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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL HIGHLIGHTS

	2013	2012	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Revenue	**7,488,061**	3,670,767	**104.0**
Gross profit	**4,176,695**	2,236,096	**86.8**
Gross profit margin	**56%**	61%	**N/A**
Profit attributable to owners of the parent	**2,749,864**	2,070,708	**32.8**
Net profit attributable to owners of the parent excluding fair value gains on investment properties, gain on disposal of subsidiaries and their respective related tax effects	**1,776,382**	922,641	**92.5**
Earnings per share			
– Basic	**HK45.62 cents**	HK34.58 cents	**31.9**
Gearing ratio	**32%**	21%	
Proposed final dividend (per share)	**HK10.0 cents**	HK7.5 cents	**33.3**

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2013

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 fiscal year ended 31 March 2013 ("FY2012/13" or the "Year") together with the comparative figures for the previous fiscal year (fiscal year ended 31 March 2012 ("FY2011/12")) as follows:

Consolidated Income Statement
Year ended 31 March 2013

		For the year ended 31 March	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**7,488,061**	3,670,767
Cost of sales		**(3,311,366)**	(1,434,671)
Gross profit		**4,176,695**	2,236,096
Other income and gains	*4*	**57,971**	547,191
Fair value gains on investment properties	*4*	**1,251,445**	1,117,696
Selling and distribution expenses		**(288,828)**	(187,334)
Administrative expenses		**(536,899)**	(350,918)
Other expenses		**(54,606)**	477
Finance costs	*5*	**(133,314)**	(58,873)
Share of profits and losses of:			
A jointly-controlled entity		**1,023**	1,497
An associate		**(351)**	(317)
PROFIT BEFORE TAX	*6*	**4,473,136**	3,305,515
Income tax expenses	*7*	**(1,606,468)**	(1,257,953)
PROFIT FOR THE YEAR		**2,866,668**	2,047,562
Attributable to:			
Owners of the parent		**2,749,864**	2,070,708
Non-controlling interests		**116,804**	(23,146)
		2,866,668	2,047,562
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK45.62 cents**	HK34.58 cents
Diluted		**HK45.60 cents**	HK34.51 cents

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

Consolidated Statement of Comprehensive Income
Year ended 31 March 2013

	For the year ended 31 March 2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,866,668**	2,047,562
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**238,418**	366,059
Revaluation gain upon transfer from owner-occupied properties to investment properties, net of tax	**286,456**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,391,542**	2,413,621
Attributable to:		
Owners of the parent	**3,272,114**	2,434,132
Non-controlling interests	**119,428**	(20,511)
	3,391,542	2,413,621

Consolidated Statement of Financial Position

31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**601,146**	195,960
Investment properties		**19,425,946**	13,637,107
Properties under development		**2,381,710**	2,878,003
Prepaid land lease payments		**105,440**	7,116
Goodwill		**—**	20,066
Investment in a jointly-controlled entity		**8,936**	2,850
Investment in an associate		**(2,542)**	(1,531)
Finance lease receivables		**29,561**	38,445
Deposits paid for purchase of land use rights		**781,022**	376,035
Deferred tax assets		**586,232**	267,388
Total non-current assets		**23,917,451**	17,421,439
CURRENT ASSETS			
Properties held for finance lease		**571,403**	145,940
Properties held for sale		**9,381,178**	7,762,555
Trade receivables	*10*	**936,927**	525,630
Prepayments, deposits and other receivables		**642,581**	866,806
Held for trading investments at fair value through profit or loss		**117,643**	111,986
Cash and cash equivalents and restricted cash		**6,777,842**	3,831,987
Total current assets		**18,427,574**	13,244,904
CURRENT LIABILITIES			
Trade and other payables	*11*	**8,165,727**	6,529,731
Interest-bearing bank and other borrowings		**4,418,254**	2,740,273
Tax payables		**2,790,467**	1,624,496
Total current liabilities		**15,374,448**	10,894,500
NET CURRENT ASSETS		**3,053,126**	2,350,404
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,970,577**	19,771,843

