hong Kong Health Check and Medical Diagnostic Centre Limited, to be the anchor tenant to occupy most of the commercial floors. The newly refurbished building has also been renamed as the “Hong Kong Health Check Tower” to reflect this successful transformation to a dedicated medical service-oriented commercial tower. We expect the remaining floors to be rented out to other medical service operators soon to complete the repositioning work for this primely located building.

As for the Novotel Hong Kong Nathan Road Kowloon (“Novotel Hotel”), we have already begun its redevelopment plan since September 2021. Demolition of the existing hotel was commenced in later part of 2021. The current plan will be a joint commercial and residential tower at the site. Working with leading internationally renowned architectural firm, PDP London, the new tower is expected to complete its construction in 2025. The gross floor area of the new tower, amounting to over 250,000 square feet, will be evenly split between commercial and residential use. The upper residential tower will offer future residents a prime address in the heart of Kowloon peninsula, with superb school zone and extreme convenience to all areas of Hong Kong. We fully expect this iconic new tower at prime Jordan to be one of the jewels on the crown for the Group upon its completion. In September 2021, we formed a joint venture with a Canadian fund and another minority partner to undertake this project. This helps to secure a strong capital partner for the redevelopment in the future.

The Group’s repositioning works to the “In-Point” shopping mall at No. 169 Wujiang Road in Shanghai have already been completed. The upgrades made to the primely located mall have created a parade of double-decker premium street-front stores to enhance the tenancy profile and rental yield. With the tenancy upgrade, the Group is achieving significant value creation with much improved rental of almost doubling previous level.

The commercial division has made great stride in driving the development and repositioning of our various commercial assets. We strongly believe that the great efforts and progress will help the Group in capitalising on these value creation works when the border with China reopens and Hong Kong economy can gradually return to normalisation.

Couture Homes - Residential Property Development

The Group launched a number of landmark residential projects, all of which stand to generate good profitability in the forthcoming financial periods.

“Dukes Place” at No. 47 Perkins Road in Jardine’s Lookout is our joint venture luxury residential apartment project. Nestled in the heart of this quiet ultra-high net-worth neighborhood, “Dukes Place” offers a unique combination of super luxury simplexes, duplexes, garden villas and a penthouse. This mix of different units creates a wide range of options in both layouts and sizes which range from approximately 2,850 square feet to over 6,800 square feet. To fully highlight the potential this project radiates, the Group hired renowned architecture firm, PDP London, to work on the façade along with world-class interior designers from UK, France, Japan and Hong Kong. Each of these interior designers was tasked to design a distinct unit and each of them has been able to fully capture the Group’s high standards in its own unique way. Up to date, the Group has entered into contracts for sale for 10 units out of a total of 16 units at superior pricing. This is a true achievement in these challenging time as the COVID-19 has virtually closed the borders of Hong Kong and limited buying interests from mainland buyers. We are confident in selling the remaining special units at top prices in the near future.

The “Infinity” at Nos. 8-12 Peak Road is a joint venture project, consisting of the refurbishment of ultra-high-end residential apartments. In addition, the Group wholly owned a detached house for redevelopment purpose at this prime Peak address. This project is blessed with full and virtually unobstructed 180-degree views of Victoria Harbour. With the final completion of the refurbishment work of the apartment units at end of 2020, it is amongst the most desired projects for connoisseurs looking for the best home that the prestigious Peak can offer. The interiors of these tailor-made units will be a combination of contemporary and classical. Local Hong Kong interior design icon Mr. Joseph Fung, who has won numerous international accolades, is responsible for two stunning units. We are confident that this immaculate ultra-luxury residential project will continue to solidify our renowned reputation for developing ultra-luxury residential projects.

Our residential project at No. 333 Fan Kam Road, the “Cadenza”, in Sheung Shui comprises of 6 luxurious villas with each premium villa providing a gross floor area of more than 6,000 square feet. Each villa also benefits from an exquisite private garden and swimming pool, setting the benchmark for the true dream country houses. The project sale will be commencing soon at end of 2021 and will be unrivalled in this exclusive neighborhood which is situated under a three-minute drive from the acclaimed Hong Kong Golf Club at Fanling.

Our Yau Tong MTR residential project in joint venture with Sino Land Company Limited is progressing well according to schedule. Currently, the master planning process is nearly completed and construction work has commenced. The Group is very excited to be working with Sino Land Company Limited on our first MTR residential project. We hope this will also serve as a good first step for the Group into the mass market residential sector.

The prime residential project at Nos. 3-6 Glenealy, Central, which we are working with Pacific Century Premium Developments Limited, is well under way with foundation work expected to begin soon after the demolition of the old structure.

