CSI Properties Ltd (subsidiary issuer)

Initiate CSIPRO ’28 with OW: riding a deleveraging backdrop

Initial Opinion - Credit

Attractive carry with further upside from potential call

We initiate coverage on CSIPRO ’28 with OW. **Improving fundamentals**: Since FY22, CSI Properties has steadily deleveraged via stable property sales, disciplined land acquisitions & a rights issue. While HK’s residential market has recently faced rising headwinds, the company’s higher-quality projects & solid execution should help mitigate their impact. We expect its deleveraging trajectory to remain intact, considering further its sufficient saleable resources, manageable capex & growing rental income. **Decent asset coverage**: We estimate its key assets (incl. cash, projects for sale & IPs) cover c.1.9x look-through debt. **Good liquidity**: It has continued to roll over loans, and we think its improving fundamentals should support ongoing funding access. Stable property sales also help cover interest expense. **Shareholder support:** We take comfort from the controlling shareholder’s commitment to the company, shown by his c.HK$400mn contribution to the FY26 rights issue. **Attractive carry**: The bond offers a 7.8% yield for a 1.4-year avg. life. If CSI Properties’ credit profile were to improve, the likelihood of exercising its May’27 call option could rise. **Key things to watch**: sales at One Park Place, Nos. 17-17A Shelter Street redevelopment & 92 Repulse Bay Road redevelopment, Central Crossing’s leasing progress & the Jan’27 syn. loan’s refinancing.

A niche HK developer with higher-quality assets

CSI Properties, listed in HK (stock code: 497), is a niche HK developer controlled by Mr. Chung Cho Yee Mico, who has extensive experience in the real estate industry. We estimate it has HK$10-11bn of attributable saleable resources, equivalent to c.4-5 years of property sales. The resources are concentrated in HK mass-market residential (63%), luxury residential (23%) & Central commercial (7%) projects, which are generally well located. It also has HK$15bn of IPs on an attributable book value basis. Central Crossing (45% of the IP portfolio) is a 50%-owned office & hotel project in Central that is set for completion in FY27. We believe it is an attractive long-term asset that will enhance the quality of CSI Properties’ IP portfolio. Once fully stabilized, we estimate it could increase the developer’s attributable rental income by c.45-55% vs. FY26 levels.

Intact deleveraging trajectory

When assessing CSI Properties’ leverage, we focus on two key metrics: look-through debt & look-through debt/equity, given its significant use of JVs & associates, whose financial disclosure is relatively limited. We forecast its look-through debt to drop from HK$14.5bn in FY26 to HK$13.4bn in FY27 & HK$11.9bn in FY28, driving an improvement in its look-through debt/equity from 114% to 105% & 94%, respectively. Our forecasts mainly assume sales proceeds released upon delivery of HK$2.6bn in FY27 & HK$2.4bn in FY28, rental income of HK$0.3bn & HK$0.4bn, and capex of HK$0.7bn & HK$0.3bn, respectively, all on an attributable basis.

24 August 2026

Global Emerging Markets | Corporate Credit
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Avg.: average

HK: Hong Kong

IP: investment property

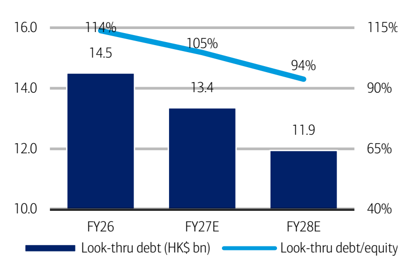
JV: joint venture

Syn.: syndicated

YTC: yield to call

Exhibit 1: Intact deleveraging trajectory

We expect CSI Properties to continue to deleverage, backed by its sufficient saleable resources, manageable capex & growing rental income.



Source: BofA Global Research estimates, company report
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Refer to important disclosures on page 17 to 19. Analyst Certification on page 16. Valuation & Risk on page 15.
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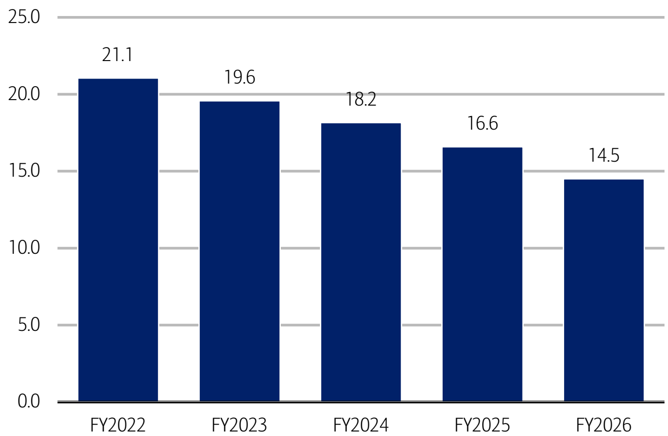
CSI Properties: a deleveraging story

Steady progress in deleveraging

As a small developer operating in the capital-intensive real estate sector, CSI Properties relies heavily on joint ventures and minority-owned projects, whose financial disclosure is relatively limited. We therefore assess the company's leverage using two key metrics: look-through debt (defined as consolidated debt plus guarantees for banking facilities granted to joint ventures and associates) and look-through debt/consolidated equity. We focus on the trends, rather than the absolute levels, of these metrics. Since FY2022, it has made steady progress in deleveraging, supported by sustained property sales, prudent land acquisitions, and the successful completion of a rights issue in FY2026.

Exhibit 2: Look-through debt (HK$ bn)

CSI Properties' look-through debt dropped from HK$21.1bn at end-FY22 to HK$14.5bn at end-FY26.



Source: BofA Global Research estimates, company report

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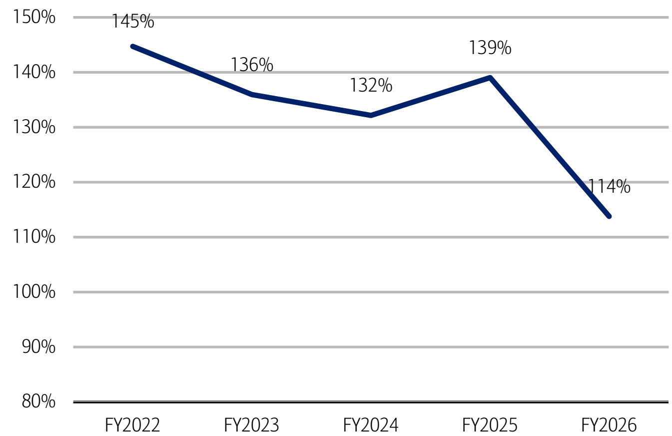
Exhibit 3: Look-through debt/equity

CSI Properties' look-through debt/equity improved from 145% at end-FY22 to 114% at end-FY26.