Consolidated Statement of Financial Position *(Continued)*
31 March 2013

	31 March 2013 *HK$'000*	31 March 2012 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,581,741**	2,033,109
Senior notes	**2,853,402**	1,844,984
Amount due to non-controlling interests	**—**	53,113
Deferred tax liabilities	**3,492,673**	2,845,346
Total non-current liabilities	**10,927,816**	6,776,552
Net assets	**16,042,761**	12,995,291
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**60,536**	59,876
Reserves	**15,187,361**	12,429,737
Proposed final dividends	**605,356**	449,067
	15,853,253	12,938,680
Non-controlling interests	**189,508**	56,611
Total equity	**16,042,761**	12,995,291

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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendment to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and 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. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The 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 has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use and the adoption of the amendment does not have any impact on the Group's results of operations and financial position.

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 – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 2013						
Segment revenue:						
Sales to external customers	7,178,712	213,995	43,589	13,291	38,474	7,488,061
Intersegment sales	—	10,572	18,989	20,323	—	49,884
	7,178,712	224,567	62,578	33,614	38,474	7,537,945
Elimination of intersegment sales						(49,884)
Revenue						7,488,061
Segment results before increase in fair value of investment properties	4,101,875	210,454	(23,085)	(10,968)	21,017	4,299,293
Increase in fair value of investment properties	—	1,251,445	—	—	—	1,251,445
Segment results after increase in fair value of investment properties	4,101,875	1,461,899	(23,085)	(10,968)	21,017	5,550,738
Unallocated cost of sales						(122,598)
Interest income						31,031
Unallocated income and gains						26,940
Unallocated expenses						(880,333)
Finance costs						(133,314)
Share of profit of a jointly-controlled entity						1,023
Share of loss of an associate						(351)
Profits before tax						4,473,136
Segment assets	13,322,482	20,730,471	1,247	—	64,397	34,118,597
Reconciliation:						
Investment in a jointly-controlled entity						8,936
Investment in an associate						(2,542)
Unallocated assets						8,220,034
Total assets						42,345,025
Segment liabilities	5,686,156	4,532,888	35,402	—	33,526	10,287,972
Reconciliation:						
Unallocated liabilities						16,014,292
Total liabilities						26,302,264
Other segment information:						
Depreciation	—	—	641	2,918	5,192	8,751
Corporate and other unallocated amounts						18,375
						27,126
Increase in fair value of investment properties	—	1,251,445	—	—	—	1,251,445
Provision for impairment of goodwill	—	—	—	20,066	—	20,066
Capital expenditure*	8,480,793	608,118	61	233	29,089	9,118,294

	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	163,462	(26,173)	(356)	2,498	2,305,237
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	1,281,158	(26,173)	(356)	2,498	3,422,933
Unallocated cost of sales						(69,141)
Interest income						11,985
Unallocated income and gains						535,206
Unallocated expenses						(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

* 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	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**6,899,068**	3,010,808
Finance lease income	**279,644**	420,515
Rental income	**213,995**	166,393
Hotel income	**13,291**	26,946
Property management service income	**43,589**	41,500
Other fee income	**38,474**	4,605
	7,488,061	3,670,767
Other income		
Interest income from:		
Banks	**28,531**	8,770
Finance lease receivables	**2,500**	3,215
Others	**21,283**	10,184
	52,314	22,169
Gains		
Gain on disposal of subsidiaries	**—**	545,720
Gains/(losses) on held for trading investments at fair value through profit or loss, net	**5,657**	(41,079)
Gain on repurchase of senior notes	**—**	14,018
Others	**—**	6,363
	5,657	525,022
	57,971	547,191
Fair value gains on investment properties	**1,251,445**	1,117,696

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank and other borrowings		
Wholly repayable within five years	**339,112**	236,729
Wholly repayable beyond five years	**45,366**	30,818
Interest on senior notes	**334,664**	275,152
Less: Interest capitalised	**(585,828)**	(483,826)
Total	**133,314**	58,873

6. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Cost of properties sold	**2,931,128**	1,044,147
Cost of properties held for finance lease	**145,709**	221,370
Depreciation	**28,944**	23,705
Less: Depreciation capitalised in respect of properties under development	**(1,818)**	(530)
	27,126	23,175
Amortisation of prepaid land lease payments	**190**	187
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**12,129**	10,305
Auditors' remuneration	**4,028**	2,880
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**318,695**	206,876
Equity-settled share option expense	**27,176**	42,314
Pension scheme contributions	**19,236**	13,626
	365,107	262,816
Foreign exchange differences, net	**695**	(18,385)
Provision for impairment of goodwill**	**20,066**	—
Write-back of impairment of investment in a jointly- controlled entity**	**—**	(477)
Provision for impairment of trade receivables**	**34,540**	—
Loss on disposal of items of property, plant and equipment	**955**	32

* Included amounts of HK$53,831,000 and HK$34,138,000 for the years ended 31 March 2013 and 2012, respectively, which were capitalised under properties under development.

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 (2012: Nil).

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2012: 25%) on their respective taxable income during the year.

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$638,935,000 and HK$403,171,000 were charged to the consolidated income statement for the years ended 31 March 2013 and 2012, respectively.

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

	For the year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Current — Mainland China	**772,557**	569,597
LAT in Mainland China	**638,935**	403,171
Deferred Mainland China corporate income tax	**194,976**	285,185
Total tax charged for the year	**1,606,468**	1,257,953

8. DIVIDENDS

	For the year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Proposed final dividends — HK10.0 cents per ordinary share (2012: HK7.5 cents per ordinary share)	**605,356**	449,067

The proposed final dividends are 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 6,027,344,822 (2012: 5,987,564,000) 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 dilutive potential ordinary shares into ordinary shares.

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

	For the year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,749,864**	2,070,708

	Number of Shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,027,344,822**	5,987,564,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,088,244**	13,482,984
	6,030,433,066	6,001,046,984

10. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**1,037,648**	590,459
Impairment	**(100,721)**	(64,829)
	936,927	525,630

Trade receivables represent sales income, rentals receivable and service income receivables from customers which are payable on issuance 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 approximate to their fair values.

An aged analysis of the trade receivables based on the payment due date as at the end of the reporting period, net of provision, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**554,520**	415,754
1 to 2 months	**97,758**	17,072
2 to 3 months	**97,650**	43,530
Over 3 months	**186,999**	49,274
	936,927	525,630

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

	2013	2012
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**64,829**	62,458
Impairment losses recognised	**34,540**	—
Exchange realignment	**1,352**	2,371
Carrying amount at end of year	**100,721**	64,829

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

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**496,856**	400,297
Less than 1 month past due	**57,664**	15,457
1 to 3 months past due	**195,408**	60,602
Over 3 months past due	**186,999**	49,274
	936,927	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 would not release the property ownership certificates to the buyers before the buyers fully settle the payment.

11. TRADE AND OTHER PAYABLES

		2013	2012
	Note	***HK$'000***	*HK$'000*
Other payables and accruals		**916,752**	350,893
Notes payables	*(i)*	**453,677**	—
Deposits and receipts in advance		**3,792,892**	3,462,501
Construction fee and retention payables	*(ii)*	**3,002,406**	2,716,337
		8,165,727	6,529,731

(i) An aged analysis of the Group's notes payables presented based on the invoice date at the end of the reporting period is as follows:

	2013 *HK$'000*	2012 *HK$'000*
1 to 2 months	**135,455**	–
Over 3 months	**318,222**	–
	453,677	–

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

	2013 *HK$'000*	2012 *HK$'000*
Within 1 year	**2,923,753**	2,593,409
Over 1 year	**78,653**	122,928
	3,002,406	2,716,337

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 China South City Holdings Limited, together with its subsidiaries, I am pleased to report the annual results of the Group for FY2012/13.