“Knightsbridge” is located at Nos. 90 and 92 Jinbao Street, Beijing, and is the Group’s first luxury residential joint venture project in the country’s capital city. This project is very unique with its façade design of a classical European style which is not common to the locality. The renovation works including upgrading of the façade and common areas, and the fitting out of the interiors of the 2 floors of show units were completed. The Group strongly believes that the project’s new design, coupled with its superb location that borders the Wangfujiang in Beijing, will capture a significant price appreciation in the future. Sales of the units were already commenced since beginning of 2021 with strong responses, and a sizeable amount of units have already been entered into sales agreements at premium pricing.

The Group joined with a consortium with New World Development Company Limited, Empire Development Hong Kong (BVI) Limited and Lai Sun Development Company Limited had successfully won the tender for the Wong Chuk Hang Station Package Five Property Development in January 2021. The prime property is located on top of the forthcoming Wong Chuk Hang MTR station mall podium and can be developed into a total gross floor area of around 636,000 square feet. The units to be built will have excellent unblocked views of the Ocean Park Hong Kong and Deep Water Bay, creating a prime haven for premium residential units at this convenient address with five-minute MTR access to prime Central. Construction work will be commenced soon for this project with target completion around 2025. The Group is confident that the project will command excellent responses and profitability in the future, in light of the recent very successful presale of the peer Wong Chuk Hang MTR station residential projects which achieved superior prices.

The Group’s senior management is pleased with the performance and progress of our residential projects made to-date, especially with the sales progress of our high-end residential units which achieved good volume and superior pricings. We will strive hard to ensure a solid pipeline of residential projects in the future to continue the solid growth of the division.

Securities Investment

As at 30 September 2021, the Group held financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$1,488.2 million (31 March 2021: HK\$1,700.9 million). The investment portfolio comprises of 75.6% listed debt securities (mostly issued by the PRC-based real estate companies), 6.2% listed equity securities and 18.2% unlisted funds and securities. They are denominated in different currencies with 93.2% in United States dollars and 6.8% in Hong Kong dollars.

During the period under review, a mark-to-market valuation of net losses of HK\$247.4 million, comprising HK\$228.6 million of net fair value loss from debt securities, HK\$4.1 million of net fair value loss from unlisted mutual funds, HK\$11.4 million of net fair value loss from equity securities (mostly listed in Hong Kong) and HK\$3.3 million arising from net fair value loss of unlisted equity and debt securities.

During the period under review, interest income and dividend income from securities investment decreased to approximately HK\$71.0 million (30 September 2020: HK\$126.1 million).

As at 30 September 2021, approximately HK\$296.6 million (31 March 2021: HK\$306.2 million) of these listed securities investments were pledged to banks as collateral for banking facilities granted to the Group.

OUTLOOK

With the COVID-19 global pandemic slowly subsiding, together with global monetary easing policies still prevailing, there is a marked improvement on the global economies. We are hopeful that the negative impact on the Group’s business, especially on the commercial front, will be returning to normal. As such, we remain cautiously optimistic on the prospect of the commercial sector in the medium term, particularly in prime areas such as Central, which has seen a fair amount of “Re-Centralisation” by corporates moving their offices back to Central.

On the residential front in Hong Kong, strong first-hand sales figures in the mass market sector and luxury market sector have been encouraging news for us, despite the borders with Mainland China remaining closed. We believe the mass market sector will continue to outperform given the disparity in local residential supply and demand. For the luxury market sector, strong sales of units at our Dukes Place project at top prices also indicate the sector’s resilience.

With the foreseeable recovery in global economies, the Group remains optimistic on future businesses. With a strong balance sheet, highly experienced senior management and project management team, the Group is well positioned to capture opportunities with the improving global economies in the future.

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 2021. 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 2021

		Six months ended	
		30 September	
		2021	2020
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	99,665	246,572
Cost of sales and services		<u>(47,080)</u>	<u>(163,420)</u>
Gross profit		52,585	83,152
Income and (losses) gains from investments	4	(206,991)	142,351
Other income	5	105,819	79,387
Other gains and losses	6	731,876	299
Administrative expenses		(141,122)	(126,709)
Finance costs	7	(146,359)	(147,544)
Share of results of joint ventures		(215,532)	291,704
Share of results of associates		<u>(14,813)</u>	<u>246</u>
Profit before taxation		165,463	322,886
Income tax credit (expense)	8	<u>6,494</u>	<u>(4,958)</u>
Profit for the period	9	<u>171,957</u>	<u>317,928</u>
Profit for the period attributable to:			
Owners of the Company		128,496	276,559
Holder of perpetual capital securities		36,576	44,601
Non-controlling interests		<u>6,885</u>	<u>(3,232)</u>
		<u>171,957</u>	<u>317,928</u>
Earnings per share (HK cents)	11		
– Basic		<u>1.36</u>	<u>2.85</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	171,957	317,928
Other comprehensive (expenses) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(12,445)	21,373
Share of exchange differences of joint ventures, net of related income tax	15,410	81,688
	2,965	103,061
Total comprehensive income for the period	174,922	420,989
Total comprehensive income attributable to:		
Owners of the Company	131,461	376,135
Holder of perpetual capital securities	36,576	44,601
Non-controlling interests	6,885	253
	174,922	420,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2021

