华南城

China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH

	2012 *HK$'000*	2011 *HK$'000*	**Approximate Change %**
Revenue	**3,670,767**	2,234,033	**64.3**
Gross profit	**2,236,096**	1,333,048	**67.7**
Profit attributable to owners of the parent	**2,070,708**	1,552,455	**33.4**
Net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effect	**1,303,046**	542,339	**140.3**
Net assets value	**12,995,291**	10,618,036	**22.4**
Gearing ratio	**21%**	15%	
Proposed final dividend (per share)	**HK7.5 cents**	HK2.5 cents	**200.0**

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") of China South City Holdings Limited ("China South City" or the "Company"), together with its subsidiaries (the "Group") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2012 together with the comparative figures for the previous financial year as follows:

Consolidated Income Statement
Year ended 31 March 2012

	Notes	For the year ended 31 March 2012 HK$'000	2011 HK$'000
REVENUE	4	**3,670,767**	2,234,033
Cost of sales		**(1,434,671)**	(900,985)
Gross profit		**2,236,096**	1,333,048
Other income and gains	4	**547,191**	39,499
Fair value gains on investment properties	4	**1,117,696**	1,464,168
Selling and distribution costs		**(187,334)**	(111,805)
Administrative expenses		**(350,918)**	(208,079)
Other expenses		**477**	(34,566)
Finance costs	6	**(58,873)**	(30,495)
Share of profits and losses of:			
A jointly-controlled entity		**1,497**	1,337
Associates		**(317)**	(331)
PROFIT BEFORE TAX	5	**3,305,515**	2,452,776
Income tax expense	7	**(1,257,953)**	(908,658)
PROFIT FOR THE YEAR		**2,047,562**	1,544,118
Attributable to:			
Owners of the parent		**2,070,708**	1,552,455
Non-controlling interests		**(23,146)**	(8,337)
		2,047,562	1,544,118
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK34.58 cents**	HK25.95 cents
Diluted		**HK34.51 cents**	HK25.80 cents

Details of the dividend proposed for the year are disclosed in note 8.

Consolidated Statement of Comprehensive Income
Year ended 31 March 2012

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,047,562**	1,544,118
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**366,059**	302,644
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,413,621**	1,846,762
Attributable to:		
Owners of the parent	**2,434,132**	1,851,482
Non-controlling interests	**(20,511)**	(4,720)
	2,413,621	1,846,762

Consolidated Statement of Financial Position
31 March 2012

	Notes	31 March 2012 HK$'000	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**195,960**	204,119
Investment properties		**13,637,107**	11,285,288
Properties under development		**2,878,003**	3,403,663
Prepaid land premiums		**7,116**	7,036
Goodwill		**20,066**	20,066
Investments in jointly-controlled entities		**2,850**	11,106
Investments in associates		**(1,531)**	(1,177)
Finance lease receivables		**38,445**	46,795
Deposits paid for purchase of land		**376,035**	261,316
Deferred tax assets		**267,388**	160,003
Total non-current assets		**17,421,439**	15,398,215
CURRENT ASSETS			
Properties held for finance lease		**145,940**	161,571
Properties held for sale		**7,762,555**	482,607
Trade receivables	*10*	**525,630**	589,943
Prepayments, deposits and other receivables		**866,806**	34,005
Held for trading investments at fair value through profit or loss		**111,986**	153,065
Cash and cash equivalents and restricted cash		**3,831,987**	4,564,491
Total current assets		**13,244,904**	5,985,682
CURRENT LIABILITIES			
Trade and other payables	*11*	**6,529,731**	1,324,051
Interest-bearing bank and other borrowings		**2,740,273**	1,696,394
Tax payable		**1,624,496**	900,503
Total current liabilities		**10,894,500**	3,920,948
NET CURRENT ASSETS		**2,350,404**	2,064,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,771,843**	17,462,949

Consolidated Statement of Financial Position *(Continued)*
31 March 2012

	31 March 2012 *HK$'000*	31 March 2011 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,033,109**	2,546,303
Senior notes	**1,844,984**	1,900,083
Amount due to non-controlling interests	**53,113**	51,170
Deferred tax liabilities	**2,845,346**	2,347,357
Total non-current liabilities	**6,776,552**	6,844,913
Net assets	**12,995,291**	10,618,036
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**59,876**	59,876
Reserves	**12,429,737**	10,331,349
Proposed final dividends	**449,067**	149,689
	12,938,680	10,540,914
Non-controlling interests	**56,611**	77,122
Total equity	**12,995,291**	10,618,036

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and held for trading investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.1 The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirements*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010 (Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The Group has voluntarily changed its accounting policy regarding the current/non-current assets classification in respect of properties under development. In prior years, the Group initially classified the properties under development in non-current assets in the statement of financial position and transferred the properties under development to current assets when completed and ready for use as properties held for sale. Under the revised accounting policy, properties under development are initially classified as non-current assets and transferred to current assets when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle. The basis of measurement of properties under development is not affected by the above change in accounting policy. In the opinion of the directors, the financial statements according to the revised policy will provide reliable and more relevant information to the users of the financial statements, and better reflect the financial position of the Group following the diversification of the Group's project portfolio during the year and would bring the Group more in line with the treatment adopted by other entities in the real estate industry.

This voluntary change of the accounting policy has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position as at 31 March 2012 is to decrease the non-current assets properties under development of HK$5,636,286,000 and to increase the current assets properties held for sale for the same amount.

The above change has no material impact on the comparatives as at 31 March 2011 and 1 April 2010 accordingly comparatives for the year ended 31 March 2011 and the opening balances at 1 April 2010 were not restated.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRSs Amendments	*Annual improvements to HKFRSs 2009-2011 cycle*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Hotel operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2012						
Segment revenue:						
Sales to external customers	**3,431,323**	**166,393**	**41,500**	**26,946**	**4,605**	**3,670,767**
Intersegment sales	**—**	**—**	**7,586**	**37,469**	**—**	**45,055**
	3,431,323	**166,393**	**49,086**	**64,415**	**4,605**	**3,715,822**
Elimination of intersegment sales						**(45,055)**
Revenue						**3,670,767**
Segment results before increase in fair value of investment properties	**2,165,806**	**94,321**	**(26,173)**	**(356)**	**2,498**	**2,236,096**
Increase in fair value of investment properties	**—**	**1,117,696**	**—**	**—**	**—**	**1,117,696**
Segment results after increase in fair value of investment properties	**2,165,806**	**1,212,017**	**(26,173)**	**(356)**	**2,498**	**3,353,792**
Interest income						**11,985**
Unallocated income and gains						**535,206**
Unallocated expense						**(537,775)**
Finance costs						**(58,873)**
Share of profit of a jointly-controlled entity						**1,497**
Share of losses of associates						**(317)**
Profits before tax						**3,305,515**
Segment assets	**8,728,396**	**16,519,202**	**1,886**	**64,021**	**7,097**	**25,320,602**
Reconciliation:						
Investments in jointly-controlled entities						**2,850**
Investments in associates						**(1,531)**
Unallocated assets						**5,344,422**
Total assets						**30,666,343**
Segment liabilities	**5,430,907**	**3,551,468**	**6,793**	**2,142**	**1,124**	**8,992,434**
Reconciliation:						
Unallocated liabilities						**8,678,618**
Total liabilities						**17,671,052**
Other segment information:						
Depreciation	**294**	**—**	**653**	**3,814**	**204**	**4,965**
Corporate and other unallocated amounts						**18,210**
						23,175
Increase in fair value of investment properties	**—**	**1,117,696**	**—**	**—**	**—**	**1,117,696**
Capital expenditure*	**7,127,810**	**2,180,737**	**179**	**160**	**8,990**	**9,317,876**