RESULTS AND DIVIDEND

The Group continued to excel in its operating performance in FY2012/13, during which revenue surged by 104.0% to HK$7,488.1 million (FY2011/12: HK$3,670.8 million). The substantial growth in revenue was mainly attributable to the successful replication of its business model and strong execution capabilities as evidenced by the remarkable sales performance of China South City Shenzhen ("CSC Shenzhen"), China South City Nanchang ("CSC Nanchang"), China South City Nanning ("CSC Nanning") and China South City Xi'an ("CSC Xi'an"). Profit attributable to equity owners of the parent also rose by 32.8% to HK$2,749.9 million (FY2011/12: HK$2,070.7 million). Basic earnings per share were HK45.62 cents (FY2011/12: HK34.58 cents).

The Board proposed a final dividend of HK10.0 cents per share for the FY2012/13 (FY2011/12: HK7.5 cents per share), subject to shareholder approval at the Company's forthcoming annual general meeting ("AGM") to be held on 21 August 2013.

REVIEW OF THE MARKET AND OPERATIONS

Robust Growth in Revenue Backed by Successful Replication of Business Model

With the aim to pursue a sustainable society, the Chinese Government has delegated the structural transformation and new urbanization strategies in the "12th National Congress" and added attention to modern logistics in the 12th National Five-Year Plan, while the local governments echo to increase strategic tendency to relocate existing less equipped, single-industry wholesale markets from prime urban areas. Such favorable operational environment, along with various supportive measures, have gradually translated into solid catalysts, creating much stronger demand for integrated logistics and trade centers during the fiscal year.

As one of the leading developers and operators of large-scale, integrated logistics and trade centers in China, China South City is well positioned to capitalize on the abundant opportunities brought by the robust market demand. This, along with our dedication to our core competencies, has enabled us to deliver remarkable Contracted Sales (including property sales in finance lease) performance in FY2012/13, contributed by CSC Shenzhen, CSC Nanchang, CSC Nanning, CSC Xi'an, China South City Harbin ("CSC Harbin"), and China South City Zhengzhou ("CSC Zhengzhou"). For the fiscal year ended 31 March 2013, the Group recorded Contracted Sales of approximately HK$8.2 billion, up 15.5% year-on-year (FY2011/12: HK$7.1 billion), exceeding the Group's annual sales target of HK$8.0 billion for the Year. Excluding asset disposal effect amounted HK$894 million in FY2011/12, the Group's annual Contracted Sales recorded a year-on-year increase of 32.2%, demonstrating the Group's successful replication of its business model in other parts of China and its strong execution capabilities. With more projects slated for launch and to commence operation, couple with the increasing pace for urbanization in our project areas, the Group is expected to enjoy an accelerated growing trend in the coming years.

Leveraging the Group's success and experience from, and brand recognition built upon, CSC Shenzhen, the Group has been enhancing its presence in fast growing economic regions with well-developed transportation networks in a bid to achieve sustainable business growth. In April and December 2012, the Group entered into cooperative agreements for its latest projects, CSC Zhengzhou and China South City Hefei ("CSC Hefei"), bringing its total number of projects to seven and forming a solid project pipeline that will drive the Group's further growth. In November 2012, the Group signed an equity transfer agreement to acquire the entire equity capital of Hydoo Harbin Trade City Co., Ltd. ("Hydoo Harbin"). The transaction was completed by December 2012 and the project originally developed by Hydoo Harbin has been included in CSC Harbin and the development will be conducted by the Group thereafter. In FY2012/13, the Group acquired the first batch of land for both CSC Harbin and CSC Zhengzhou. The first batch of land in CSC Hefei was also successfully bid in May 2013. Phase I construction of these projects commenced, or will commence, soon after the land acquisitions.