	<i>NOTES</i>	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Non-Current Assets			
Property, plant and equipment		249,446	262,165
Financial assets at fair value through profit or loss ("FVTPL")	13	233,159	180,350
Club memberships		11,915	11,915
Interests in joint ventures		5,408,136	4,743,982
Amounts due from joint ventures		5,905,356	5,983,637
Interests in associates		515,864	362,154
Amounts due from associates		779,366	1,422,774
Loan receivables		86,801	129,683
		13,190,043	13,096,660
Current Assets			
Loan receivables		213,353	104,902
Trade and other receivables	12	243,450	241,345
Amounts due from joint venture partners		428,750	–
Deposits paid for acquisition of properties held for sale		59,494	–
Properties held for sale		9,548,901	12,179,207
Financial assets at FVTPL	13	1,254,997	1,520,555
Taxation recoverable		554	450
Cash held by securities brokers		75,083	37,899
Bank balances and cash		3,041,508	1,462,929
		14,866,090	15,547,287
Current Liabilities			
Other payables and accruals	14	578,250	578,080
Taxation payable		200,438	231,496
Amounts due to joint ventures		594,184	749,096
Amounts due to non-controlling shareholders of subsidiaries		167,210	165,210
Bank borrowings – due within one year		1,421,958	1,714,909
Guaranteed notes – due within one year		–	1,859,520
		2,962,040	5,298,311
Net Current Assets		11,904,050	10,248,976
Total assets less current liabilities		25,094,093	23,345,636

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Capital and Reserves		
Share capital	75,248	76,117
Treasury shares	(68)	(6,572)
Reserves	<u>13,293,271</u>	<u>13,228,358</u>
Equity attributable to owners of the Company	13,368,451	13,297,903
Holders of perpetual capital securities	1,321,352	1,539,443
Non-controlling interests	40,764	33,879
Total Equity	<u>14,730,567</u>	<u>14,871,225</u>
Non-Current Liabilities		
Bank borrowings – due after one year	7,931,147	8,364,534
Guaranteed notes – due after one year	2,340,000	–
Derivative financial instruments	75,989	81,798
Deferred tax liabilities	16,390	28,079
	<u>10,363,526</u>	<u>8,474,411</u>
	<u>25,094,093</u>	<u>23,345,636</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2021.

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 annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	COVID-19 – Related Rent Concessions
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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 and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

As at 1 April 2021, the Group has several Hong Kong Interbank Offered Rate (“HIBOR”) bank borrowings of HK\$9,356,798,000 and several HIBOR/London Interbank Offered Rate (“LIBOR”) derivative financial instruments of HK\$81,798,000 which may be subject to interest rate benchmark reform.

The amendments have had no impact on the condensed consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the period. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost and derivative financial instruments measured at fair value. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 March 2022.

3. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

For the period ended 30 September 2021

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Sales of properties held for sale - at a point in time	–	141,800
Rental income	99,665	104,772
	99,665	246,572
	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Sales of properties held for sale		
Geographical market		
Hong Kong	–	141,800

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

	Commercial property holding <i>HK\$'000</i>	Residential property holding <i>HK\$'000</i>	Macau property holding <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the six months ended 30 September 2021</i>					
<i>(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	(26,587)	(423,147)	-	-	(449,734)
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	-	-	-	(71,022)	(71,022)
Revenue from contracts with customers	-	-	-	-	-

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.

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 2020 (unaudited)</i>					
Segment revenue	283,711	891,436	1,368	126,131	1,302,646
Less: share of revenue of associates and joint ventures					
Rental income	(39,088)	(117)	–	–	(39,205)
Sales of properties held for sale	–	(890,738)	–	–	(890,738)
Segment revenue excluding share of revenue of associates and joint ventures	244,623	581	1,368	126,131	372,703
Less: other revenue					
Rental income	(102,823)	(581)	(1,368)	–	(104,772)
Interest income and dividend income	–	–	–	(126,131)	(126,131)
Revenue from contracts with customers	<u>141,800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>141,800</u>

(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") 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.

