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華南城

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

(incorporated in Hong Kong with limited liability)
(Stock code: 1668)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

HIGHLIGHTS

	For the six months ended 30 September		
	2012	2011	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Revenue	**2,507,318**	868,598	188.7
Gross profit	**1,346,541**	517,957	160.0
Gross profit margin	**53.7%**	59.6%	
Profit attributable to owners of the parent	**749,304**	543,595	37.8
Basic earnings per share	**HK12.49 cents**	HK9.08 cents	37.6

INTERIM RESULTS

The board of directors (the "Board") of China South City Holdings Limited ("China South City" or the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		For the six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**2,507,318**	868,598
Cost of sales		**(1,160,777)**	(350,641)
Gross profit		**1,346,541**	517,957
Other income and gains/(losses)	*4*	**(994)**	523,997
Fair value gains on investment properties	*4*	**387,538**	150,675
Selling and distribution costs		**(83,684)**	(75,192)
Administrative expenses		**(224,127)**	(160,630)
Other expenses		**(33,945)**	530
Finance costs	*5*	**(43,410)**	(22,261)
Share of profits and losses of:			
A jointly-controlled entity		**–**	841
Associates		**(170)**	(158)
PROFIT BEFORE TAX	*6*	**1,347,749**	935,759
Income tax expense	*7*	**(609,846)**	(398,415)
PROFIT FOR THE PERIOD		**737,903**	537,344
Attributable to:			
Owners of the parent		**749,304**	543,595
Non-controlling interests		**(11,401)**	(6,251)
		737,903	537,344
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
— For profit for the period		**HK12.49 cents**	HK9.08 cents
Diluted			
— For profit for the period		**HK12.48 cents**	HK9.04 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**737,903**	537,344
Exchange differences on translation of foreign operations	**15,626**	217,458
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**753,529**	754,802
Attributable to:		
Owners of the parent	**764,872**	759,109
Non-controlling interests	**(11,343)**	(4,307)
	753,529	754,802

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2012

	Notes	**30 September 2012 *HK$'000* (Unaudited)**	31 March 2012 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**211,107**	195,960
Investment properties		**14,720,468**	13,637,107
Properties under development		**3,405,383**	2,878,003
Prepaid land premiums		**7,028**	7,116
Goodwill		**20,066**	20,066
Interests in jointly-controlled entities		**8,618**	2,850
Interests in associates		**(1,708)**	(1,531)
Finance lease receivables		**33,248**	38,445
Deposits paid for purchase of land		**381,888**	376,035
Deferred tax assets		**333,997**	267,388
Total non-current assets		**19,120,095**	17,421,439
CURRENT ASSETS			
Properties held for finance lease		**130,808**	145,940
Properties held for sale		**8,564,093**	7,762,555
Trade receivables	*10*	**616,874**	525,630
Prepayments, deposits and other receivables		**791,741**	866,806
Held for trading investments at fair value through profit or loss		**104,096**	111,986
Cash and cash equivalents and restricted cash		**2,933,180**	3,831,987
Total current assets		**13,140,792**	13,244,904
CURRENT LIABILITIES			
Trade and other payables	*11*	**6,511,646**	6,529,731
Interest-bearing bank and other borrowings		**2,950,381**	2,740,273
Tax payable		**1,983,117**	1,624,496
Total current liabilities		**11,445,144**	10,894,500
NET CURRENT ASSETS		**1,695,648**	2,350,404
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,815,743**	19,771,843

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
At 30 September 2012

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,564,041**	2,033,109
Senior notes	**1,854,029**	1,844,984
Amount due to non-controlling interests	**–**	53,113
Deferred tax liabilities	**3,002,758**	2,845,346
Total non-current liabilities	**7,420,828**	6,776,552
Net assets	**13,394,915**	12,995,291
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**60,536**	59,876
Reserves	**13,275,642**	12,429,737
Proposed dividends	**–**	449,067
	13,336,178	12,938,680
Non-controlling interests	**58,737**	56,611
Total equity	**13,394,915**	12,995,291

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2012.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs", WHICH ALSO INCLUDE HKASs AND INTERPRETATIONS)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012, except for the adoption of the revised standards as of 1 April 2012, noted below.

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

HKAS 12 Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. The Group has adopted this amendment retrospectively for the six months ended 30 September 2012. Since all the investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale, the presumption has been rebutted. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use and there is no impact on the Group's results of operations and financial position.

The adoption of the above new standards other than HKAS 12 Amendments has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

3. SEGMENT INFORMATION

For the six months ended 30 September 2012 (Unaudited)	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Hotel operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	**2,362,004**	**100,524**	**21,283**	**12,864**	**10,643**	**2,507,318**
Intersegment sales	**–**	**–**	**–**	**18,402**	**–**	**18,402**
	2,362,004	**100,524**	**21,283**	**31,266**	**10,643**	**2,525,720**
Elimination of intersegment sales						**(18,402)**
Revenue						**2,507,318**
Segment results before increase in fair value of investment properties	**1,298,864**	**63,778**	**(19,951)**	**(2,848)**	**6,698**	**1,346,541**
Increase in fair value of investment properties	**–**	**387,538**	**–**	**–**	**–**	**387,538**
Segment results after increase in fair value of investment properties	**1,298,864**	**451,316**	**(19,951)**	**(2,848)**	**6,698**	**1,734,079**
Interest income						**2,276**
Losses on held for trading investments at fair value through profit or loss, net						**(7,890)**
Unallocated income and gains						**4,620**
Unallocated expenses						**(341,756)**
Finance costs						**(43,410)**
Share of losses of associates						**(170)**
Profit before tax						**1,347,749**