	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Hotel operation HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2011						
Segment revenue:						
Sales to external customers	2,046,309	133,453	30,695	21,670	1,906	2,234,033
Intersegment sales	—	—	21,200	30,912	—	52,112
	2,046,309	133,453	51,895	52,582	1,906	2,286,145
Elimination of intersegment sales						(52,112)
Revenue						2,234,033
Segment results before increase in fair value of investment properties	1,315,764	61,964	(33,158)	(13,427)	1,905	1,333,048
Increase in fair value of investment properties	—	1,464,168	—	—	—	1,464,168
Segment results after increase in fair value of investment properties	1,315,764	1,526,132	(33,158)	(13,427)	1,905	2,797,216
Interest income						9,978
Unallocated income and gains						29,521
Unallocated expense						(354,450)
Finance costs						(30,495)
Share of profit of a jointly-controlled entity						1,337
Share of losses of associates						(331)
Profits before tax						2,452,776
Segment assets	1,950,534	14,243,061	2,255	67,041	119	16,263,010
Reconciliation:						
Investments in jointly-controlled entities						11,106
Investments in associates						(1,177)
Unallocated assets						5,110,958
Total assets						21,383,897
Segment liabilities	163,091	3,004,583	8,837	2,664	189	3,179,364
Reconciliation:						
Unallocated liabilities						7,586,497
Total liabilities						10,765,861
Other segment information:						
Depreciation	—	6,327	590	10,812	121	17,850
Corporate and other unallocated amounts						17,601
						35,451
Increase in fair value of investment properties	—	1,464,168	—	—	—	1,464,168
Capital expenditure*	623,125	1,683,342	66	450	37	2,307,020

* Capital expenditure consists of additions to property, plant and equipment, properties under development and investment properties.

4. **REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the net sales of completed properties, finance lease income, rental income, hotel income and income from the provision of property management services and other fee income, net of business tax.

An analysis of revenue, other income and gains is as follows:

	For the year ended 31 March 2012 *HK$'000*	2011 *HK$'000*
Revenue		
Sale of properties	**3,010,808**	1,832,580
Finance lease income	**420,515**	213,729
Rental income	**166,393**	133,453
Hotel income	**26,946**	21,670
Property management service income	**41,500**	30,695
Other fee income	**4,605**	1,906
	3,670,767	2,234,033
Other income		
Interest income from:		
Banks	**8,770**	5,700
Finance lease receivables	**3,215**	4,278
Others	**9,365**	9,423
	21,350	19,401
Gains		
Gain on disposal of subsidiaries	**545,720**	—
Gains/(losses) on held for trading investments at fair value through profit or loss, net	**(40,260)**	20,098
Gain on repurchase of senior notes	**14,018**	—
Others	**6,363**	—
	525,841	20,098
	547,191	39,499
Fair value gains on investment properties	**1,117,696**	1,464,168

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Cost of properties sold	**1,044,147**	610,004
Cost of properties held for finance lease	**221,370**	120,541
Cost of service provided	**169,154**	170,440
Depreciation	**23,705**	35,638
Less: Depreciation capitalised in respect of properties under development	**(530)**	(187)
	23,175	35,451
Amortisation of prepaid land premiums	**187**	180
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**10,305**	6,853
Auditors' remuneration	**2,880**	3,018
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**206,876**	136,227
Equity-settled share option expense	**42,314**	396
Pension scheme contributions	**13,626**	6,739
	262,816	143,362
Foreign exchange differences, net	**(18,385)**	(2,838)
Provision for impairment of trade receivables**	**—**	34,959
Loss on disposal of items of property, plant and equipment	**32**	3,250
Write-back of impairment of investment in a jointly-controlled entity**	**(477)**	(393)

* Included amounts of HK$34,138,000 and HK$22,718,000 for the years ended 31 March 2012 and 2011, respectively, which were capitalised under properties under development.

** Included in "other expenses" in the consolidated income statement.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank and other borrowings, net		
Wholly repayable within five years	**236,729**	198,528
Wholly repayable beyond five years	**30,818**	19,360
Interest on senior notes	**275,152**	57,196
Less: Interest capitalised	**(483,826)**	(244,589)
Total	**58,873**	30,495

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2011: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved. It became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the corporate income tax ("CIT") as at 31 March 2012 and 2011 have been provided at the enacted corporate tax rates.

Subsidiaries of the Group operate in Shenzhen, Mainland China, had enjoyed preferential CIT rate granted for foreign investment enterprise established before 16 March 2007. The preferential tax rate was gradually transited to the united tax rate 25% over a five-year transitional period. Hence, the applicable CIT tax rates for the subsidiaries in Shenzhen were 25% and 24% for the year ended 31 March 2012 and 2011, respectively.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. Amounts of LAT of HK$403,171,000 and HK$284,174,000 were charged to the consolidated income statement for the years ended 31 March 2012 and 2011, respectively.

The major components of income tax expense for the years are as follows:

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Current — Mainland China	**569,597**	221,824
LAT in Mainland China	**403,171**	284,174
Deferred Mainland China corporate income tax	**285,185**	402,660
Total tax charged for the year	**1,257,953**	908,658

8. DIVIDENDS

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Proposed final dividends — HK7.5 cents per ordinary share (2011: HK2.5 cents per ordinary share)	**449,067**	149,689

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,987,564,000 (2011: 5,982,908,219) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,070,708**	1,552,455

	Number of Shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,987,564,000**	5,982,908,219
Effect of dilution — weighted average number of ordinary shares:		
Share options	**13,482,984**	33,361,963
	6,001,046,984	6,016,270,182

10. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**590,459**	652,401
Impairment	**(64,829)**	(62,458)
	525,630	589,943

Trade receivables represent sales income, rentals receivable and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the end of the reporting period, net of provision, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**415,754**	403,419
1 to 2 months	**17,072**	29,310
2 to 3 months	**43,530**	49,835
Over 3 months	**49,274**	107,379
	525,630	589,943

The movements in provision for impairment of trade receivables are as follows:

	2012	2011
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**62,458**	25,512
Impairment losses recognised	**—**	34,959
Exchange realignment	**2,371**	1,987
Carrying amount at end of year	**64,829**	62,458

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**400,297**	71,363
Less than 1 month past due	**15,457**	332,056
1 to 3 months past due	**60,602**	79,145
	476,356	482,564

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group has retained the legal ownership of the property sold to the purchasers for debtor balances.