Source: BofA Global Research estimates, company report

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Deleveraging trajectory to remain intact

We believe CSI Properties' deleveraging trajectory remains intact, supported by (1) sufficient saleable resources, (2) manageable capex, and (3) growing rental income. We forecast its look-through debt to decline from HK$14.5bn at end-FY2026 to HK$13.4bn (-8% YoY) by end-FY2027 and further to HK$11.9bn (-11% YoY) by end-FY2028, driving an improvement in its look-through debt/equity from 114% to 105% and 94%, respectively. Our projections are mainly based on property sales proceeds released upon delivery of HK$2.6bn in FY2027 and HK$2.4bn in FY2028, rental income of HK$0.3bn and HK$0.4bn, and capex of HK$0.7bn and HK$0.3bn, respectively, all on an attributable basis.

Exhibit 4: Projected look-through debt reduction
We expect CSI Properties to reduce its look-through debt by HK$1.1bn and HK$1.4bn in FY2027 and FY2028, respectively.

Attributable basis (HK$ bn)	FY2027E	FY2028E
Sales proceeds released upon delivery	2.6	2.4
Rental income	0.3	0.4
Sales proceeds & rental income	2.9	2.7
Capex	0.7	0.3
Interest expense	0.8	0.7
SG&A & tax	0.3	0.3
Operating expenses	1.8	1.3
Expected reduction in look-through debt	1.1	1.4

***SG&A: selling, general, and administrative expenses**
Source: BofA Global Research estimates, company report

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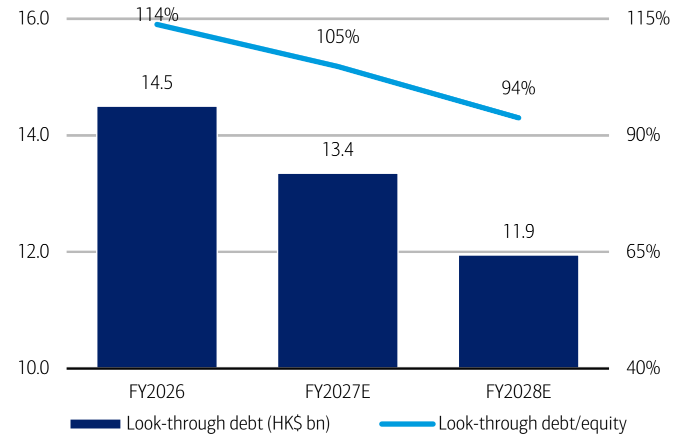
Exhibit 5: Intact deleveraging trajectory
We expect CSI Properties' deleveraging to be supported by sufficient saleable resources, manageable capex, and growing rental income.



Source: BofA Global Research estimates, company report

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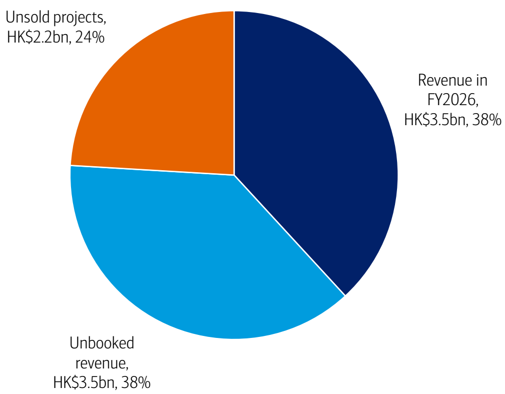
Sufficient saleable resources

In our view, CSI Properties' sufficient saleable resources provides good visibility into future revenue recognition and cash flow generation, while allowing the company to remain disciplined in pursuing new investments and acquisitions.

Near-term: HK$9bn sales target within reach

CSI Properties has set a target of selling HK$9bn of residential and commercial projects on an attributable basis over FY2026-FY2029. The company has made solid progress toward this goal, supported by the recovery in Hong Kong's (HK) property market. In just over a year, it has already secured approximately HK$7.0bn of attributable property sales, representing nearly 80% of its target. Of this amount, HK$3.5bn was recognized in FY2026, while the remaining HK$3.5bn remained unbooked as of mid-Jun 2026. We expect c.HK$3.0bn and HK$0.5bn of these unbooked sales to be recognized in FY2027 and FY2028, respectively. We estimate that the company's sales program still comprises around HK$2.2bn of unsold properties. Of this amount, 33% and 32% are commercial projects in Central, HK and residential projects in HK, respectively. We expect these projects to sell well, given their generally good locations, improved market sentiment, and the company's strong execution track record. However, the remaining 35% of saleable resources, including Capital Tower (a commercial project in Kowloon Bay, HK) and Knightsbridge (a residential project in Beijing) are likely to see slower sales.

Exhibit 6: Breakdown of HK$9bn property sales program
As of mid-Jun 2026, CSI Properties had secured approximately HK$7.0bn of attributable property sales under its HK$9bn sales program.



On an attributable basis
Unbooked revenue as of Jun 15, 2026
Source: BofA Global Research estimates, company report

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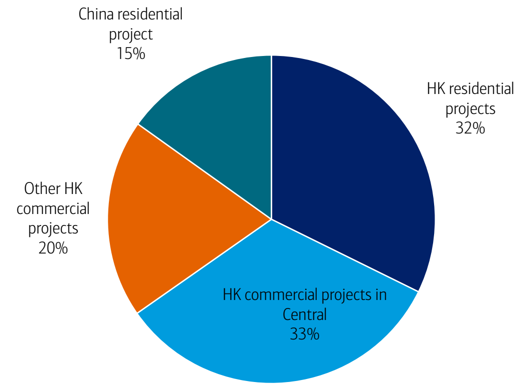
Exhibit 7: Breakdown of HK$2.2bn of unsold projects under HK$9bn property sales program
We estimate that CSI Properties' sales program still comprises around HK$2.2bn of unsold properties.



On an attributable basis
Source: BofA Global Research estimates, company report

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Exhibit 8: HK$9bn property sales program
CSI Properties has already secured approximately HK$7.0bn of attributable property sales under its HK$9bn property sales program. We estimate the remaining saleable resources under the program at around HK$2.2bn on an attributable basis.