For the six months ended 30 September 2011 (Unaudited)	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Hotel operation HK$'000	Others HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	762,157	75,192	19,368	10,769	1,112	868,598
Intersegment sales	–	–	4,239	15,679	–	19,918
	762,157	75,192	23,607	26,448	1,112	888,516
Elimination of intersegment sales						(19,918)
Revenue						868,598
Segment results before increase in fair value of investment properties	500,915	36,801	(16,080)	(4,791)	1,112	517,957
Increase in fair value of investment properties	–	150,675	–	–	–	150,675
Segment results after increase in fair value of investment properties	500,915	187,476	(16,080)	(4,791)	1,112	668,632
Interest income						2,436
Gain on disposal of subsidiaries						545,720
Losses on held for trading investments at fair value through profit or loss, net						(45,175)
Unallocated income and gains						21,016
Unallocated expenses						(235,292)
Finance costs						(22,261)
Share of profit of a jointly-controlled entity						841
Share of losses of associates						(158)
Profit before tax						935,759

4. OTHER INCOME AND GAINS/(LOSSES)

	For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income from:		
Banks	**979**	707
Loan receivables	**1,297**	1,729
Contracted income in respect of the operation of hotel supporting entertainment facilities	**1,652**	1,150
Others	**2,968**	5,440
	6,896	9,026
Gains/(Losses)		
Gain on disposal of subsidiaries	**–**	545,720
Losses on held for trading investments at fair value through profit or loss, net	**(7,890)**	(45,175)
Gain on repurchase of senior notes	**–**	8,063
Others	**–**	6,363
	(7,890)	514,971
Other income and gains/(losses)	**(994)**	523,997
Fair value gains on investment properties	**387,538**	150,675

5. FINANCE COSTS

	For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings, net:		
Wholly repayable within five years	**148,087**	110,466
Wholly repayable beyond five years	**17,384**	15,274
Interest on senior notes	**135,932**	138,189
Less: Interest capitalised	**(257,993)**	(241,668)
Total	**43,410**	22,261

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**12,679**	11,591
Less: Depreciation capitalised in respect of properties under development	**(383)**	(353)
	12,296	11,238
Amortisation of prepaid land premiums	**94**	81
Provision for impairment of trade receivables*	**34,256**	–
Equity-settled share option expense	**17,343**	30,271
Write-back of impairment of interests in a jointly-controlled entity*	**(311)**	(530)

* Included in "Other expenses" in the condensed consolidated income statement.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 2011: Nil). Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 25% (2011: 24%) for the year 2012, according to the new PRC Enterprise Income Tax Law which became effective on 1 January 2008.

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. The amount of LAT of HK$222,251,000 was charged to the condensed consolidated income statement for the six months ended 30 September 2012 (six months ended 30 September 2011: HK$128,046,000).

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

	For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Mainland China corporate income tax	**299,425**	238,678
Current — LAT in Mainland China	**222,251**	128,046
Deferred — Mainland China corporate income tax	**102,377**	52,642
Deferred — LAT in Mainland China	**(55,563)**	(32,011)
Deferred — Withholding tax on dividend	**41,356**	11,060
Total tax charged for the period	**609,846**	398,415

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period 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 period, 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 dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**749,304,000**	543,595,000

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**6,001,268,918**	5,987,564,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,923,515**	27,485,027
	6,003,192,433	6,015,049,027

9. DIVIDEND

At a meeting of the board of directors held on 28 November 2012, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2011: nil).

10. TRADE RECEIVABLES

Trade receivables represent rental receivables from tenants, sales income 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. The Group generally allows a credit period of not exceeding 60 days to its customers. 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. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximately to their fair values.

An aged analysis of the trade receivables as at each of the balance sheet dates, based on the payment due date and net of provision, is as follows:

	30 September 2012 *HK$'000* (Unaudited)	31 March 2012 *HK$'000* (Audited)
Current	**410,218**	415,754
30 to 60 days	**14,640**	17,072
61 to 90 days	**12,358**	43,530
Over 90 days	**179,658**	49,274
Total	**616,874**	525,630

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 properties sold to purchasers for debtor balances.

11. TRADE AND OTHER PAYABLES

	Note	30 September 2012 *HK$'000* (Unaudited)	31 March 2012 *HK$'000* (Audited)
Other payables and accruals		**507,540**	350,893
Deposits received and receipts in advance		**3,224,075**	3,462,501
Construction fee and retention payables	*(i)*	**2,780,031**	2,716,337
Total		**6,511,646**	6,529,731

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

	30 September 2012 *HK$'000* (Unaudited)	31 March 2012 *HK$'000* (Audited)
Within one year	**2,658,877**	2,593,409
Over one year	**121,154**	122,928
Total	**2,780,031**	2,716,337

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

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 unaudited interim results of the Group for the six months ended 30 September 2012 ("1HFY2012/13" or the "Period").

Results and Dividend

Despite facing a challenging external economic environment during the Period, the Group continued its growth momentum with revenue rising by 188.7% to HK$2,507.3 million (1HFY2011/12: HK$868.6 million). The significant increase was mainly attributable to sales and finance lease of China South City Shenzhen ("CSC Shenzhen"), China South City Nanchang ("CSC Nanchang") and China South City Nanning ("CSC Nanning"). Profit attributable to equity owners of the parent reached HK$749.3 million (1HFY2011/12: HK$543.6 million), representing growth of 37.8% year on year. Basic earnings per share were HK12.49 cents (1HFY2011/12: HK9.08 cents).

The Board declared that there would be no distribution of an interim dividend for the six months ended 30 September 2012 (1HFY2011/12: Nil).

Review of the Market and Operations

Success Built on a Proven Business Model

The Period was met with lingering concerns over the sluggish growth in the world's advanced economies and the slower economic growth in China. The PRC government has implemented various regulating measures to achieve more balanced and sustainable economic growth. In 2012, market sentiment in the residential property market continued to be cautious, which dispersed demand and capitals to the commercial property market sector. On the other hand, the added attention to modern logistics in the 12th National Five-Year Plan also creates ample growth opportunities for related operators and service providers. As a leading developer and operator of large-scale integrated logistics and trade centers in China, the Group is well-positioned to tap the favourable market opportunities, delivering an outstanding performance.