11. TRADE AND OTHER PAYABLES

		2012	2011
	Note	***HK$'000***	*HK$'000*
Other payables and accruals		**350,893**	286,763
Deposits and receipts in advance		**3,462,501**	205,463
Construction fee and retention payables	*(i)*	**2,716,337**	831,825
		6,529,731	1,324,051

(i) An aged analysis of the construction fee and retention payables as at the end of reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 year	**2,593,409**	605,813
Over 1 year	**122,928**	226,012
	2,716,337	831,825

The construction fee and retention payables are non-interest-bearing and repayable within the normal operation cycle or on demand.

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China South City Holdings Limited ("China South City" or the "Company"), together with its subsidiaries (the "Group"), I am pleased to report the annual results of the Group for the fiscal year ended 31 March 2012 ("FY2011/12").

RESULTS AND DIVIDEND

The Group reported outstanding operating results in FY2011/12 amid a challenging environment. Total revenue surged by 64.3% to HK$3,670.8 million (the fiscal year ended 31 March 2011 ("FY2010/11"): HK$2,234.0 million), mainly attributable to the revenue contribution from sales of China South City Shenzhen ("CSC Shenzhen"), China South City Nanchang ("CSC Nanchang") and China South City Nanning ("CSC Nanning"). Profit attributable to owners of the parent increased by 33.4% year-on-year from HK$1,552.5 million to HK$2,070.7 million. Basic earnings per share were HK34.58 cents (FY2010/11: HK25.95 cents).

The Board proposed a final dividend of HK7.5 cents per share for the FY2011/12 (FY2010/11: HK2.5 cents per share), subject to shareholders' approval at the Company's forthcoming annual general meeting ("AGM") to be held on 21 August 2012.

REVIEW OF THE MARKET AND OPERATIONS

Remarkable Performance Achieved

During the fiscal year under review, China's economy maintained steady growth despite growing at a slower pace. The central government's measures to curb speculation in the residential property market during the year caused overall transaction volumes to decline. As one of the leading developers and operators of large-scale, integrated logistics and trade centers in China, China South City remained relatively unaffected by the challenging operating environment, delivering promising performance.

The Group successfully achieved contracted sales and finance lease of HK$7.1 billion for the fiscal year, recording a multiple-fold year-on-year increase and realizing its annual sales target; with the sales and finance lease of phase II and III properties of CSC Shenzhen; and the enthusiastic response and higher than expected average selling price ("ASP") from the launch of properties of CSC Nanchang, CSC Nanning and China South City Xi'an ("CSC Xi'an"). Sales revenue and finance lease income of HK$3,431.3 million was booked in FY2011/12.

The overwhelming market response to the initial launch of CSC Nanchang, CSC Xi'an and CSC Nanning, provided unequivocal proof that the Group's business model can be replicated in different areas in China. More importantly, it reveals and proves the management's capability of executing its business model. Our experience and expertise throughout the years enable us to advance ourselves in the development and operation of every new project.

Strategic Expansion and Disposal

While the existing projects are in place to make contributions to the Group and drive future revenue, we continue to proactively identify lucrative markets with high growth potential to further replicate our business model in other areas in China to sustain the Group's long term development. Project agreements for two new projects – China South City Harbin ("CSC Harbin") and China South City Zhengzhou ("CSC Zhengzhou") – were signed in October 2011 and April 2012, respectively. The Group is currently framing the layout of both projects and expect to have part of their land to be acquired in FY2012/13, among which, CSC Harbin has successfully bid for the land of approximately 263,000 square meters ("sq. m.") in June 2012.

In line with its core strategy of developing and operating integrated logistics and trade centers, the Group disposed of the residential segment of China South City Heyuan ("CSC Heyuan") in September 2011.

Strengthened Business Model

The Group has been implementing comprehensive plans to further extend its unique "One Body with Two Wings" business model, which refers to with large scale integrated logistics and trade centers as the core business, and supplemented by commercial facilities and residential properties, to include five pillars of ancillary services that complement its core business of developing and operating trade centers.

One-stop logistics services with warehousing, on-site delivery and freight forwarding for the Group's projects.

E-commerce platform for clients to promote their businesses and products – we plan to revamp our online platform to connect our trade center shops with online version, in a view of promoting online wholesale and retail trade and putting online clearing in practice.

Convention and exhibition services through a non-stop exhibition platform where influential exhibitions and conventions are organized and which facilitate increase in traffic flow of the projects. The annual China (Shenzhen) International Industrial Fair (the "Industrial Fair") in CSC Shenzhen, as well as the China – ASEAN Light Industrial Products Fair (the "Light Industrial Fair") in CSC Nanning instanced the business opportunities brought to our trade centers and tenants.

Outlet operation and management to further boost overall traffic. Building on the successful opening of the first outlet center at CSC Shenzhen last year, we plan to expand the business further at CSC Shenzhen, and replicate it at other projects in the coming fiscal year.

Property management which takes into account the scale and multi-industries nature of our business in providing safety and comfort environment to our staff, clients and end-users across all projects.

These five interdependent service pillars, together with our trade centers as a trading platform are intended to serve all clients on each project and represent a self-sustaining operation that strengthens our overall business model.

Green and Save

As our business continues to grow, we have enhanced our commitment to corporate social responsibility by developing projects that are beneficial to the Group, our clients and the environment as a whole. Taking the overall costs reduction into consideration, we have been introducing various initiatives such as LED lighting, photovoltaic system, combined cooling, heating and power system and automation system, to promote environmental and social sustainability to our projects progressively.