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 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>

	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 2020 (unaudited)</i>					
External revenue					
Rental income	102,823	581	1,368	–	104,772
Sales of properties held for sale	141,800	–	–	–	141,800
	<u>244,623</u>	<u>581</u>	<u>1,368</u>	<u>–</u>	<u>246,572</u>
Revenue of the Group	244,623	581	1,368	–	246,572
Interest income and dividend income	–	–	–	126,131	126,131
	<u>244,623</u>	<u>581</u>	<u>1,368</u>	<u>126,131</u>	<u>372,703</u>
Share of revenue of associates and joint ventures					
Rental income	39,088	117	–	–	39,205
Sales of properties held for sale	–	890,738	–	–	890,738
	<u>39,088</u>	<u>890,855</u>	<u>–</u>	<u>–</u>	<u>929,943</u>
Segment revenue	<u>283,711</u>	<u>891,436</u>	<u>1,368</u>	<u>126,131</u>	<u>1,302,646</u>
Results					
Share of results of joint ventures (<i>Note</i>)	42,023	249,681	–	–	291,704
Share of results of associates (<i>Note</i>)	264	(18)	–	–	246
Segment profit (loss) excluding share of results of joint ventures and associates	<u>96,580</u>	<u>18,158</u>	<u>(5,352)</u>	<u>124,480</u>	<u>233,866</u>
Segment profit (loss)	<u>138,867</u>	<u>267,821</u>	<u>(5,352)</u>	<u>124,480</u>	<u>525,816</u>
Unallocated other income					25,099
Unallocated other gains and losses					299
Central administrative costs					(80,784)
Finance costs					(147,544)
Profit before taxation					<u>322,886</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.

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, and share of results of joint ventures and associates, without allocation of certain items of other income (primarily bank interest income, loan interest income and amortisation of financial guarantee contracts) and of other gains and losses (primarily gain on disposal of a subsidiary, recovery of loan receivable written-off in prior year, impairment loss recognised on financial guarantee contracts and net exchange gain), central administrative costs, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4. INCOME AND (LOSSES) GAINS FROM INVESTMENTS

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income from financial assets at FVTPL	55,228	90,202
Dividend income from financial assets at FVTPL	15,794	35,929
(Losses) gains from change in fair value of financial assets at FVTPL	(262,684)	96,681
Losses from change in fair value of derivative financial instruments	(15,329)	(80,461)
	<u>(206,991)</u>	<u>142,351</u>

5. OTHER INCOME

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	1,010	10,451
Loan interest income	15,264	4,438
Interest income from amounts due from joint ventures and an associate	79,540	53,148
Amortisation of financial guarantee contract income	3,443	3,821
Assets management income	1,089	1,140
Forfeited deposits	–	256
Others	5,473	6,133
	<u>105,819</u>	<u>79,387</u>

6. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other gains (losses) comprise of:		
Gain on disposal of a subsidiary	742,843	–
Recovery of loan receivable written-off in prior year	32,282	–
Net exchange gain	19,967	299
Impairment loss recognised on financial guarantee contracts	(63,216)	–
	<u>731,876</u>	<u>299</u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	88,787	114,001
Other borrowings	5,949	–
Guaranteed notes	57,575	45,805
Loan from a joint venture	1,090	834
	<u>153,401</u>	<u>160,640</u>
Total borrowing costs	153,401	160,640
Less: Amounts capitalised in the cost of qualifying assets	(7,042)	(13,096)
	<u>146,359</u>	<u>147,544</u>

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 1.28% to 1.93% (for the six months ended 30 September 2020: 1.44% to 3.73%) per annum for the six months ended 30 September 2021.

8. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The (credit) charge comprises of:		
Hong Kong Profits Tax		
Current period	1,607	6,939
(Over) underprovision in prior years	(770)	876
Macau Complementary Tax		
Current period	—	2
	<u>837</u>	<u>7,817</u>
Deferred taxation	<u>(7,331)</u>	<u>(2,859)</u>
	<u><u>(6,494)</u></u>	<u><u>4,958</u></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 2021 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 2020.

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.

9. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2021	2020
	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	12,424	19,424
Contributions to retirement benefits schemes	417	422
	<u>12,841</u>	<u>19,846</u>
Other staff costs:		
Salaries and other benefits	31,525	30,956
Contributions to retirement benefits schemes	1,239	2,225
	<u>32,764</u>	<u>33,181</u>
Total staff costs	<u>45,605</u>	<u>53,027</u>
Depreciation of property, plant and equipment	17,979	17,626
Cost of properties held for sale recognised as an expense	–	122,909
Write-down of properties held for sale (included in cost of sales)	–	13,418
	<u>17,979</u>	<u>17,626</u>

10. DIVIDENDS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend of HK0.42 cents (2020: HK0.50 cents) per share recognised as distribution for the year ended 31 March 2021 and paid during the interim period	<u>39,732</u>	<u>48,071</u>

The directors do not recommend the payment of an interim dividend for the current interim period (30 September 2020: 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	128,496	276,559

	Six months ended	
	30 September	
	2021	2020
	<i>Number</i>	<i>Number</i>
	<i>of shares</i>	<i>of shares</i>
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	9,468,176	9,717,523

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 2021: 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 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables:		
0 – 30 days	3,474	7,339
31 – 90 days	<u>719</u>	<u>670</u>
	4,193	8,009
Prepayments and deposits	94,550	37,504
Other receivables (<i>Note</i>)	<u>144,707</u>	<u>195,832</u>
	<u>243,450</u>	<u>241,345</u>

Note: As at 30 September 2021, other receivables mainly comprised of refundable stamp duty for redevelopment of commercial properties amounting to HK\$113,060,000 (31 March 2021: HK\$113,060,000).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at FVTPL comprise of:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Listed equity securities	91,923	91,628
Unlisted equity securities/limited partnership	203,681	185,334
Unlisted mutual funds	6,269	10,361
Listed debt securities	1,125,013	1,334,953
Unlisted debt security	61,270	78,629
	<u>1,488,156</u>	<u>1,700,905</u>
Total and reported as:		
Listed		
Hong Kong	596,536	457,782
Singapore	248,554	525,007
Elsewhere	371,846	443,792
Unlisted	271,220	274,324
	<u>1,488,156</u>	<u>1,700,905</u>
<i>Analysed for reporting purpose as:</i>		
Non-current assets	233,159	180,350
Current assets	1,254,997	1,520,555
	<u>1,488,156</u>	<u>1,700,905</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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Rental and related deposits received	116,032	130,479
Other tax payables	1,775	2,149
Deferred income of financial guarantee contracts to joint ventures	11,329	11,205
Interest payables	37,055	24,339
Accrued construction costs	249,997	261,641
Financial guarantee contracts	63,216	–
Accruals and other payables	98,846	148,267
	<u>578,250</u>	<u>578,080</u>

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: 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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Property, plant and equipment	202,205	208,249
Properties held for sale	9,188,861	11,928,292
Financial assets at FVTPL	296,594	306,188
	<u>9,687,660</u>	<u>12,442,729</u>

FINANCIAL GUARANTEE CONTRACTS

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Guarantees given by the Group for banking facilities granted to:		
Joint ventures	9,145,257	8,010,859
Associates	1,054,280	282,854
	<u>10,199,537</u>	<u>8,293,713</u>
and utilised by:		
Joint ventures	7,489,863	6,716,533
Associates	935,075	192,280
	<u>8,424,938</u>	<u>6,908,813</u>

The directors of the Company have performed impairment assessment of the joint ventures and the associates at the end of the reporting period as well as assessing that expected credit loss allowance in relation to the guarantees is not material. Included in other payables and accruals represents deferred income in respect of financial guarantee contracts given to joint ventures amounted to HK\$11,329,000 (31 March 2021: HK\$11,205,000) and financial guarantee contracts amounted to HK\$63,216,000 (31 March 2021: Nil).

EMPLOYEE

As at 30 September 2021, the total number of employees of the Group was 111, excluding the employees of Novotel Hotel (31 March 2021: 105, excluding the employees of Novotel Hotel). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

AUDIT COMMITTEE

The condensed consolidated interim financial statements of the Group for the six months ended 30 September 2021 have been reviewed by the Audit Committee of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of 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, the directors complied throughout the period in review with the required standards as set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

- i. Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the Company does not have a chief executive officer position. 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.
- ii. None of the non-executive directors of the Company is appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the CG Code. However, as the directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

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

During the period ended 30 September 2021, the Company repurchased a total of 83,030,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$21,141,450. 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 enhance 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	Lowest	
		HK\$	HK\$	
August, 2021	82,720,000	0.255	0.250	21,073,250
September, 2021	310,000	0.220	0.220	68,200
Total	<u>83,030,000</u>			<u>21,141,450</u>

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This results announcement and an interim report containing the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.csigroup.hk) in due course.

By order of the Board
Chung Cho Yee, Mico
Chairman

Hong Kong, 24 November 2021

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, Hon. Shek Lai Him, Abraham, GBS, JP and Dr. Lo Wing Yan, William, JP.