Project	Land use	City	District	Equity interest	Gross BV (HK$ mn) As of end-Mar 2026	Attri. BV (HK$ mn) As of end-Mar 2026	Project status As of Jun 15, 2026
Deep Water Pavilla	Residential	Hong Kong	Wong Chuk Hang	15%	15,518	2,328	Launched in Jun 2025 with c. 791 units presold
One Park Place	Residential	Hong Kong	Yau Tong	20%	4,068	814	Launched in Nov 2025 with c. 463 units presold
High Peak	Residential	Hong Kong	Mid Levels	30%	1,935	581	Total 14 units sold & signed since launch with 2 units left
Capital Tower (No. 38 Wai Yip Street)	Commercial	Hong Kong	Kowloon Bay	30%	1,815	545	Remaining 141 units in market
Houses at No. 15 Shouson Hill	Residential	Hong Kong	Shouson Hill	8%	1,195	96	11 houses sold since launch with 4 houses remaining
FOCO (No. 46 - 48 Cochrane Street)	Commercial	Hong Kong	Central	100%	647	647	In market
Knightsbridge	Residential	Beijing	Dongcheng	65%	561	365	101 of the total 114 refurbished units sold since launch
DL Tower (No. 92 - 96 Wellington Street)	Commercial	Hong Kong	Central	51%	500	255	10 floors sold since launch with 11 floors remaining
Cadenza	Residential	Hong Kong	Sheung Shui	92%	360	331	5 houses sold & signed since launch with 1 house left
F&B floors at LL Tower (No. 2 Shelley Street)	Commercial	Hong Kong	Central	100%	38	38	Sold 2 out of 3 F&B floors with 1 floor left
Topside Residences	Residential	Hong Kong	Jordan	51%	N/A	N/A	258 units sold & signed out of 259 units
A luxury house at No. 10 Peak Road	Residential	Hong Kong	The Peak	100%	0	0	Sold
A triplex unit at Infinity at No. 8 - 12 Peak Road	Residential	Hong Kong	The Peak	65%	0	0	Sold
Dukes Place	Residential	Hong Kong	Jardine's Lookout	60%	0	0	Sold
G/F shops & car parking spaces at Capital Centre	Commercial	Hong Kong	Wan Chai	100%	0	0	Sold

BV: book value; attri.: attributable
Source: BofA Global Research estimates, company report

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Medium term: additional HK$8-9bn of saleable resources in pipeline

In addition to the projects included in its HK$9bn property sales program, the company has 6 residential projects in the pipeline. We estimate these projects have approximately HK$8bn-9bn of attributable saleable resources, which should be sufficient to support around 3 to 4 years of property sales. Also, the company has recently applied to the Town Planning Board to rezone Harbourside HQ (25%-owned) in Kowloon Bay, Hong Kong from office to residential use. The proposed redevelopment would convert the existing office building into 2 residential towers with approximately 492,900 sqft of GFA and around 1,140 units. If approved, the project is targeted for completion in 2033. The rezoning application is currently under review. In our view, the proposed redevelopment is economically justified given the weak office market in Kowloon East and could unlock additional value through conversion to residential use.

Exhibit 9: CSI Properties' development pipeline beyond HK$9bn property sales program
In addition to the projects included in its HK$9bn property sales program, CSI Properties has 6 residential projects in the pipeline. We estimate these projects have approximately HK$8.1bn-9.0bn of attributable saleable resources.

Project	Land use	City	District	Equity interest	Gross book value* (HK$ mn)	Gross GFA (sq. ft)	Project status
92 Repulse Bay Road Redevelopment	Residential	Hong Kong	Repulse Bay	50%	712	9,100	To be completed in 4Q2026
Nos. 17–17A Shelter Street Redevelopment	Residential	Hong Kong	Causeway Bay	100%	N/A	19,000	For sale as early as late 2026
24 Middle Gap Road Redevelopment	Residential	Hong Kong	Island South	40%	915	8,200	For sale in 2H2027
152-164 Wellington Street Redevelopment	Residential	Hong Kong	Central	100%	1,314	69,000	For sale in 2H2028
Yuen Long LS Centre Redevelopment	Residential	Hong Kong	Yuen Long	50%	1,037	490,000	For sale in 1H2029
44 Stanley Village Road Redevelopment	Residential	Hong Kong	Stanley	50%	817	74,000	For sale in 1H2030

***As of end-Mar 2026**
Source: BofA Global Research estimates, company report

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Manageable capex

While CSI Properties will continue to incur capex in the near term to support its HK$9bn sales program and the construction of Central Crossing, we expect its capex to remain manageable at HK$0.7bn in FY2027 before declining meaningfully to HK$0.3bn in FY2028. Most projects under the sales program have either been completed or are nearing completion. The key exception is One Park Place (a residential project in Yau Tong, HK), which is expected to be completed in FY2028. Central Crossing has also topped out and is scheduled for completion in FY2027.

Looking further ahead, projects currently in the pipeline will give rise to medium-term capex requirements. However, we believe the associated funding burden should remain manageable, as presales can typically be launched 12-18 months after construction commences, enabling contracted sales proceeds to partially fund development costs.

Growing rental income

Central Crossing is a joint venture development between CSI Properties (50%) and Wing Tai Properties (50%). Located in Central, HK, the mixed-use development comprises a Grade A office building (c.300k sqft), a luxury hotel tower (c.100k sqft), and retail space. The office building is expected to be completed in Sep 2026, followed by the hotel tower in mid-2027.

We believe Central Crossing is well positioned to benefit from the recovery in the Central office market, supported by stronger capital markets activity and tenants' flight to quality. However, we expect leasing momentum to build only gradually, given competition from other newly completed office buildings (e.g. Hysan's Lee Garden Eight in Causeway Bay), potential rent-free periods and other leasing incentives, and the delayed contribution from the hotel tower. Once fully stabilized, we would expect the project to generate around HK$137mn-$167mn of attributable rental income annually. This would represent a meaningful uplift from CSI Properties' attributable rental income of HK$299mn in FY2026.

Exhibit 10: CSI Properties' investment property portfolio (as of end-Mar 2026)
We believe Central Crossing is an attractive long-term asset that can enhance the quality of CSI Properties' investment property portfolio.

Project	Land use	City	District	Equity interest	Gross book value (HK$ mn)	Attributable book value (HK$ mn)	Gross GFA ('000 sqft)	Attri. GFA ('000 sqft)
In-Point Shopping Mall	Commercial	Shanghai	Jing'an	100%	1,729	1,729	122	122
Hong Kong Health Check Tower	Commercial	Hong Kong	Jordan	100%	1,650	1,650	62	62
Richgate Plaza	Commercial	Shanghai	Huangpu	100%	1,422	1,422	122	122
Central Crossing	Commercial	Hong Kong	Central	50%	13,152	6,576	400	200
Harbourside HQ	Commercial	Hong Kong	Kowloon Bay	25%	6,532	1,633	680	170
Nos. 350-352 Nathan Road (commercial podium)	Commercial	Hong Kong	Jordan	51%	2,965	1,512	127	65

Source: BofA Global Research estimates, company report

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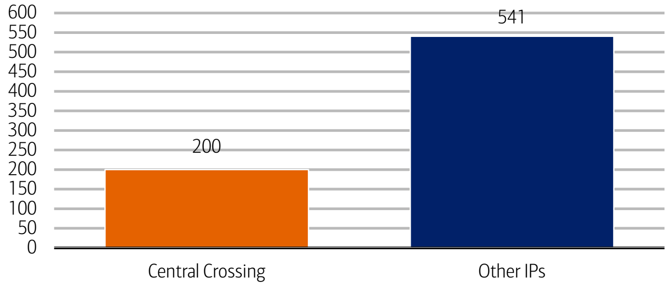
Exhibit 11: Attributable GFA ('000 sqft)

Central Crossing (25%-owned) comprises a Grade A office building (c.300k sqft), a luxury hotel tower (c.100k sqft), and retail space.