PROSPECTS

Looking forward, the Group maintains a positive outlook on the Chinese economy, which is backed by the continued rise in internal demand as a major driver for growth. Capitalizing on the proven success of our business model and expertise, particularly the anticipated returns from the existing projects, we are confident of overcoming the challenges ahead as we continue to grow our business. The Group believes that the successful launch of CSC Nanchang, CSC Xi'an and CSC Nanning, in addition to the ongoing development of CSC Shenzhen, will start and continue to form more diverse sources of income to boost revenue and earnings. We expect target sales of HK$8.0 to 10.0 billion to be achieved in the forthcoming fiscal year. Furthermore, for the sake of Group's sustainability in the long run, we will identify lucrative opportunities to replicate our business model further across China in a prudent yet proactive manner, to maximize returns to our shareholders.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, note holders, customers and business partners for their trust in the Group and for their unwavering support. I would also like to thank the management and staff for their professionalism and dedication to the Group.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 26 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year under review, China's economic growth remained stable amid unfavorable global economic conditions. The central government's policies, such as tightened monetary controls and various regulatory measures on the residential market, have resulted in a nationwide drop in property prices and transaction volumes. However, the later circumstances has diverted capital to and resulted in growth momentum in the commercial property market. As one of the leading developers and operators of large-scale, integrated logistics and trade centers in China, the Group achieved outstanding financial results in FY2011/12 riding on our niche positioning to cater to the continued strong demand in integrated logistics and trade centers as well as our capability of executing our unique business model.

With more projects launched to the market, China South City recorded remarkable growth in revenue during the fiscal year under review. Sales and leasing of CSC Shenzhen continued to deliver sound performance. Meanwhile, the launch of properties in other projects for sale or pre-sale, namely CSC Nanchang, CSC Nanning and CSC Xi'an, have been met with fervent responses among buyers. In FY2011/12, the Group achieved total contracted sales and finance lease of HK$7.1 billion, exceeding the Group's target of HK$7.0 billion. Details on contracted sales and finance lease are shown in the table below:

Contracted Sales and Finance Lease in FY2011/12

	Contracted area	**ASP (before deduction of business tax)**	**Contracted amount (before deduction of business tax)**
	Sq. m.	*HK$/sq. m.*	*HK$ million*
CSC Shenzhen	96,800	13,800	1,335
Trade center	51,300	17,300	889
Office	41,000	10,000	411
Residential property	4,500	7,700	35
CSC Nanchang	344,900	8,900	3,063
Trade center	174,300	11,900	2,076
Residential property	170,600	5,800	987
CSC Xi'an	98,200	11,500	1,133
CSC Nanning	35,300	14,400	507
CSC Heyuan *1	16,700	10,500	169
CSC Heyuan *2	N/A	N/A	894
		Total	7,101

*1 Contracted sales up to 28 September 2011 (date of disposing residential segment of CSC Heyuan)

*2 Balance represented disposal consideration of residential segment of CSC Heyuan (RMB730 million)

With broader income sources from the CSC Shenzhen project to four projects including CSC Shenzhen, CSC Nanchang, CSC Xi'an and CSC Nanning, the Group has been heading towards a new era of development.

CHINA SOUTH CITY SHENZHEN

As the Group's first project in China, CSC Shenzhen is strategically located in the heart of the Pearl River Delta region, occupying a site area of approximately 1.06 million sq. m. with a planned total gross floor area ("GFA") of approximately 2.60 million sq. m.. As of 31 March 2012, a total GFA of approximately 1.46 million sq. m. of trade center units and ancillary facilities have been in operation, of which approximately 464,000 sq. m. make up phase I and the remaining approximately 1.00 million sq. m. make up phase II. Phase III has a planned GFA of approximately 1.18 million sq. m.. Construction of the phase III office tower, the China South Development Tower, was completed in March 2012, and it is expected to commence operation in the first half of the fiscal year ending 2013 ("FY2012/13"). It has a total GFA of 52,000 sq. m., of which 40,000 sq. m. is office space that will specifically cater to the internal demand from merchants at CSC Shenzhen. In FY2012/13, the planned construction work on the multi-functional Complex Trade Center No.5, with a total planned GFA of 327,000 sq. m., has its trade center units has its designed for electronic goods, gadgets and accessories, is slated for completion by the end of the fiscal year.

In FY2011/12, CSC Shenzhen generated sales and finance lease revenue of HK$971.7 million (FY2010/11: HK$1,572.0 million), of which phase I and II trade centers had a GFA of 35,400 sq. m. (FY2010/11: 85,600 sq. m.) and sold at an ASP of HK$16,500/sq. m. (FY2010/11: HK$16,800/sq. m.). It's phase III office tower, the China South Development Tower, has a GFA of 31,500 sq. m. secured for finance lease contracts at an average price of HK$10,200/sq. m. (FY2010/11: nil). As for the phase II office tower, the Global Logistics Center, has a GFA of 9,500 sq. m. entered into finance lease contracts at an average price of HK$9,500/sq. m. (FY2010/11: HK$8,800/sq. m.). For the residential properties, a GFA of 4,500 sq. m. (FY2010/11: 2,300 sq. m.) entered into a finance lease contract at an average price of HK$7,700/sq. m. (FY2010/11: HK$6,800/sq. m.).

During the fiscal year under review, the occupancy of CSC Shenzhen recorded steady growth. The total occupancy rate of the phase I trade center and shops increased to 95% in FY2011/12 (FY2010/11: 86%), while that of phase II trade center and shops released for rent rose to 48% in FY2011/12 (FY2010/11: 36%). The occupancy rate of the phase II office space was 99% (FY2010/11: 96%). The rise in total occupancy rate as well as traffic flow of the project also resulted in gradual increase in rental income, property management income and hotel income.

CSC Shenzhen phase I currently houses suppliers of five key light industries mutually-complementary, namely, Textile and Clothing, Leather and Accessories, Electronics and Accessories, Printing, Paper and Packaging, and Metals, Chemicals and Plastics. To cope with the development of CSC Shenzhen and surrounding regions, phase II now has an expanded product range that includes industrial raw materials, finished products, small commodities, themed products and factory outlets. Currently, phase II has been partitioned into the Tea and Tea Ware Center, Hong Kong Products Sales Center, Lighting Center, Underwear Center, Men's Wear, Women's Wear, Kids Wear and Kids Wares, Home Furnishing Center, Dry Food Center, Outlet Center, etc..

The Outlet Center in phase II trade center is one of our major pillars of development, which on one hand provides value branded goods to end-users, and on the other hand increases the overall traffic flow of the project. Since its grand opening in April 2011, it has incorporated a list of the major international sportswear brands such as Nike, Adidas, Puma, Kappa, Fila, Lotto and Li Ning. Recently, the business has extended to fashion, leather goods and accessories renowned brands, for example, Daniel Hechter, Le Saunda, Sanrio, Lids, Walker Shop, Baleno, etc..