During the Period, the Group managed to recorded contracted sales and finance leases of HK$1,915.2 million, up 137.4% year on year. The notable performance was mainly attributable to the encouraging sales performance of newly launched projects, including, CSC Nanchang, CSC Nanning and China South City Xi'an ("CSC Xi'an"), in addition to the sales and finance lease recorded by our pilot project CSC Shenzhen. The remarkable results demonstrated the Group's proven business model and strong operational capabilities. Following the successful launch of various projects, an array of major sales and pre-sales activities have been planned for. Provided that construction of our projects is on schedule, a number of premises are expected to launch in the second half of FY2012/13 to drive the Group's future growth. During the Period, the Group booked a total of HK$2,362.0 million in sales revenue and finance lease income.

To pave the way for the Group's long-term development, the Group is prudently extending its footprint to regional economic hubs in China. In 1HFY2012/13, the Group successfully bid for the first batch of land for both China South City Harbin ("CSC Harbin") and China South City Zhengzhou ("CSC Zhengzhou"). Phase I construction of these two projects commenced soon after the acquisition of land given the extensive planning and preparation done on the project sites.

In September 2012, the Group signed a HK$400 million loan with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") drawn down with a one-year tenor at an interest rate of HIBOR + 2.75% per annum. Subsequent to the end of the Period, in October 2012, the Group completed the issuance of US$125 million senior notes at a coupon rate of 13.50% per annum due in 2017. The net proceeds of the senior notes will be used primarily to fund properties under development and properties planned for future development. The new financing facilities demonstrate a strong vote of confidence from commercial banks and the capital market in the Group's operations and future prospects.

Expanded Ancillary Services to Better Serve Customers

To realise our unique, replicable "One Body with Two Wings" business model, the Group endeavors to explore valuable project sites in our portfolio and to quicken the pace of development of each of our projects. To exhibit its value, we step up our efforts in offering value-added ancillary services to better serve our tenants and customers by including five pillars of ancillary services that complement our core business of developing and operating trade centers.

Outlet operation and management: Following the successful opening of our first outlet center at CSC Shenzhen, we plan to replicate the success of the project at other projects. The outlet center at CSC Nanning, with a total planned gross floor area ("GFA") of 50,000 square meter ("sq. m."), is currently undergoing decoration work and is scheduled to open its first phase in the first half of FY2013/14. CSC Nanchang and CSC Xi'an's outlet centers are also slated to open in the second half of FY2013/14.

E-commerce platforms: Our online platforms, which are designed to allow our trade center shops to promote online wholesale and retail trade, include:

(1) a real-time Business to Customers trading platform specializing in consumer goods from authorized sellers and branded manufacturers. The beta site was launched in October 2012. The Group is set to roll out a number of marketing campaigns for the website by the second half of FY2012/13.

(2) a Business to Business platform of raw materials and manufactures that serves traditional small and medium-sized enterprises: Launched in 2009, the website is currently being revamped. A new interface is expected to be launched by the second half of FY2012/13.

One-stop logistics services with warehousing, on-site delivery and freight forwarding available at the Group's projects: To offer a full range of on-site logistics and trade facilities, the Group is renovating the warehouse facilities of CSC Shenzhen to become a well-equipped supply chain complex. Pre-construction work of the logistics facilities at CSC Nanning has commenced while the design and planning of the logistics facilities of other projects are also on track for kick off.

Property management: To maintain a safe and comfortable business environment at our projects, a design and planning team will be stationed at our projects at the construction stage to provide professional advice and to take into account the sustainability aspects and specific needs of each site so as to ensure smooth management when the projects commence operations. The Group also commits significant effort to enhance the fire prevention standards, parking control and security at each of our project sites, so as to differentiate its projects from the old wholesale markets.

Convention and exhibition services: To further boost the overall traffic flow of the trade centers, the Group continued to joint hands with local governments to organize various trade fairs during the Period, including the annual China (Shenzhen) International Industrial Fair ("Industrial Fair") at CSC Shenzhen, the China-ASEAN Light Industrial Products Fair at CSC Nanning, and the "2012 Hong Kong, Macau and Taiwan Commodity Fair" at CSC Shenzhen. As part of the services it provides, the Group also seeks to identify opportunities to promote the businesses of its tenants or merchants by forming a delegation to participate in major trade fairs in China. In June 2012, the Group led a delegation to participate in the China Harbin International Economic and Trade Fair. By taking part in the fair, the Group also capitalized on this opportunity to promote its brand and to expand its potential tenant and merchant base.

These five interdependent service pillars, together with our trade centers, provide an integrated platform for our trade center tenants and their customers from which they can enjoy a comprehensive range of trade, logistics and supporting services.

Prospects

With the expectation of policy easing measures such as interest rates being maintained at low levels and a positive and sustainable economic stimulus underpinned by solid demand fundamentals, the demand of commercial property markets in China is expected to remain robust. The acceleration of the development of the modern logistics industry in China, as outlined in the 12th National Five-Year Plan, will also provide enormous growth potential for the Group.

Capitalizing on the Group's unique business model and compelling brand recognition, we are confident that our projects will continue to be well-received by the market. Factoring in the sales and marketing strategy, and with the projects to be launched for sale mainly in the second half of the fiscal year, the Group is optimistic about meeting its sales target of HK$8 billion by the end of FY2012/13. Moreover, we will continue to carefully identify opportunities to extend our business model to high-potential markets in China, thereby creating optimal value for our shareholders.

Finally, on behalf of the Board, I would like to take this opportunity to express my most sincere gratitude to all shareholders, customers and business partners for their trust in and unwavering support for the Group. I would also like to thank the management and staff for their professionalism and dedication.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 28 November 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, China's economy grew at a slower pace amid global turmoil. In response, the PRC government implemented a series of regulatory policies designed to stimulate the economy and provide for a more balanced and sustainable growth outlook. Despite the real estate market showing signs of recovery, as evidenced by the improved liquidity and the rebound of property sales in the first half of FY2012/13, market sentiment in the residential sector remained cautious. Capital and market demand therefore continued to drive the commercial property market. The booming commercial property market, coupled with the strategy to promote the development of the modern logistics industry as stipulated in the 12th National Five-Year Plan, created favourable market opportunities for the Group, which is a leading developer and operator of large-scale integrated logistics and trade centers in China.