IP: investment property

Source: BofA Global Research, company report

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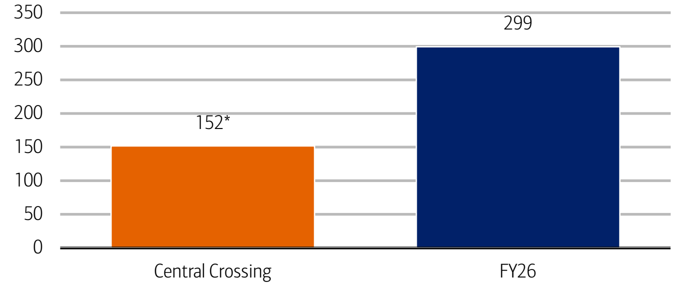
Exhibit 12: Attributable annual rental income (HK$ mn)

Once fully stabilized, we expect Central Crossing to generate c.HK$137mn-$167mn of attributable rental income annually (vs. CSI Properties' attributable rental income in FY26: HK$299mn)



***Mid-point of our forecasts**

Source: BofA Global Research estimates, company report

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Market headwinds mitigated by higher-quality projects & solid execution

Hong Kong's residential property market has recently faced mounting headwinds, including uncertainty over the US rate outlook, China's new outbound investment guidelines, and new tax rules on offshore income earned by Mainland Chinese. While these factors may temper sales momentum, we believe the market should remain relatively resilient, supported by lower inventory levels and sustained housing demand. We take further comfort from CSI Properties' portfolio of higher-quality projects and proven sales execution, which should help it navigate the more uncertain operating environment. In our view, the company's Hong Kong residential portfolio is diversified across both mass-market (c.75%) and luxury (c.25%) segments, with projects generally well located. Moreover, despite the previous market downturn, its recognized property sales remained relatively resilient at HK$2.4bn, HK$2.0bn, HK$3.1bn and HK$1.6bn in FY2022, FY2023, FY2024, and FY2025, respectively.

Exhibit 13: Hong Kong property market forecasts

We expect Hong Kong home prices to increase by 10% in 2026 and 0-5% in 2027.

	2026E	**2027E**
Residential		
Secondary price	+10%	0 to +5%
Residential rent	+3% to +5%	0 to +5%
Residential rental yield	3.30%	3.1% to 3.5%
Office		
CBD office rents	+5% to 10%	0 to +3%
Office rent outside CBD	0 to -5%	0 to -3%
Office cap rate (net)	4.5% to 5.0%	4.5% to 5.0%
Office capital value	-5% to +10%	-3% to +3%
Retail		
High-end retail rents*	0 to +5%	0 to +3%
Mid- and mass-market retail rents*	-5%	0 to -5%
Retail cap rate (net)	4.75% to 5.25%	4.75% to 5.25%
Retail capital value	-5% to +5%	-5% to +3%

*** including changes in turnover rents**

Source: BofA Global Research estimates

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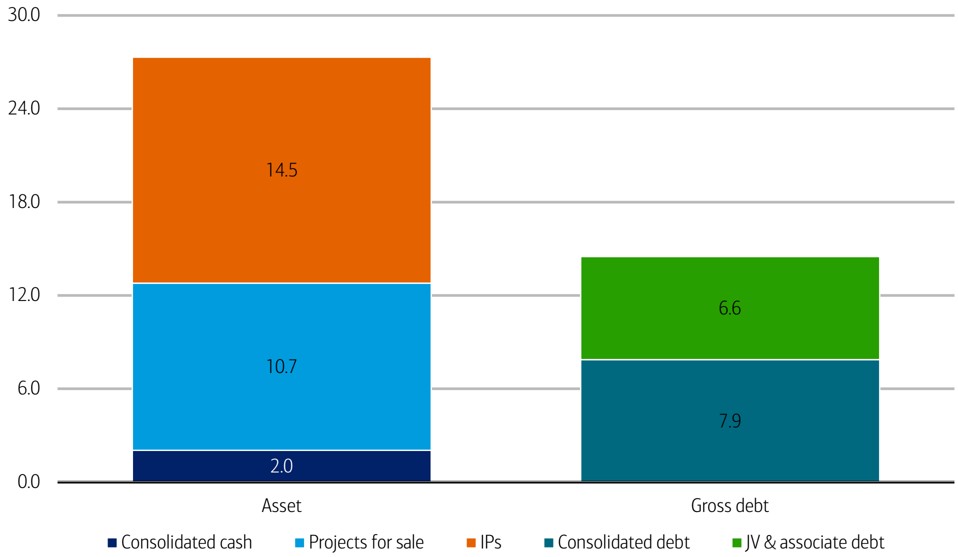
Decent asset coverage

We estimate that CSI Properties' key assets comprise HK$10-11bn of saleable resources (including HK$2.2bn of unsold projects under the HK$9bn sales program and HK$8-9bn of projects in the pipeline) as well as HK$15bn of investment properties, both on an attributable basis. Together with its consolidated cash balance of HK$2bn as of end-

FY2026, these assets provide 1.9x coverage of its look-through debt, supporting its debt-servicing capacity.

Exhibit 14: Key assets vs. gross debt (HK$ bn)
We estimate that CSI Properties' key assets (including cash, projects for sale and investment properties) can cover around 1.9x of its look-through debt.



IP: investment properties; JV: joint venture
Source: BofA Global Research estimates, company report

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Good liquidity & continued access to bank funding

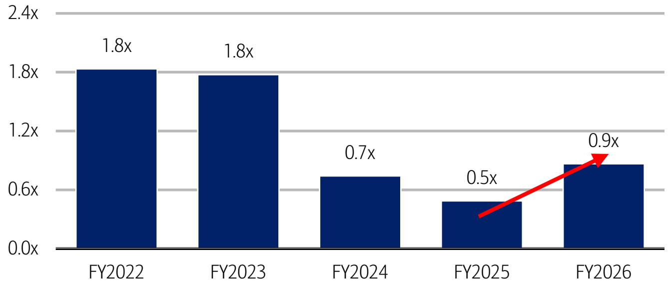
CSI Properties' liquidity improved meaningfully in FY2026, with cash and financial assets covering 0.9x its short-term debt, up from 0.5x in FY2025. While the ratio remains slightly below 1x, we do not view this as a significant concern, given the company's continued access to the bank loan market, stable property sales, and improving credit profile. In addition, the HK$1.8bn syndicated loan due in Jan 2027 accounts for a meaningful 70% of short-term debt. The facility is supported by a group of long-standing relationship banks, and management has expressed confidence in a successful rollover.