As a modern integrated logistics trading platform, CSC Shenzhen makes available to its tenants and their customers a full range of services and facilities that include trade center shops, office facilities, residential facilities, both bonded and common warehousing, and hotel and dining. Banking and financial services, on-site logistics services and quality testing services provided by third parties are available at CSC Shenzhen as well. There are also on-site governmental organizations. We aim to not only provide one-stop logistics and trading solution to our users, but also a comfortable and self-sustainable environment. Leveraging our strong brand recognition and increasing levels of traffic, food and beverage shops like McDonald and KFC; banks that include Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Ping An Bank and Postal Savings Bank of China; as well as a variety of chain stores offering diversified services such as China Mobile and China Telecom are well underway to serve our tenants and their customers at CSC Shenzhen.

The Group always endeavors to provide value to its services and facilities. Considering the rising trend in online platforms, we aim to revamp our Shenzhen portal to better connect our trade center shops to our online platform. In the near future, customers can conduct trade, whether B2B or B2C, with shops at CSC Shenzhen in person or via our online portal. Subsequently we plan to provide clearing services online and to extend our e-commerce services to all other projects.

Industrial Fair at CSC Shenzhen

In April 2012, the Group co-hosted the 5th Industrial Fair with the China Council for the Promotion of International Trade, the China Chamber of International Commerce and the Shenzhen Municipal People's Government. As one of the premier events in Shenzhen, the three-day Industrial Fair has become a signature annual event that boosts the economy of the region, bringing traffic and business flow to CSC Shenzhen, and continuing to attract international and local exhibitors with its unique sense of glamour and reputation.

CHINA SOUTH CITY NANCHANG

CSC Nanchang, located in Nanchang, Jiangxi Province, aims to make full use of its advantageous location as a vigorous, integrated logistics trading platform for the Pan Pearl River Delta and Yangtze River Delta regions. For suppliers, manufacturers and merchants, the site is highly accessible with its ideal location within a complete freight network and with its cargo marshalling yard, as well as a container terminus and an international airport located nearby. For the general public, the Nanchang West Railway Station, a principal of high speed rail station currently under construction, is located just a few minutes' drive. In addition, as it stands to benefit from plans to relocate the office of the Jiangxi provincial government to the vicinity of the project site, which will reveal a shift in the focus of the provincial administration accordingly, CSC Nanchang will excel with its trade centers, extensive supporting commercial and residential facilities, which will in turn help to boost the regional economy, as well as its own economic value, with its profound business potential.

CSC Nanchang's trade centers will cover a wide range of industries. With a site area of approximately 1.54 million sq. m., it will provide a total GFA of approximately 4.28 million sq. m. upon completion, according to the construction plans. The project will provide a comprehensive set of facilities that encompasses trade centers, supporting commercial and residential facilities, warehouse and car parks. Construction of phase I, with a planned GFA of 1.09 million sq. m., comprising 705,000 sq. m. of trade centers and 385,000 sq. m. of supporting residential facilities, commenced in January 2011. During the fiscal year under review, the construction work on a GFA of 377,000 sq. m. of trade center units was completed. For FY2012/13, a total GFA of 713,000 sq. m. has been planned for construction.

CSC Nanchang began to make contribution in FY2011/12, as sales were given a boost with the successful launch of the phase I trade centers and residential facilities. Trade Center No.1 and No.2, devised for fashion, clothing and textiles, and leather goods and accessories, generated revenue of up to HK$1,959.2 million in FY2011/12 with total GFA 174,300 sq. m. sold at an ASP of HK$11,900/sq. m.. Parts of the residential facilities of GFA of 385,000 sq. m. were also launched for pre-sale during the fiscal year under review, and have received particularly enthusiastic response, a GFA of 170,600 sq. m. was pre-sale at an ASP of HK$5,800/sq. m..

CHINA SOUTH CITY XI'AN

Located in the Xi'an International Trade and Logistics Park in Shaanxi Province, which is well equipped with a railway container terminal and the largest bonded area in the Northwestern regions of China, CSC Xi'an is located amidst an extensive transportation network. It is situated at an exit of the North Third Ring Road, and two subway lines are planned to pass through. One of the subway stations currently under construction is just next to our phase I buildings.

CSC Xi'an is a joint venture between the Group and Shenzhen Shi Hao De Tien Cheng Investment Limited and is 65% owned by the Group. Riding on the opportunities arising from the country's strategic development of China's western regions, the Group is positioning CSC Xi'an to become a major, comprehensive logistics and trade center that caters to the growing development needs in the region with its modern facilities and services.

The project has a planned total site area of approximately 10 million sq. m. and planned total GFA of approximately 17.50 million sq. m., half of which will be trade center, while the remaining half is planned for ancillary facilities. During the fiscal year under review, construction of a total planned GFA of 607,000 sq. m. of the phase I trade centers was in full-swing, and the trade centers achieved an enthusiastic response in pre-sales. They are being developed with the aim of serving the machinery and hardware and fashion, clothing and textile industries. With strong prospects for the foreseeable future, the project will tap the burgeoning demand for trade centers in a broad range of industries, including machinery and hardware, as well as construction materials and automobile accessories industries, and will fill the void of deteriorating old wholesale centers in the city.

CHINA SOUTH CITY NANNING

Strategically located in Nanning, the capital city of the Guangxi Zhuang Autonomous Region, CSC Nanning distinguishes itself as a critical gateway between China and the Association of Southeast Asian Nations ("ASEAN"). Located in an extensive transportation network, the site is well connected to railway stations, international airport and highways. Capitalizing on its ideal geographical position and the establishment of the China-ASEAN Free Trade Area, CSC Nanning will be developed to meet the demand in the Northern Bay Region and Southeast Asia. With the establishment of the China-ASEAN Free Trade Area, the tariff waiver for cross-border trade will help boost business and trade activities for CSC Nanning.

The project has a planned total site area of approximately 1.83 million sq. m. and a planned total GFA of approximately 4.88 million sq. m. upon completion. Construction of the project is being carried out in stages. Phase I of the complex has a total GFA of approximately 1.36 million sq. m., comprising approximately 895,000 sq. m. of logistics trade centers and 465,000 sq. m. of residential facilities. During the fiscal year under review, GFA of 329,000 sq. m. of logistics trade centers serving the machinery and hardware, leather, clothing and textile industries, were completed. In FY2012/13, there are logistics trade center of GFA 566,000 sq. m. and residential facilities of 465,000 sq. m., a total of 1.03 million sq. m., under construction.

The launch of the logistics trade center at CSC Nanning has received favorable feedback. Total revenue of HK$341.2 million was generated with the sale of GFA of 24,800 sq. m. at an ASP of approximately HK$14,600/sq. m.. In addition, apart from a long-term lease contract with a professional market operator of home furnishing products in China for an entire block, CSC Nanning also received keen interest for rental from merchants operating tea and teaware market and featured ASEAN products for another logistics trade center. These two logistics trade centers are planned for construction in FY2012/13. With the keen demand in the local market and from cross border trade among China-ASEAN countries, the Group is confident about the future development of CSC Nanning.