Leveraging the niche positioning and strong project execution capability, the Group continued to report its growth momentum in 1HFY2012/13. The Group recorded remarkable revenue growth of 188.7% to HK$2,507.3 million in the Period (1HFY2011/12: HK$868.6 million), of which consisted of revenue from sales of properties and finance lease of HK$2,362.0 million, surge of 209.9% (1HFY2011/12: HK$762.2 million). Contracted sales and finance lease rose 137.4% to HK$1,915.2 million (1HFY2011/12: HK$806.9 million), mainly driven by the strong sales performances delivered by our new projects. Details on contract sales and finance lease are shown in the table below:

	Contracted area *(sq. m.)*	**Average selling price ("ASP") (before deduction of business tax)** *(HK$/sq. m.)*	**Contracted amount (before deduction of business tax)** *(HK$' million)*
CSC Shenzhen	**5,600**	**10,000**	**55.6**
Trade center	300	18,100	5.9
Office	3,300	10,600	34.5
Residential property	2,000	7,700	15.2
CSC Nanchang	**109,600**	**9,900**	**1,079.7**
Trade center	44,800	13,600	609.7
Residential property	64,800	7,300	470.0
CSC Nanning — trade center	**25,500**	**15,600**	**396.7**
CSC Xi'an — trade center	**30,900**	**12,400**	**383.2**
Total			**1,915.2**

With the projects develop and commence operations in phases, the Group's recurring income such as rental and property management service income, will gradually increase, thereby further optimize its income portfolio.

To further strengthen the Group's financial position to fund its current and future projects development, the Group signed a HK$400 million loan with HSBC drawn down with a one-year tenor at an interest rate of HIBOR + 2.75% per annum in September 2012. In addition, the Group issued US$125 million senior notes at a coupon rate of 13.5% per annum due in 2017 in October 2012 following the end of the Period. The net proceeds generated from the issuance of the senior notes will be used primarily to support projects under development and planned projects. These financing activities indicate the confidence of commercial banks and the capital market in the strengths and promising prospects of the Group.

China South City Shenzhen

CSC Shenzhen, the first project developed by the Group, is strategically located in the heart of the Pearl River Delta region and captures optimal geographic benefits. Developed in phases, the project occupies a site area of approximately 1.06 million sq. m. and has a planned total GFA of approximately 2.60 million sq. m.. As of 30 September 2012, the trade center and ancillary facilities at Phase I and II (approximately 464,000 sq. m. and 1.0 million sq. m. respectively), as well as the office tower of phase III (approximately 52,000 sq. m.) have been in operation, making up a total GFA of approximately 1.5 million sq. m..

With a total planned GFA of approximately 1.18 million sq. m., phase III construction includes trade center units of 806,000 sq. m. as well as warehousing and logistics facilities of 307,000 sq. m. respectively, in addition to the existing office tower. In the first half of FY2012/13, Plaza 5, a multi-functional trade center complex designed for electronic goods, gadgets and accessories, was on the verge of completion. Boasting a planned GFA of 327,000 sq. m., Plaza 5 is scheduled for sales in the second half of the fiscal year. Concurrently, the Group has started to revamp part of the existing warehousing and logistics facilities with an aim to meet the increasing demand for quality logistics services.

The Group has planned an array of sales and marketing activities to tie in with the launch of Plaza 5 in the remainder of the fiscal year. In the first half of FY2012/13, CSC Shenzhen recorded sales revenue and finance lease income totalled HK$35.5 million (1HFY2011/12: HK$604.3 million) for a GFA of approximately 3,900 sq. m. mainly from the remaining phase I and II properties.

The total occupancy rate of CSC Shenzhen continued to maintain at a stable level. The occupancy rate and rental income of phase I trade center and shops improved to 96% and HK$36/sq. m. in 1HFY2012/13 (1HFY2011/12: 92% at HK$34/sq. m.). For the launched rentable GFA of phase II trade center and shops, the occupancy rate reached 51% at HK$34/sq. m. (1HFY2011/12: 47% at HK$36/sq. m.).

Currently, CSC Shenzhen phase I houses suppliers from the five mutually-complementing key light industries of textiles and clothing; leather and accessories; electronics and accessories; printing, paper and packaging; and metals, chemicals and plastics. With the aim of catering to the development of CSC Shenzhen and its surrounding regions, the Group has strategically broadened the product range for phase II to include semi-finished goods, finished products, small commodities, themed products and factory outlets. Phase II is also partitioned into zones such as 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 Wears, Home Furnishing Center, Dry Food Center, Outlet Center and more.

One of the Group's key development pillars, the Outlet Center, not only offers branded goods to end-users, but also brings in traffic flow. Located in the phase II trade center, the Outlet Center boasts a strong international brand line-up — featuring global sportswear and outdoors brands such as Nike, Adidas, Puma, Kappa, Fila, Columbia, Lotto and Li Ning — and renowned fashion, leather goods and accessories brands such as Levi's, Daniel Hechter, Le Saunda, Sanrio, G2000, Lids, Walker Shop and Baleno.

To enrich the Group's e-commerce service offerings, which is one of its five core service pillars, an e-commerce park has been partitioned with a total GFA of 40,000 sq. m. at phase II trade center. Appointed as "Model Unit of E-commerce" by the Municipal Government of Shenzhen, both CSC Shenzhen and the tenants housed in the park will take advantage of the related supporting policies introduced by the local government.