- **Continued access to bank funding**: Since Nov 2025, CSI Properties has completed at least HK$7.1bn of loan refinancing, reflecting its stable relationships with banks.

- **Interest expense covered by property sales**: Upon project delivery, CSI Properties generally gains greater flexibility in deploying the associated sales proceeds. On an attributable basis, we forecast property sales proceeds released upon delivery of HK$2.6bn in FY2027 and HK$2.4bn in FY2028, more than sufficient to cover interest expense of HK$0.8bn and HK$0.7bn, respectively.

- **Improving credit profile**: In our view, the company's improving balance sheet is supportive of lender and investor confidence, supporting continued access to both the loan and bond markets.

Exhibit 15: Cash & financial assets/short-term debt
CSI Properties' liquidity improved meaningfully in FY2026.



Source: BofA Global Research, company report

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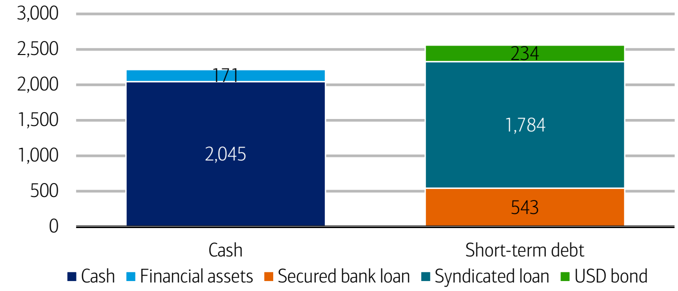
Exhibit 16: Composition of cash and short-term debt
The HK$1.8bn syndicated loan due in Jan 2027 accounts for a meaningful 70% of short-term debt.



Source: BofA Global Research, company report

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Strategic fundraising demonstrates shareholder support

In Apr 2025, CSI Properties completed a strategic fundraising of HK$1,992mn, comprising a HK$1,492mn rights issue and a HK$500mn bond issuance. In our view, the transaction showed the company's proactive efforts to improve liquidity and cushion the impact of fair value losses on investment properties as well as property write-downs and impairment provisions arising from Hong Kong's property market downturn. The transaction also brought in Gaw Capital – a well-regarded institutional real estate investor – as a new equity partner. More importantly, we estimate that Chairman Mr. Chung Cho Yee Mico contributed approximately HK$400mn of personal capital to the rights issue, demonstrating his willingness to support the company.

CSI Properties Limited (bond ticker: CSIPRO)

Business overview

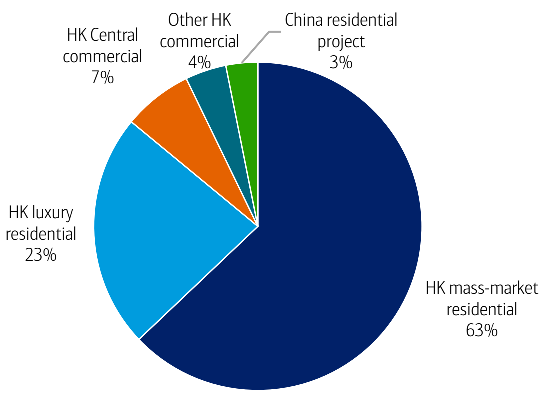
- CSI Properties is a Greater China-focused property developer and investor. The company primarily follows a property repositioning strategy focused on commercial and residential properties in prime locations. As of end-Mar 2026, it owned and managed more than 3mn sqft (gross basis) of properties across Beijing, Hong Kong, Macau and Shanghai.

- Mr. Chung Cho Yee Mico, acquired control of the company in 2004 as a platform to expand his property investment business. As of end-Mar 2026, he was deemed to be interested in approximately 64.45% of total shareholdings.

- The company is listed on the Hong Kong Stock Exchange (equity ticker: 497 HK). It had a market capitalization of around HK$2.4bn (or US$306mn) as of end-Jun 2026.

- The company has an established track record in the USD bond market, having issued its first USD bond in 2013 and returned as a repeat issuer thereafter. It is not rated by any major credit rating agency.

Exhibit 17: Breakdown of saleable resources
We estimate CSI Properties has HK$10-11bn of attributable saleable resources, which are concentrated in Hong Kong mass-market residential (63%), luxury residential (23%) and Central commercial (7%) projects.



Key properties only; excluding properties which are sold but not yet delivered. As of mid-Jun 2026. Source: BofA Global Research estimates, company report

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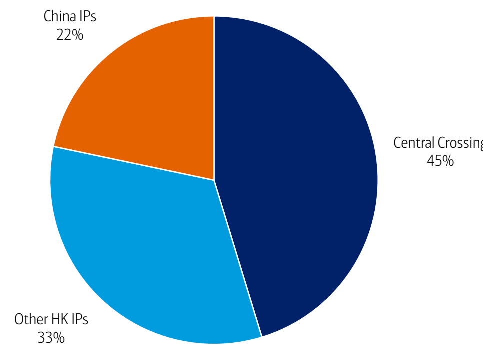
Exhibit 18: Breakdown of investment property portfolio
CSI Properties also has HK$15bn of investment properties on an attributable book value basis. Central Crossing accounts for around 45% of the portfolio.



Key properties only. As of end-Mar 2026
Source: BofA Global Research estimates, company report

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Recent developments

- **Strategic fundraising**: In Apr 2025, CSI Properties completed a strategic fundraising of HK$1,992mn, comprising a HK$1,492mn rights issue and a HK$500mn bond issuance. We estimate that Chairman Mr. Chung Cho Yee Mico, and Gaw Capital (through its managed funds) contributed approximately HK$400mn and HK$582mn, respectively, via the rights issue. In addition, Gaw Capital (through its managed funds) subscribed to a HK$500mn, 4-year senior unsecured bond issued by the company at an interest rate of 8.22% per annum. CSI Properties stated it intended to use the proceeds from the strategic fundraising to (1) repay HK$800mn of debt and (2) allocate the remaining balance to working capital.

- **Refinancing/ repayment of USD bond:** In May 2025, CSI Properties issued a US$150mn bond (CSIPRO 10.5% ’28). The proceeds were used to finance the company's purchase of US$150mn of CSIPRO 5.45% '25 via a tender offer. The remaining c.US$146mn of CSIPRO 5.45% '25 was repaid in Jul 2025.

- **Tap issuance**: CSI Properties tapped the market with additional US$50mn issuances of CSIPRO 10.5% '28 in both Sep 2025 and May 2026, bringing the total outstanding amount of the bond to US$250mn.