China-ASEAN Light Industrial Products Fair at CSC Nanning

The 8th China-ASEAN Light Industrial Products Fair, co-organized by the Ministry of Commerce of China as well as the 10 ASEAN counterparts, and the China-ASEAN Expo Secretariat, hosted by the Guangxi Zhuang Autonomous Region, was successfully held at CSC Nanning in October 2011 and it is one of the major annual events of the China-ASEAN Expos. In light of the success of the Light Industrial Fair, and with its growing importance within the region, the CSC Nanning Exhibition Center was appointed the official venue of the event by the China-ASEAN Expo Secretariat.

CHINA SOUTH CITY HEYUAN

Located in Heyuan, Guangdong Province, CSC Heyuan comprises a residential segment with a total site area of approximately 1.14 million sq. m. and an integrated logistics and trade center. The residential segment secured sales income of HK$159.3 million by selling GFA of approximately 16,700 sq. m. at an ASP of approximately HK$10,500/sq. m. (FY2010/11: HK$10,000/sq. m.) in FY2011/12 before its disposal on 28 September 2011 for an aggregate consideration of approximately HK$1,185.9 million (RMB967.8 million) for equity interest and assignment of loans due from CSC Heyuan.

The Group signed an agreement with the government of Zijin County, Heyuan, in Guangdong Province (廣東省河源市紫金縣人民政府) in December 2010 to develop an integrated logistics and trade center. In a bid to ensure that the development of the trade center segment is in line with the economic growth and demand in the region, the project outline will be announced in due course.

NEW PROJECTS

Leveraging its replicable business model and strong brand recognition, the Group is poised to at any opportunity select lucrative markets with high growth potential, particularly among provincial cities in China, so as to sustain the Group's development in the long run. For the fiscal year under review, two new projects have been included in our development blueprint.

CHINA SOUTH CITY HARBIN

The Group entered into an agreement with the Harbin Daowai District Government in October 2011 to develop a large-scale integrated logistics and trade center in Harbin.

CSC Harbin is strategically located in Harbin, the capital city of Heilongjiang Province. Capitalizing on its beneficial position in Northeast China, a premier hub for cross-border trade with countries in northeast Asia, and its proximity to the China-Russia border, the project aims to capture opportunities arising from the emerging development potential in the area. With a planned total site area of approximately 5 million sq. m. and a planned GFA of approximately 6.30 million sq. m. upon completion, CSC Harbin will be developed in phases. In June 2012, CSC Harbin has successfully bid for the land of approximately 263,000 sq. m.

CHINA SOUTH CITY ZHENGZHOU

In April 2012, the Group entered into an agreement with Xin Zheng Shi Government in Henan Province to develop a large-scale integrated logistics and trade center. CSC Zhengzhou is located in Zhengzhou, Henan Province, which is highly accessible with extensive land and freight network as it is an important highway and railway passenger and cargo hub as well as important airport in China. CSC Zhengzhou plans to occupy an estimated total net land area of approximately 7 million sq. m. and will be developed in phases so as to echo the government's plans for urban rejuvenation, especially the relocation and consolidation of old wholesale markets in the city. Benefitting from its prime location in Zhengzhou City, the project aims to cater to the strong demand for integrated logistics and trade centers in China's interior regions, and will provide a convenient trading platform to promote trade among cities in central China. The Group expects to acquire parts of the land for the project in FY2012/13.

GREEN AND COST SAVING

Being environmentally-friendly is a key component of the Group's commitment to sustainable development. As a responsible enterprise, the Group strives to achieve a balance between development and conservation by integrating environmental considerations into the planning, operation and maintenance of its projects. As such, the Group endeavors to introduce advanced energy-saving technologies and systems to its projects, including the following:

LED lighting system: boasting greater efficiency, energy savings and low carbon emissions. Widely adopted at CSC Shenzhen, CSC Nanchang, CSC Nanning, CSC Xi'an and will extend to all new projects.

Automation system: encompasses lighting, air-conditioning and elevators used to reduce electricity consumption and costs. Apart from CSC Shenzhen phase II trade centers, it will also be installed at all newly constructed buildings of our projects.

Photovoltaic system: mounted on the roof of the buildings in order to power the DC LED lighting systems in the underground car parks at CSC Nanning and CSC Nanning as will as the public areas at CSC Shenzhen.

Combined Cooling, Heating and Power ("CHP") system: the CHP system is under construction at CSC Nanchang. Since the unconsumed energy during electricity generation could be recycled and reused, the system could save energy and costs, and reduce emission.

With the expansion of our business and in light of our commitment to environmental conservation, the Group will continue to adopt good practices in energy savings as well as to identify and develop other suitable energy management systems with the use of renewable energy in our projects as it aims to benefit the environment at large, to contribute towards better sustainability and to achieve cost reduction in the long run.

FINANCIAL REVIEW

For FY2011/12, the Group reported a remarkable growth in its financial performance, with revenue growth of 64.3% to HK$3,670.8 million (FY2010/11: HK$2,234.0 million), and profit attributable to owners of the parent for the year grew 33.4% to HK$2,070.7 million (FY2010/11: HK$1,552.5 million). Excluding the effect of fair value gains on investment properties and related tax effect, profit attributable to owners of the parent for the year as adjusted increased by 140.3% to HK$1,303.0 million (FY2010/11: HK$542.3 million). Basic earnings per share increased to HK34.58 cents (FY2010/11: HK25.95 cents).

Revenue

Revenue increased by 64.3% to HK$3,670.8 million (FY2010/11: HK$2,234.0 million). The increase was mainly due to the commencement of sales of trade center units at CSC Nanchang and CSC Nanning during the fiscal year under review.

	FY2011/12	FY2010/11	Change
	HK$'000	*HK$'000*	%
Sales of properties	**3,010,808**	1,832,580	64.3%
Sales of trade centers units	***2,851,531***	*1,358,310*	*109.9%*
Sales of residential properties	***159,277***	*474,270*	*(66.4%)*
Finance lease income	**420,515**	213,729	96.8%
Rental income	**166,393**	133,453	24.7%
Property management service income	**41,500**	30,695	35.2%
Hotel income	**26,946**	21,670	24.3%
Other fee income	**4,605**	1,906	141.6%
	3,670,767	2,234,033	64.3%

Revenue from Sales of Properties

Revenue from sales of properties increased by 64.3% to HK$3,010.8 million (FY2010/11: HK$1,832.6 million). The increase was mainly due to the commencement of sales of trade center units in CSC Nanchang and CSC Nanning, which contributed revenue to the Group of approximately HK$2,300.4 million. The sales made by each project have been illustrated as follow:

	ASP (before deduction of business tax) *(HK$/sq. m.)*		**GFA sold *(sq. m.)***		**Sales revenue (Net of business tax) *HK$ million***	
	FY2011/12	FY2010/11	**FY2011/12**	FY2010/11	**FY2011/12**	FY2010/11
CSC Shenzhen	**16,500**	16,800	**35,400**	85,600	**551.1**	1,358.3
CSC Nanning	**14,600**	–	**24,800**	–	**341.2**	–
CSC Nanchang	**11,900**	–	**174,300**	–	**1,959.2**	–
CSC Heyuan	**10,500**	10,000	**16,700**	50,200	**159.3**	474.3
Total	**N/A**	N/A	**251,200**	135,800	**3,010.8**	1,832.6

Finance Lease Income

Finance lease income, derived from the leasing of office towers and residential properties, increased by approximately 96.8% to HK$420.5 million (FY2010/11: HK$213.7 million). The increase was primarily attributable to the completion of the phase III office tower in CSC Shenzhen during the fiscal year under review of which finance lease contracts were entered into with tenants.