Trade Fairs at CSC Shenzhen

Capitalizing on the its strong brand reputation, the Group continued to stage significant regional exhibitions and conventions to attract international and local exhibitors and to draw traffic and business flow to its trade centers. As one of the signature annual events, the 5th Industrial Fair, a three-day event jointly organized by the China Council for the Promotion of International Trade, the China Chamber of International Commerce, the Shenzhen Municipal People's Government and the Group to promote the regional economy and interaction, was held in April akin to previous years. The Heilongjiang provincial government participated in the Industrial Fair for the first time with the aim of promoting Sino-Russia economic and trade cooperation in the province. The enthusiastic response received was a testament to confirm that the Industrial Fair is an effective interactive platform for merchants outside Shenzhen to promote their businesses, and for the local government to attract merchants from all over the world. Currently, the provincial government has set up representative office at CSC Shenzhen.

Co-organized by the Trade Development Bureau of Ministry of Commerce, the Group, etc., the previously Hong Kong and Taiwan Commodity Fair brought Macao in for the first time, to be the 2012 Hong Kong, Macau and Taiwan Commodity Fair this year. It was the first fair in China to feature a single exhibition accommodating exhibitors from the three cities in order to support national trade policies and the transformation of domestic markets, as well as to promote cross-regional trade.

China South City Nanchang

Strategically situated in Nanchang, the capital city of Jiangxi Province, CSC Nanchang aims to fully capitalize on its advantageous location, which enables it to operate as a dynamic integrated logistics trading platform for the Pan Pearl River Delta and Yangtze River Delta regions. The site is well connected to a complete freight network consisting of a cargo marshaling yard, a container terminus and an international airport, as well as Nanchang West Railway Station, a major stop on a high speed rail line located just 1.2km from CSC Nanchang. Scheduled for operation in 2013, the station provides easy accessibility to suppliers, manufacturers and merchants. In addition, the scheduled office relocation of the Jiangxi provincial government to the vicinity of the project site will shift the provincial administration's focus accordingly and will enhance the business potential of the trade centers, commercial facilities and residential facilities at CSC Nanchang.

With a net land area of approximately 1.54 million sq. m. and a total planned GFA of approximately 4.28 million sq. m., CSC Nanchang will provide a comprehensive set of facilities that comprises trade centers, supporting commercial and residential facilities, warehouses and car parks. Phase I of the project, covering a planned GFA of 1.07 million sq. m., comprises a GFA of 685,000 sq. m. of trade centers and 384,000 sq. m. of supporting residential facilities. Construction of residential facilities was completed during the Period. The trade centers units completed in FY2011/12 with a GFA of 377,000 sq. m. are scheduled to commence operation in 2013, when the Nanchang West Railway Station will be launched for operation. The construction of the remaining part of the phase I trade centers has already been commenced, and is expected to be completed in 2013. Preparatory work for phase II is also progressing smoothly.

With the successful launch of the phase I trade centers and residential facilities, CSC Nanchang has become another major revenue contributor to the Group following CSC Shenzhen. Trade centers and retail shops designated for fashion, clothing and textiles and leather goods and accessories, generated sales revenue of HK$575.5 million, with a total GFA of 44,800 sq. m. sold at an ASP of HK$13,600/sq. m. (1HFY2011/12: Nil). The enthusiastic response received from the sales of the trade centers since its first launch in November 2011 also drove the sales of its ancillary residential facilities. A total GFA of 234,600 sq .m. was sold at an ASP of HK$6,200/sq. m, generating sales revenue of HK$1,376.5 million (1HFY2011/12: Nil).

China South City Nanning

Located in a prime area of Nanning, the capital city of the Guangxi Zhuang Autonomous Region, CSC Nanning is well connected to railway stations, highways and an international airport, and leverages its geographic advantage of being a critical gateway between China and the Association of Southeast Asian Nations ("ASEAN") countries. In close proximity to Southeast Asia, and with the establishment of the China-ASEAN Free Trade Area, CSC Nanning was developed to meet demand from the Northern Bay Region and Southeast Asia. That cross-border trade in the China-ASEAN Free Trade Area enjoys a tariff waiver gives a further boost to trade activities in the area, as well so as to CSC Nanning.

CSC Nanning has a net land area of approximately 1.83 million sq. m. and a planned total GFA of approximately 4.88 million sq. m.. Phase I of the project covers a total GFA of approximately 1.36 million sq. m., comprising approximately 899,000 sq. m. of logistics trade centers and 467,000 sq. m. of residential facilities. In 1HFY2012/13, a logistics trade center with a total planned GFA of 571,000 sq. m. and residential facilities with a total planned GFA of 467,000 sq. m. were under construction. Apart from a whole block with a total GFA of 347,000 sq. m. having a long-term lease contract with a national professional market operator of home furnishing products secured, another logistics trade center with a total GFA of 224,000 sq. m., has been partitioned into different themed zones featuring outlets, tea and tea wares, ASEAN products and short-term exhibition and promotion venue for leasing. Parts of the construction of logistics trade centers are expected to be completed by FY2012/13. The logistics trade centers with a total GFA of approximately 329,000 sq. m serving the machinery and hardware, leather, clothing and textile industries, had a GFA 243,000 sq. m. launched for sale in March 2012 and is slated to launch for operation in 2HFY2012/13. Driven by the strong demand in the local market and cross-border trade between China and the ASEAN countries, the Group is confident about the development of CSC Nanning.

CSC Nanning's performance has shown significant promise since the launch of the logistics trade center. Total sales revenue of HK$374.5 million was generated from the sale of a GFA of 25,500 sq. m. at an ASP of approximately HK$15,600/sq. m. (1HFY2011/12: Nil) in the Period.

China-ASEAN Light Industrial Products Fair at CSC Nanning

The 9th China-ASEAN Light Industrial Products Fair, co-organized by the Ministry of Commerce of China and their ASEAN counterparts plus the China-ASEAN Expo Secretariat, and hosted by the government of the Guangxi Zhuang Autonomous Region, was held at CSC Nanning in September 2012 with flying colours. The total exhibition area increased to approximately 100,000 sq. m. from approximately 75,000 sq. m. in the previous year. The Fair attracted 980 exhibitors (2011: 660) and approximately 620,000 domestic and international visitor counts this year (2011: 560,000). The annual event boosted traffic flow at CSC Nanning and further enhanced the Group's brand recognition in the region.