Financial performance

- For the year ended Mar 31, 2026, CSI Properties' revenue came in at HK$1.4bn (+175% YoY). Its gross profit surged to HK$340mn from HK$16mn a year earlier, with its gross margin at 24% (vs. 3% a year earlier). Its EBITDA was HK$54mn (vs. negative HK$153mn in FY2025), with its EBITDA margin at 4% (vs. -29% in FY2025). Its EBITDA interest coverage was 0.1x.

- As of end-Mar 2026, CSI Properties' cash totaled HK$2.0bn (+45% YoY) whereas its total debt dropped by 15% YoY to HK$7.9bn. Its net debt declined by 25% YoY to HK$5.8bn while its total equity grew by 7% YoY to HK$12.7bn. Its debt/cap improved by 5ppt YoY to 38% and its net debt/equity decreased by 20ppt YoY to 46%. Its gross and net leverage remained elevated at 146.0x and 108.1x, respectively. Its liquidity improved, with its cash covering 0.8x (vs. 0.4x as of end-FY2025) its short-term debt.

Key credit positive

- **Successful strategic fundraising**: CSI Properties completed a strategic fundraising of HK$1,992mn in Apr 2025. In our view, the transaction reflected the company's proactive efforts to improve liquidity and cushion the impact of Hong Kong's property market downturn. It also introduced Gaw Capital – a well-regarded institutional real estate investor – as a new equity partner. We estimate that Chairman Mr. Chung Cho Yee Mico contributed approximately HK$400mn of personal capital to the fundraising, demonstrating his willingness to support the company.

- **Track record of generating sales despite downturn**: Despite the property market slowdown in recent years, CSI Properties has maintained a solid track record of property sales, with attributable recognized sales of HK$2.4bn, HK$2.0bn, HK$3.1bn, HK$1.6bn and HK$3.5bn in FY22, FY23, FY24, FY25 and FY26, respectively. The company targets at least HK$9bn of attributable property sales over the four financial years ending Mar 2029. Progress has been solid, with more than HK$7bn of sales and presales achieved to date.

- **Continued access to bank funding**: In Nov 2025, CSI Properties (as guarantor) and Southwater Hong Kong Limited (as borrower, a 50%-owned company linked to the "Central Crossing" project) entered into a c.HK$6.1bn term loan facility mainly for refinancing purposes. In May 2026, CSI Properties (as guarantor) and Star Success International Limited (as borrower, a 50%-owned company linked to the "Lai Sun Yuen Long Centre" project) entered into a c.HK$892mn term loan facility primarily for refinancing purposes. In Jul 2026, CSI Properties (as guarantor) and City Synergy Limited (as borrower, an indirect subsidiary linked to the "Nos. 17-17A Shelter Street" project in Causeway Bay) entered into a c.HK$146mn term loan facility mainly for refinancing purposes. We believe CSI Properties can continue to maintain access to the bank loan market.

- **Near completion of Central Crossing**: The project has topped out and is scheduled for completion by end=2026, which should ease CSI Properties' capex burden. We view it as a high-quality long-term asset, although its ramp-up is likely to be gradual.

Key credit negatives

- **Most assets pledged to banks already**: In terms of book value, CSI Properties had 100% and 89% of its investment properties and properties held for sale pledged to banks to secure banking facilities granted to it as of end-Mar 2026.

- **Significant fluctuations in financial results**: CSI Properties has a relatively small operating scale. As a result, the timing of property sales recognition can lead to volatility in revenue, EBITDA, interest coverage, leverage, and other key credit metrics.

- **High proportion of joint ventures/ minority-owned projects**: As a relatively small developer operating in the capital-intensive real estate sector, CSI Properties have a significant number of joint ventures and minority-owned projects. In our view, this structure may limit the company's flexibility to monetize investment properties, launch residential pre-sales, and upstream cash from projects. Also, a meaningful portion of the company's assets, liabilities, cash flows, and earnings is held through joint ventures and associates, reducing financial transparency and making it more difficult for investors to assess its underlying leverage, liquidity, and cash generation capacity.

- **Absence of credit ratings**: CSI Properties is not rated by any credit rating agencies. Its USD bond is excluded from certain benchmark indices (such as the ICE BofA Asian Dollar High Yield Corporate Index), resulting in relatively weak bond technicals.

Key risks

- **Downside risks to our recommendation**: (1) meaningful deterioration in CSI Properties' credit profile, (2) aggressive business strategy, (3) weaker-than-expected property/ asset sales, and (4) weaker-than-expected funding access.

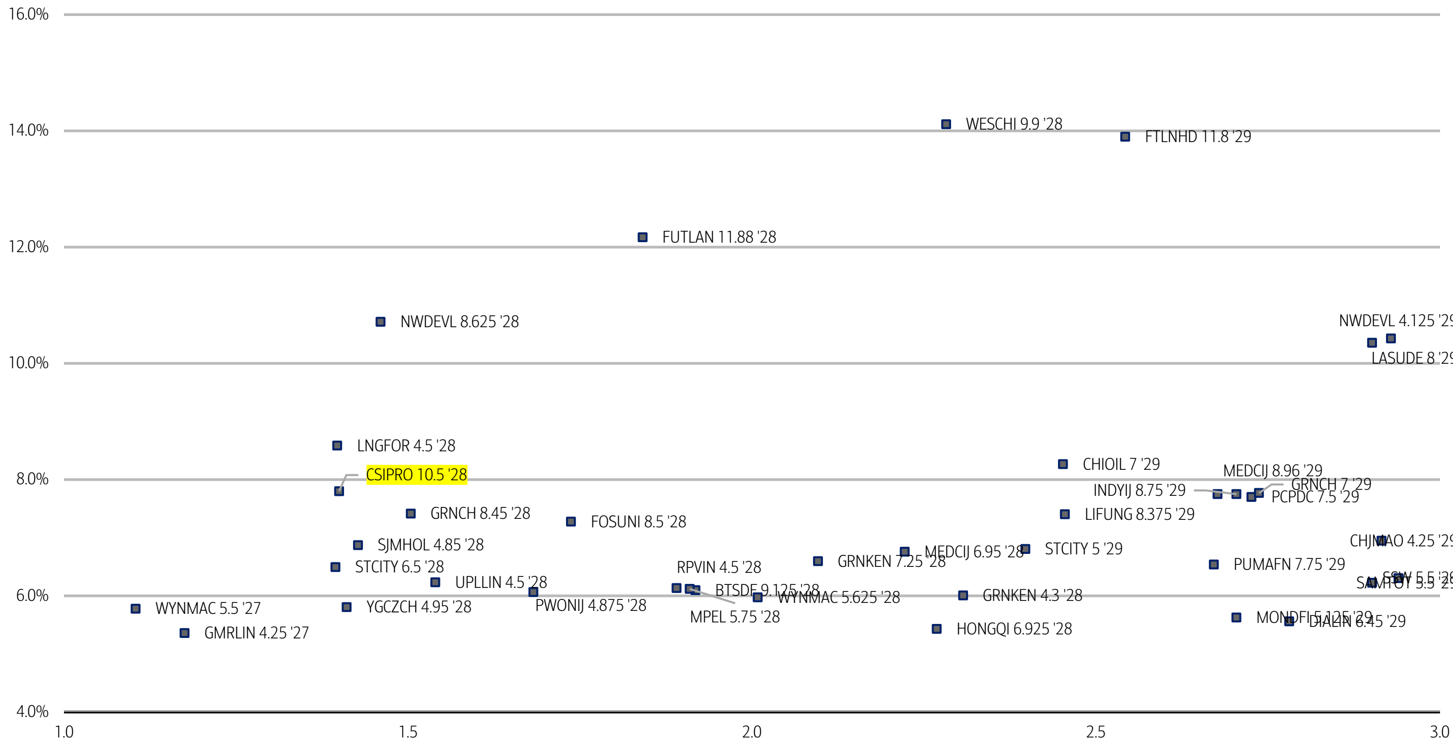
- **Upside risks to our recommendation**: (1) significant improvement in CSI Properties' credit fundamentals, (2) prudent business strategy, (3) stronger-than-expected property/ asset sales, and (4) stronger-than-expected funding access