During the fiscal year under review, the Group entered into finance lease contracts with tenants for approximately 45,500 sq. m. (FY2010/11: 26,200 sq. m.) at an average price of HK$9,800/sq.m. (FY2010/11: HK$8,600/sq.m.).

Rental Income

Rental income increased by 24.7% to HK$166.4 million (FY2010/11: HK$133.5 million). The increase was attributable to the continuous increase in rental income of phase I and II trade center of CSC Shenzhen.

Occupancy at CSC Shenzhen has been driven by the demand for large-scale integrated logistics and trade center facilities, and the growing profile of China South City. As at 31 March 2012, the total occupancy rate of phase I trade center and shops increased to approximately 95% (31 March 2011: 86%), while the total occupancy rate for phase II trade center and shops increased to 48% (31 March 2011: 36%) of the launched area. The average effective monthly rental rate for both phase I and phase II trade centers and shops was approximately HK$35 per sq. m. (31 March 2011: phase I: HK$32/sq.m.; phase II: HK$34/sq. m.).

Property Management Service Income

Income from property management services rose by 35.2% to HK$41.5 million (FY2010/11: HK$30.7 million). The increase in income was mainly due to the contribution of rising property management fee from CSC Shenzhen phase I and II trade centers and supporting facilities, with an increase in the total occupancy rate of the launched area up to 95% and 48% respectively as at 31 March 2012.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and rental expenses. Cost of sales increased by 59.2% to HK$1,434.7 million (FY2010/11: HK$901.0 million).

The increase was in line with the area of the properties sold and properties entered into finance lease contracts during the fiscal year under review.

Gross Profit

Gross profit increased by 67.7% to HK$2,236.1 million (FY2010/11: HK$1,333.0 million). Gross profit margin was slightly increased to 60.9% during the fiscal year under review (FY2010/11: 59.7%). The rise in gross profit margin was mainly attributable to an increase in the revenue contribution from the property development segment. Revenue from property development segment enjoyed a relatively higher gross profit margin of 63.1% when compared to the Group's other segments.

Other Income and Gains

Other income and gains significantly increased by 1,285.3% to HK$547.2 million (FY2010/11: HK$39.5 million). The increase was mainly due to the gains generated from disposal of subsidiaries.

During the fiscal year under review, the Group disposed of three wholly-owned subsidiaries: Fortune Pace Investments Limited, Fortune Great Investment Limited and China South City Enterprise (Heyuan) Co. Ltd. ("Heyuan Enterprise"), which included development rights for the residential portion of the Heyuan project. The subsidiaries were disposed for a total consideration of RMB730.0 million (approximately HK$894.5 million), bringing an after-tax gain of approximately HK$380.4 million to the Group.

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 23.7% to HK$1,117.7 million (FY2010/11: HK$1,464.2 million). During the fiscal year under review, the fair value gain was mainly contributed from new properties in CSC Nanning, for which fair value was compared with the booked land and construction costs. The value of the Group's properties in Shenzhen remained stable.

For last fiscal year, the fair value gain was mainly contributed from new and existing properties in CSC Shenzhen. As the property price in Nanning is lower than that in Shenzhen, the balance of fair value gain was declined in the fiscal year under review.

Selling and Distribution Costs

Selling and distribution costs increased by 67.6% to HK$187.3 million (FY2010/11: HK$111.8 million). The increase was mainly attributable to advertising and promotional expenses incurred by our new projects in Nanchang, Nanning and Xi'an, for which these projects have commenced sales or pre-sales during the fiscal year under review.

Administrative Expenses

Administrative expenses increased by 68.6% to HK$350.9 million (FY2010/11: HK$208.1 million). The increase was primarily due to the increase in business activities from new projects and the expansion of the management team and increased number of employees. During the fiscal year under review, the Group has granted 226,900,000 share options to a director and certain employees, and HK$42.3 million share option expenses were recorded.

Finance Costs

Finance costs were up by 93.1% to HK$58.9 million (FY2010/11: HK$30.5 million). The rise was mainly attributable to an increase in new bank and other loans for general business purposes with interest expenses recorded through income statement. The increase in the interest rate announced by the People's Bank of China during the fiscal year under review also contributed to the increase in finance costs.

Tax

Tax expenses recorded an increase of 38.4% to HK$1,258.0 million (FY2010/11: HK$908.7 million). The increase in tax expenses was attributable to the increase in current income tax expenses and land appreciation tax as a result of the income generated from CSC Nanchang and CSC Nanning during the fiscal year under review.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 2,449.1% to HK$866.8 million (31 March 2011: HK$34.0 million). The increase was mainly arose from the consideration receivable generated from the disposal of three wholly-owned subsidiaries with a total consideration of RMB730.0 million (approximately HK$894.5 million) and the consideration receivable for assignment of the loan due from these wholly-owned subsidiaries with total consideration of RMB237.8 million (approximately HK$291.4 million). As at 31 March 2012, the remaining consideration receivable from the disposal was approximately HK$757.0 million.

Trade and Other Payables

Trade and other payables increased by 393.2% to HK$6,529.7 million (31 March 2011: HK$1,324.1 million). The increase was mainly due to the increase in construction fees and retention payables as construction of new projects are underway, and the increase in sales and rental deposits received and receipts in advance (including those received for contracted sales) arising from new projects. As at 31 March 2012, the balance of construction fees and retention payables and deposits received and receipts in advance were HK$2,716.3 million and HK$3,462.5 million, respectively.

Liquidity and Financial Resources

The Group finances its operations primarily through internally generated funds, bank and other loans and senior note financing.

Borrowing and Charges on the Group's Assets

As at 31 March 2012, the Group had HK$3,832.0 million in cash and cash equivalents and restricted cash (31 March 2011: HK$4,564.5 million), among which non-restricted cash and cash equivalents were approximately HK$3,315.7 million (31 March 2011: HK$4,521.3 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in RMB, HK dollars and US dollars.