China South City Xi'an

Situated in the Xi'an International Trade and Logistics Park in Shaanxi Province, CSC Xi'an, equipped with a railway container terminal and the largest bonded area in the northwest China region, is highly accessible within an extensive transportation network. The site is at the exit of the North Third Ring Road, and two subway lines are going to pass through. 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. Capitalizing on opportunities arising from the country's strategic development of the western regions of China, CSC Xi'an is well-positioned to be a major comprehensive integrated logistics and trade center to accommodate the growing development needs in the region.

CSC Xi'an covers a planned total site area of approximately 10 million sq. m. and a total planned GFA of approximately 17.5 million sq. m., half of which will be trade centers while the remaining half is planned for ancillary facilities. Phase I, with a total planned GFA of approximately 740,000 sq. m., include the administration tower cum sales center, and trade centers covering machinery and hardware, as well as fashion, clothing and accessories industries. Construction of trade centers for a planned GFA of approximately 618,000 sq. m. is scheduled to be completed for delivery successively in the second half of this fiscal year.

China South City Harbin

Located in the Daowai district of Harbin, the capital city of Heilongjiang Province, CSC Harbin is slated to become the largest trade center in Northeast China. Riding on its advantageous location in Northeast China, a premier hub for cross-border trade with countries in Northeast Asia, and its proximity to the China-Russia border, CSC Harbin is fully-equipped to tap opportunities arising from the emerging potential for development in the area and to bridge economic activities within the region.

CSC Harbin has a planned site area of approximately 5 million sq. m. and a planned total GFA of approximately 6.30 million sq. m.. Phase I has a planned total GFA of approximately 560,000 sq. m., comprising trade centers for porcelain products, bath and kitchen wares, as well as home renovation and household products. Due to the extensive preparatory work done, CSC Harbin commenced construction soon after the acquisition of the first plot of land in June 2012. A total GFA of 248,000 sq. m. was under construction during the Period and partly is expected to be launched for pre-sale in 2013.

China Harbin International Economic Trade Fair

In June 2012, the Group was invited to participate in the 23rd China Harbin International Economic and Trade Fair. With an exhibition stall occupying approximately 850 sq. m., the Group capitalized on this opportunity to invite selected tenants of CSC Shenzhen to participate in the fair to promote their businesses in Harbin. Riding on this opportunity, the Group also strengthened its brand recognition and expanded its potential client base in the region.

China South City Zhengzhou

Located in Zhengzhou, the capital city of Henan Province, CSC Zhengzhou enjoys convenient access to a premier hub of central China, allowing it to cater to the strong demand for integrated logistics and trade centers in China's interior regions. The site has access to extensive transportation networks, being a mere 16 km away from Zhengzhou Xinzheng International Airport, and only a couple of kilometers away from the Beijing-Guangzhou Railway Freight Station and Beijing-Hong Kong-Macao Highway. Benefitting from its transport network and prime location in central China, the project aims to meet the strong demand for integrated logistics and trade centers driven by the thriving trading business in the interior regions. More importantly, the projects, which are being developed in phases, are in line with the government plans for urban rejuvenation, particularly the plan to relocate and consolidate old wholesale markets in the city between 2012 and 2014.

CSC Zhengzhou has a planned total net land area of approximately 7 million sq. m. and a total planned GFA of approximately 12 million sq. m.. Phase I trade centers cover six industries, including construction materials, machinery and hardware, automobile and accessories, small commodities, household goods and grains, and dried food and seasonings.

A grand groundbreaking ceremony was held in August 2012 soon after the Group acquired the first batch of land with total site area of approximately 298,000 sq. m. in the earlier time of the same month. During period under review, the trade center with a planned GFA of approximately 500,000 sq. m., commenced construction. In view of the emerging development potential in China's interior regions, CSC Zhengzhou will well-equipped itself to provide a convenient trading platform to promote trade among cities in central China.

FINANCIAL REVIEW

For the six months ended 30 September 2012, the Group reported remarkable growth in its financial performance, with revenue growth of 188.7% to HK$2,507.3 million (six months ended 30 September 2011: HK$868.6 million), and profit attributable to owners of the parent for the period grew 37.8% to HK$749.3 million (six months ended 30 September 2011: HK$543.6 million). Excluding the effects of fair value gains on investment properties and related tax effect, profit attributable to owners of the parent for the period as adjusted increased by 8.3% to HK$488.0 million (six months ended 30 September 2011: HK$450.5 million); while excluding the effects of fair value gains on investment properties and related tax effects and other exceptional items, profit attributable to owners of the parent for the period as adjusted increased by 273.4% to HK$513.3 million (six months ended 30 September 2011: HK$137.4 million). Basic earnings per share increased to HK12.49 cents (six months ended 30 September 2011: HK9.08 cents).

Revenue

Revenue increased by 188.7% to HK$2,507.3 million (six months ended 30 September 2011: HK$868.6 million). The increase was mainly due to the commencement of sales of trade center units at CSC Nanchang and CSC Nanning and residential properties at CSC Nanchang during the period under review.