Relative valuation

CSIPRO '28 offers a 7.8% yield for a 1.4-year average life. Its yield is relatively high compared to other similarly maturing bonds in the Asian HY space- see Exhibit below.

Exhibit 19: Relative valuation – years to maturity (x) vs. yield to maturity (x)

CSIPRO '28 generally trades wider than other similarly maturing bonds in the Asian HY space.



Source: BofA Global Research, Bloomberg

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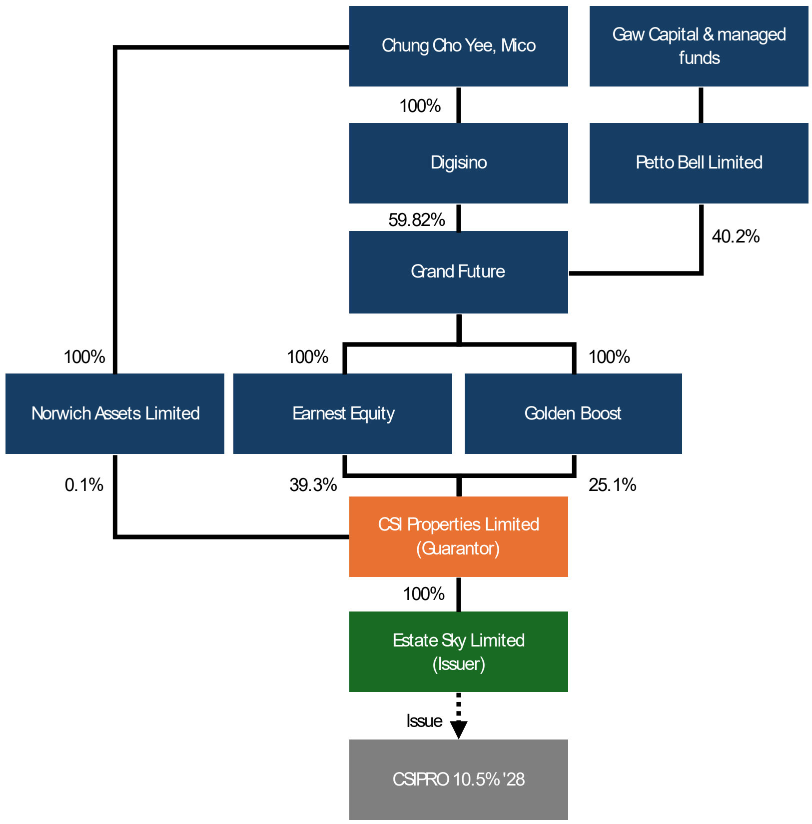
Corporate structure

Exhibit 20: Corporate structure
CSIPRO 10.5% '28 is issued by Estate Sky and guaranteed by CSI Properties.



Source: BofA Global Research, company report

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Exhibit 21: Key information on CSIPRO 10.5% 2028
CSI Properties will redeem US$37.5mn of the bond's principal at par on each of Nov 21, 2026 and May 21, 2027.

Issuer	Estate Sky Limited
Guarantor	CSI Properties Limited
Bond rating	Unrated
Status	Senior unsecured
Issue price/ size	
- 2025 May	$95.48/ US$150mn
- 2025 Sep	$100/ US$50mn
- 2026 May	$101.75/ US$50mn
Amount outstanding	US$250mn
Mandatory redemption schedule	
- Nov 21, 2026	US$37.5mn
- May 21, 2027	US$37.5mn
Maturity date	May 21, 2028
Change of control (CoC) put	
- Price	$101
- CoC definition	Mr. Chung Cho Yee Mico, his family members, and/or their controlled entities cease to own at least 30% of CSI Properties or cease to be the company's single largest shareholder

Source: BofA Global Research, company report, Bloomberg

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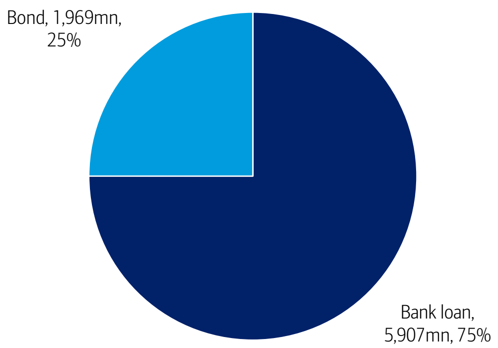
Debt structure and maturity profile

Exhibit 22: Structure of consolidated debt as of end-Mar 2026 (HK$ mn)

As of end-Mar 2026, CSI Properties' consolidated debt consisted of HK$5.9bn of bank loans and HK$2.0bn of bonds.



Source: BofA Global Research, company report

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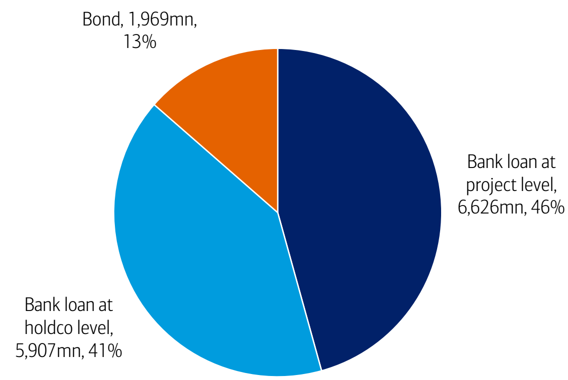
Exhibit 23: Structure of look-through debt as of end-Mar 2026 (HK$ mn)

As of end-Mar 2026, CSI Properties' look-through debt included HK$6.6bn of guarantees for banking facilities granted to JVs and associates, HK$5.9bn of bank loans at the holdco level, and HK$2.0bn of bonds.