As at 31 March 2012, the Group had approximately HK$6,618.4 million in interest-bearing bank and other borrowings and senior notes (31 March 2011: HK$6,142.8 million). The Group had aggregated interest-bearing bank and other borrowings of approximately HK$4,773.4 million as at 31 March 2012 (31 March 2011: HK$4,242.7 million), of which HK$2,740.3 million will be repayable within one year or on demand, approximately HK$576.6 million will be repayable in the second year, approximately HK$985.9 million will be repayable in the third to fifth years and approximately HK$470.6 million will be repayable after five years. As at 31 March 2012, the Group's interest-bearing bank and other borrowings of approximately HK$2,958.7 million were secured by certain buildings, hotel properties, investment properties, properties under development, leasehold land and properties held for sales with a total carrying value of approximately HK$8,855.1 million.

All interest-bearing bank and other borrowings of the Group bear interest at floating rates that range from 5.98% to 7.87% (31 March 2011: 4.78% to 6.10%) per annum and which are denominated in RMB. Furthermore, as at 31 March 2012, the Group had unused banking facilities of approximately HK$2,200.3 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

In FY2010/11, the Company issued senior notes due in January 2016 with a nominal value of US$250.0 million (equivalent to approximately HK$1,950.0 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. During the fiscal year under review, the Company repurchased from the market a portion of the senior notes with nominal value of US$9.0 million. The average repurchase price was at 74.8% of the senior note's nominal value. The repurchase was made at a total consideration of approximately US$6.9 million, and a gain of HK$14.0 million was recorded. As at 31 March 2012, the carrying value of the Group's senior notes was HK$1,845.0 million.

Gearing ratio

The Group's gearing ratio (net debt divided by total equity) was 21% as at 31 March 2012, 27% as at 30 September 2011 and 15% as at 31 March 2011, respectively.

Net Current Assets and Current Ratio

As at 31 March 2012, the Group had net current assets of HK$2,350.4 million (31 March 2011: net current assets HK$2,064.7 million). The current ratio was at 1.22 (31 March 2011: 1.53).

Contingent Liabilities

The Group has provided guarantees with respect to banking facilities granted by certain banks in connection with mortgage loans entered into by purchasers of the Group's trade center units and residential properties, and bank loans entered into by lessees of the Group's residential and commercial properties. As at 31 March 2012, the guarantees amounted to HK$352.6 million (31 March 2011: HK$152.6 million). The guarantees granted to purchasers will be released when the purchasers obtain the building ownership certificates, which will then be pledged with the banks. For leased residential and commercial properties, the guarantees will be released accordingly along with the repayment of loan principals by the lessees.

Up to the end of the reporting period, the Group provided guarantees for bank facility in the amount of HK$78.9 million to Heyuan Enterprise. As agreed by both the Group and the purchaser of Heyuan Enterprise on 28 March 2012, the guarantees provided by the Group for Heyuan Enterprise will be released by 31 July 2012 or otherwise the purchaser of Heyuan Enterprise will pay on behalf of the Group for any payments requested by the bank relating to the bank facility.

Commitments

As at 31 March 2012, the Group had future capital expenditure contracted but not yet provided in the amount of HK$3,129.6 million (31 March 2011: HK$966.1 million), and authorized but not yet contracted in the amount of HK$2,731.7 million (31 March 2011: HK$6,408.7 million).

Foreign Exchange Risk

The Group conducts its business mainly in Renminbi; this includes our income and expenses, assets and liabilities. During the fiscal year under review, the exchange rate of Renminbi to HK dollars and US dollars increased steadily. The Group's management believes that the fluctuation of the Renminbi will not have a significant impact on the Group's operations. The Group has not issued any financial instruments for hedging purposes.

Acquisitions and Disposals of Subsidiaries and Associated Companies

Aside from the disposal of three wholly-owned subsidiaries – Fortune Pace Investments Limited, Fortune Great Investment Limited and Heyuan Enterprise – as mentioned above, the Group made neither material acquisitions nor disposals of subsidiaries and associated companies in the fiscal year under review.

Restriction on Sales

Pursuant to certain land grant contracts signed by CSC Shenzhen, the saleable GFA of CSC Shenzhen properties built on these parcels of land is limited to 30% of the total buildable GFA. The Group builds and holds the properties with restrictions for leasing and self-use. Pursuant to certain land grant contracts signed by CSC Nanchang and CSC Nanning in 2009, respectively, the saleable GFA of trade centers and storage facilities built on these parcels of land are limited to 60% of the total buildable GFA. This restriction does not apply to the properties that are built for residential, commercial and other uses, and also does not apply for the land obtained by CSC Nanchang and CSC Xi'an in 2011.

Human Resources

As at 31 March 2012, the Group had a workforce of approximately 2,100 people, including approximately 1,900 people directly employed by the Group and approximately 200 people employed by our jointly-controlled entities. The number of staff increased by 12.3% from 1,870 as at 31 March 2011. During the fiscal year under review, the total employee benefit expenses amounted to HK$262.8 million, increased by 83% (FY2010/11: HK$143.4 million). The Group aims to recruit, retain and develop competent individuals who are committed to the Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually both in response to market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group. During the fiscal year under review, the Company has granted 226,900,000 share options to a director and certain employees.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the directors of the Company ("Directors"), the Company has complied with the applicable code of provisions of the Code on Corporate Governance Practices, which has been renamed as Corporate Governance Code with effect from 1 April 2012 (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the fiscal year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that he has complied with the required standards set out in the Model Code for the fiscal year under review in relation to the securities dealings, if any.

AUDIT COMMITTEE

The Company has established an audit committee in September 2009 and has formulated and amended its written terms of reference in accordance with the provisions as set out in the CG Code from time to time. The audit committee comprises independent non-executive Directors, namely Mr. Li Wai Keung (chairman of audit committee), Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung Stephen (appointed on 11 April 2011) and Mr. Shi Wan Peng (resigned on 8 February 2012). The principal duties of the audit committee include the review and monitor of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the independent auditor of the Company.

The audit committee has reviewed the audited financial statements of the Group for the FY2011/12.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the fiscal year under review.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 August 2012 to 29 August 2012, both days inclusive, during which period no transfer of shares will be effected. The ex-dividend date will be 24 August 2012. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 27 August 2012. The final dividend will be paid to shareholders whose names appear on the register of members on 29 August 2012 and the payment date will be on or about 11 September 2012.

For and on behalf of the Board
China South City Holdings Limited
Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 26 June 2012

As at the date of this announcement, the executive Directors are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive Directors are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive Directors are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung and Mr. Hui Chiu Chung, Stephen JP.