	For the six months ended 30 September		
	2012	2011	**Change**
	HK$'000	*HK$'000*	**%**
Sales of properties	**2,331,991**	677,860	**244.0%**
Sales of trade centers	***955,580***	*519,957*	***83.8%***
Sales of residential properties	***1,376,411***	*157,903*	***771.7%***
Finance lease income	**30,013**	84,297	**(64.4)%**
Rental income	**100,524**	75,192	**33.7%**
Property management service income	**21,283**	19,368	**9.9%**
Hotel income	**12,864**	10,769	**19.5%**
Other fee income	**10,643**	1,112	**857.1%**
	2,507,318	868,598	**188.7%**

Revenue from Sales of Properties

Revenue from sales of properties increased by 244.0% to HK$2,332.0 million (six months ended 30 September 2011: HK$677.9 million). The increase was mainly due to the commencement of sales of trade center units at CSC Nanchang and CSC Nanning and residential properties at CSC Nanchang, which contributed revenue of approximately HK$2,326.5 million to the Group. Among the revenue from sales of properties, there were approximately HK$932.8 million contracted sales made in FY2011/12, recorded as sales revenue during the period. Sales for each project are as follows:

	ASP (before deduction of business tax) *(HK$/sq. m.)*		GFA sold *(sq. m.)*		Sales revenue (before deduction of business tax) *HK$ million*		Sales revenue (net of business tax) *HK$ million*	
	For the six months ended 30 September							
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
CSC Shenzhen	**18,100**	16,300	**300**	33,680	**5.9**	550.5	**5.5**	520.0
CSC Nanning	**15,600**	–	**25,500**	–	**396.7**	–	**374.5**	–
CSC Nanchang								
— Trade center units	**13,600**	–	**44,800**	–	**609.7**	–	**575.5**	–
— Residential properties	**6,200**	–	**234,600**	–	**1,458.1**	–	**1,376.5**	–
CSC Heyuan	**–**	10,500	**–**	16,700	**–**	167.1	**–**	157.9
Total	**N/A**	N/A	**305,200**	50,380	**2,470.4**	717.6	**2,332.0**	677.9

Finance Lease Income

Finance lease income, derived from the leasing of office towers and residential properties, decreased by approximately 64.4% to HK$30.0 million (six months ended 30 September 2011: HK$84.3 million). The decrease was primarily attributable to the reduction in the remaining number of available office and residential units for finance lease at CSC Shenzhen during the period under review.

During the period under review, the Group entered into finance lease arrangements with tenants for approximately 3,600 sq. m. (six months ended 30 September 2011: 10,100 sq. m.) at an average price of HK$8,800/sq. m. (six months ended 30 September 2011: HK$8,800/sq. m.).

Rental Income

Rental income increased by 33.7% to HK$100.5 million (six months ended 30 September 2011: HK$75.2 million). The increase was attributable to the continuous increase in rental income of phase I and II trade center units 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 30 September 2012, the total leased area of phase I trade center and shops had been increased by approximately 4%, while the total leased area of phase II trade center and shops had been increased by approximately 25%. The total occupancy rate of phase I trade center and shops increased to approximately 96% (30 September 2011: 92%), while the total occupancy rate of phase II trade center and shops increased to 51% (30 September 2011: 47%) of the launched area. The average effective monthly rental rate for phase I and phase II trade centers and shops were approximately HK$36/sq. m. (30 September 2011: HK$34/sq. m.) and HK$34/sq. m. (30 September 2011: HK$36/sq. m.) respectively.

Property Management Service Income

Income from property management services rose by 9.9% to HK$21.3 million (six months ended 30 September 2011: HK$19.4 million). The increase in income was mainly due to the rising contribution of property management fees from CSC Shenzhen phase I and II trade centers and supporting facilities with an increase in the total occupancy rate of launched area of up to 96% and 51%, respectively, as at 30 September 2012.

Other Fee Income

The other fee income rose by 857.1% to HK$10.6 million (six months ended 30 September 2011: HK$1.1 million). The income was mainly contributed by warehousing services and outlet center of HK$3.7 million and HK$5.0 million, respectively, during the period under review.

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 231.0% to HK$1,160.8 million (six months ended 30 September 2011: HK$350.6 million).

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

Gross Profit

Gross profit increased by 160.0% to HK$1,346.5 million (six months ended 30 September 2011: HK$518.0 million). Gross profit margin dropped to 53.7% during the period under review (six months ended 30 September 2011: 59.6%), which was mainly due to the change in product mix to include more sales of residential properties. Sales of trade center units usually generate a comparatively higher gross profit margin when compared with other types of revenue. The gross profit ratios of sales of trade center units and sales of residential properties were 67% and 47% respectively.

Other Income and Gains/(Losses)

Other income and gains/(losses) amounted to a net losses of HK$1.0 million for the six months ended 30 September 2012 compared to a net gains of HK$524.0 million for the six months ended 30 September 2011. The significant change was mainly due to last period's one-off gain on disposal of subsidiaries of HK$545.7 million; however, there was no such one-off gain recorded during the period under review.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 157.2% to HK$387.5 million (six months ended 30 September 2011: HK$150.7 million). The significant increase was mainly contributed by new properties at CSC Nanning and the stable growth of existing properties at CSC Shenzhen and CSC Nanning.

Selling and Distribution Costs

Selling and distribution costs increased by 11.3% to HK$83.7 million (six months ended 30 September 2011: HK$75.2 million). The increase was mainly attributable to staff costs incurred by our projects in Nanchang, Nanning and Xi'an due to expansion of sales and marketing team.

Administrative Expenses

Administrative expenses increased by 39.5% to HK$224.1 million (six months ended 30 September 2011: HK$160.6 million). The increase was primarily due to the increase in business activities from new projects, the expansion of the management team and the increase in the number of employees. The total number of staff had been increased by 63.3% from 1,960 to 3,200 as at 30 September 2011. During the period under review, the Group has granted 116,870,000 share options to directors and certain employees, and HK$17.3 million share option expenses were recorded (six months ended 30 September 2011: HK$30.3 million).

Finance Costs

Finance costs were up 95.0% to HK$43.4 million (six months ended 30 September 2011: HK$22.3 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.

Tax

Tax expenses recorded an increase of 53.1% to HK$609.8 million (six months ended 30 September 2011: HK$398.4 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 period under review.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables decreased by 8.7% to HK$791.7 million (31 March 2012: HK$866.8 million) due to the decrease in consideration receivables of disposed subsidiaries in the previous year. As at 30 September 2012, the remaining consideration receivable from the disposal was approximately HK$616.5 million.