JV: joint ventures
Source: BofA Global Research estimates, company report

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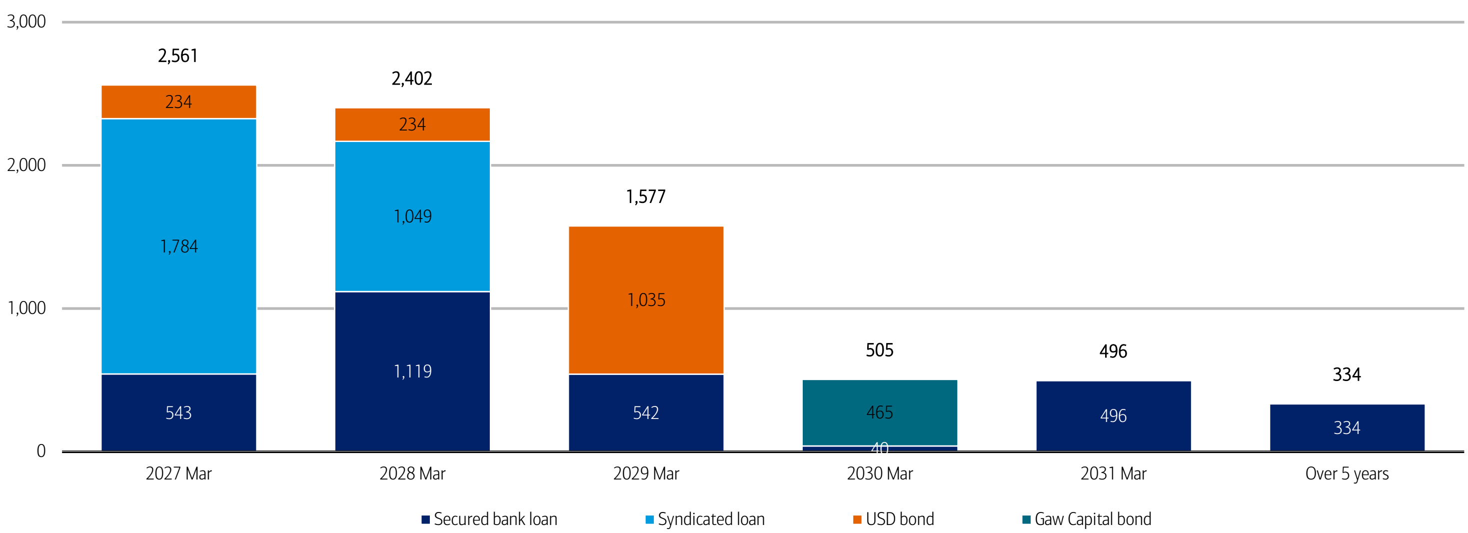
Exhibit 24: Maturity profile of consolidated debt as of end-Mar 2026 (HK$ mn)

As of end-Mar 2026, CSI Properties had HK$2.6bn consolidated debt maturing within one year.



Source: BofA Global Research, company report

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Financial summary

Exhibit 25: Financial summary
FY26 results: reduced net debt and lower net gearing but still elevated net leverage

HK$ mn	FY2023	FY2024	FY2025	FY2026	1HFY2025	2HFY2025	1HFY2026	2HFY2026
Income Statement (HKD mn)	3/31/2023	3/31/2024	3/31/2025	3/31/2026	9/30/2024	3/31/2025	9/30/2025	3/31/2026
Revenue	804	1,579	521	1,430	143	378	124	1,305
YoY growth	91%	96%	-67%	175%	-56%	-70%	-13%	246%
Gross Profits	404	786	16	340	35	-20	36	304
YoY growth	1189%	95%	-98%	2063%	-82%	-103%	3%	NM
Gross margin	50%	50%	3%	24%	25%	-5%	29%	23%
Other operating expenses	-216	-187	-181	-294	-71	-110	-143	-151
Operating profits	188	599	-165	47	-36	-130	-106	153
YoY growth	NM	219%	-128%	NM	-139%	-125%	NM	NM
Operating profit margin	23%	38%	-32%	3%	-25%	-34%	-86%	12%
Other gains/ (losses)	691	-433	-1,023	-419	-605	-418	-232	-187
Financing costs	-496	-664	-577	-490	-299	-279	-239	-251
Taxations	-18	41	55	19	24	31	19	0
Minorities (incl. perp holders)	-29	30	19	18	11	9	1	17
Net profit attributable to owners of the company	336	-426	-1,692	-825	-904	-787	-557	-269
EBITDA	408	529	-153	54	-35	-118	-144	198
YoY growth	29%	30%	-129%	NM	-115%	-139%	NM	NM
EBITDA margin	51%	34%	-29%	4%	-24%	-31%	-116%	15%
Interest expenses	-503	-664	-577	-490	-299	-279	-239	-251
LTM EBITDA	408	529	-153	54	267	-153	-263	54
LTM total interest expenses	-503	-664	-577	-490	-639	-577	-518	-490
LTM EBITDA/LTM total interest expenses	0.8x	0.8x	NM	0.1x	0.4x	NM	NM	0.1x
Balance sheet (HKD mn) & key credit metrics								
Total cash	3,162	2,524	1,414	2,045	1,971	1,414	2,439	2,045
Debt due within one year	2,064	3,877	3,420	2,561	4,226	3,420	1,546	2,561
Total debt (perps as debt)	11,152	10,185	9,232	7,875	9,695	9,232	8,613	7,875
Net debt (perps as debt)	7,990	7,661	7,819	5,830	7,724	7,819	6,174	5,830
Total equity (perps as debt)	14,400	13,736	11,930	12,745	12,839	11,930	12,902	12,745
Total debt/cap (%)	44%	43%	44%	38%	43%	44%	40%	38%
Net debt/cap (%)	31%	32%	37%	28%	34%	37%	29%	28%
Total debt/equity (%)	77%	74%	77%	62%	76%	77%	67%	62%
Net debt/equity (%)	55%	56%	66%	46%	60%	66%	48%	46%
Debt/LTM EBITDA	27.4x	19.3x	NM	146.0x	36.4x	NM	NM	146.0x
Net debt/ LTM EBITDA	19.6x	14.5x	NM	108.1x	29.0x	NM	NM	108.1x
Total cash / debt due within one year (x)	1.5x	0.7x	0.4x	0.8x	0.5x	0.4x	1.6x	0.8x

Source: BofA Global Research estimates, company report

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Valuation & risk

Estate Sky Ltd (CSIPRO)

We are OW CSIPRO '28. CSIPRO '28 is trading at the wider end among similarly maturing bonds in the Asian HY space. We view the bond as an attractive carry opportunity, given Improving fundamentals, decent asset coverage, good liquidity, and the controlling shareholder's commitment to the company.

Downside risks to our recommendation: (1) meaningful deterioration in credit profile