Trade and Other Payables

Trade and other payables remained stable at HK$6,511.6 million (31 March 2012: HK$6,529.7 million). As at 30 September 2012, the balance of construction fee and retention payables and deposits received and receipts in advance were HK$2,780.0 million and HK$3,224.1 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 30 September 2012, the Group had HK$2,933.2 million in cash and cash equivalents and restricted cash (31 March 2012: HK$3,832.0 million), among which non-restricted cash and cash equivalents were approximately HK$2,752.8 million (31 March 2012: HK$3,315.7 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

As at 30 September 2012, the Group had approximately HK$7,368.5 million in interest-bearing bank and other borrowings and senior notes (31 March 2012: HK$6,618.4 million). The Group had aggregated interest-bearing bank and other borrowings of approximately HK$5,514.4 million as at 30 September 2012 (31 March 2012: HK$4,773.4 million), of which HK$2,950.4 million will be repayable within one year or on demand, approximately HK$792.4 million will be repayable in the second year, approximately HK$1,483.5 million will be repayable in the third to fifth years and approximately HK$288.1 million will be repayable after five years. As at 30 September 2012, the Group's interest-bearing bank and other borrowings of approximately HK$3,481.3 million were secured by certain buildings, hotel properties, investment properties, properties under development, properties held for sales and leasehold land with a total carrying value of approximately HK$10,959.7 million.

Except for the bank loan equivalent to HK$400.0 million which is denominated in HK dollars and bear interest at floating rates of HIBOR + 2.75%, all other interest-bearing bank and other borrowings of the Group are denominated in Renminbi and bear interest at floating rates that range from 5.66% to 7.54% per annum. Furthermore, as at 30 September 2012, the Group had unused banking facilities of approximately HK$2,871.9 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

In January 2011, the Company issued senior notes due in January 2016 with a nominal value of US$250 million (equivalent to approximately HK$1,950 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. In FY2011/12, the Company repurchased from the market a portion of the senior notes with nominal value of US$9 million. As at 30 September 2012, the carrying value of the Group's senior notes was HK$1,854.0 million.

In October 2012, the Company further issued senior notes due in October 2017 with a nominal value of US$125 million (equivalent to approximately HK$975 million) at a coupon rate of 13.5% per annum for the purpose of funding its properties under development and properties planned for future development, and refinancing a portion of our existing debt and for general corporate purposes.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 33% as at 30 September 2012, which increased from 21% as at 31 March 2012, was mainly due to payments made for project construction costs.

Net Current Assets and Current Ratio

As at 30 September 2012, the Group had net current assets of HK$1,695.6 million (31 March 2012: HK$2,350.4 million). The current ratio was at 1.15 (31 March 2012: 1.22).

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 centers and residential properties and bank loans entered into by lessees of the Group's residential and commercial properties. As at 30 September 2012, the guarantees amounted to HK$629.9 million (31 March 2012: HK$352.6 million). The guarantees granted to purchasers will be released when the purchasers obtain building ownership certificates, which will then be pledged to 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$29.6 million to Heyuan Enterprise. As agreed by both the Group and the purchaser of Heyuan Enterprise on 27 July 2012, the guarantees provided by the Group will be released by 31 March 2013; 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 30 September 2012, the Group had future capital expenditure contracted but not yet provided in the amount of HK$1,851.2 million (31 March 2012: HK$3,129.6 million), and capital expenditure authorized but not yet contracted in the amount of HK$4,186.5 million (31 March 2012: HK$2,731.7 million).

Foreign Exchange Risk

The Group conducts its business mainly in Renminbi; this includes our income and expenses, assets and liabilities. During the period under review, the exchange rate of Renminbi to HK dollars and US dollars did not have significant fluctuation. 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.

Acquisition and Disposal of Subsidiary and Associated Company

The Group has no material acquisition and disposal of subsidiary and associated company during the period under review.

Land for Projects and Restriction on Sales

The Group signs project agreements with local governments prior to the development of all projects in order to outline the blueprints of relevant projects in the area. Agreements generally set out the intended size and use of land. However, the acquisition of land, actual land area and other land restrictions are subject to the relevant regulations and local government procedures of public tender, auction and listing. The actual area of the land acquired and other relevant conditions are subject to these procedures.

The progress of the land acquisition and project development depends on the progress of the Group's planning and construction of the relevant projects, as well as the procedures and time required for each of these procedural formalities as determined by the different local government departments, including the approval for land use quotas, the requisition and planning of land, the change of land use, and the evaluation and valuation process prior to the procedures of public tender, auction and listing. As the time taken and requirements for such procedures vary in different places, as do the formalities and time that the Group requires to apply for certificates for different projects, the Group adjusts the development of each project accordingly. In view of its substantial land bank and greater flexibility in project planning, the Group believes such circumstances have little impact on its development as a whole.

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 holds and builds properties with restrictions on leases and for self-use. Pursuant to certain land grant contracts signed by CSC Nanchang and CSC Nanning in 2009, 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 built for residential, commercial and other uses, and also does not apply to the land obtained by CSC Nanchang and CSC Xi'an in 2011, nor the land acquired by CSC Harbin and CSC Zhengzhou in 2012.

Human Resources

As at 30 September 2012, the Group had a workforce of approximately 3,200 people, including approximately 3,000 people directly employed by the Group and approximately 200 people employed by its jointly-controlled entities. The number of the Group's staff increased by 52.4% from 2,100 as at 31 March 2012. 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 period under review, the Company granted 116,870,000 share options (six months ended 30 September 2011: 226,900,000) to certain directors and employees.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the Corporate Governance Code and the roles and responsibilities delegated to the Audit Committee by the Board.

The Audit Committee consists of Mr. Li Wai Keung as chairman, Mr. Leung Kwan Yuen Andrew and Mr. Hui Chiu Chung Stephen. All the Audit Committee members are independent non-executive Directors.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2012 have been reviewed by the Audit Committee and Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

Hong Kong, 28 November 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.