To support the Group's growth opportunities, China South City has strived to fortify its capital base. In September 2012, the Group signed a HK$400 million bilateral loan with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). In October 2012, the Group completed the issuance of US$125 million senior notes. In April 2013, PAG, one of the leading alternative investment fund management groups in Asia with extensive experience in investing in the region's capital markets and property sectors, made a strategic investment of HK$975 million in the Group in the form of convertible notes, at a conversion price of HK$1.56 per new share of the Company. The new financing facilities and strategic investment demonstrate a strong vote of confidence from the capital market in the Group's excellent operations capabilities, sound business model and immense future growth potential.

Expanded Ancillary Services

While further building upon its unique yet replicable "One Body with Two Wings" business model to serve the economic and industrial needs of the regions in which it operates, the Group continued to strengthen its five pillars of ancillary services – namely (i) outlet operation and management; (ii), e-commerce platforms, (iii) one-stop logistics services with warehousing, delivery and freight forwarding, (iv) property management and (v) convention and exhibition services – that complement its core business of developing and operating integrated logistics and trade centers during the Year with the aim of establishing a self-sustaining business operations model.

Highlights of the Group's relentless efforts in enhancing its ancillary services last year include the offering of over 100 brands at the outlet center of CSC Shenzhen. The Group also planned to have outlet centers launched at CSC Nanning, CSC Nanchang and CSC Xi'an for the fiscal year ending 31 March 2014 ("FY2013/14").

Aiming to allow the Group's trade center tenants to better promote their online wholesale and retail trade, China South City has also commenced the revamp of its e-commerce platforms to better meet the evolving market needs.

The Group is also committed to offering well-equipped supply-chain services. Meanwhile, the Group is also upgrading the warehouse facilities and freight forward market at CSC Shenzhen. To cope with the upcoming operation schedule, the construction, design and planning of the logistics facilities of other projects are also in the pipeline.

In addition, the Group continues to capitalize on its non-stop exhibition platform to promote trade in a joint effort with local governments. In June 2012, the Group led a delegation to participate in the China Harbin International Economic and Trade Fair to assist its tenants and merchants in promoting their businesses. The China (Shenzhen) International Industrial Fair ("Industrial Fair ") and "2012 Hong Kong, Macau and Taiwan Commodity Fair" at CSC Shenzhen and the China-ASEAN Light Industrial Products Fair ("Light Industrial Fair") at CSC Nanning were successfully held in FY2012/13. In addition, the "2013 Hong Kong, Macau and Taiwan Commodity Fair" has its first time been held at CSC Nanchang in April 2013, which was also the first municipal event held at our Nanchang project. By raising its profile through these events, the Group is poised to enhance its brand recognition, display the strengths of its projects, and expand its customer base and network with domestic and international businesses.

PROSPECTS

Looking forward, the growth momentum of China's economy is expected to sustain as driven by the infrastructure investment and resilient internal demand. The Group remains optimistic about the long-term development of integrated logistics and trade centers in China, given the Chinese Government's structural transformation and new urbanization strategies promulgated in the "12th National Congress", the greater attention to modern logistics in the 12th National Five-Year Plan, coupled with the local governments' strategy to relocate existing wholesale markets from prime urban areas. Leveraging the Group's unique business model, proven operational capabilities and solid project pipelines, China South City is poised to capture the enormous market opportunities. The Group is optimistic about meeting its annual sales target of HK$11.0 billion by the end of FY2013/14. With the support of its strong financial position and healthy cash flow, the Group will prudently continue to identify further investment opportunities with an aim to bring greater value to its shareholders.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business partners for their trust and unwavering support. I would also like to thank our management and staff for their professionalism and wholehearted commitment.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 24 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the fiscal year under review, demand for trade centers remained strong as the Chinese Government implemented supportive measures such as an increase in infrastructure spending and monetary loosening, stabilizing the nation's economic growth. Along with the Central Government's structural transformation and new urbanization strategies promulgated in the "12th National Congress", the greater attention to modern logistics in the 12th National Five-Year Plan, and the local governments' strategic initiative to relocate existing wholesale markets from prime urban areas, all of these favorable factors facilitated growth for large-scale developers and operators of integrated logistics and trade centers.

By virtue of the diversifying income portfolio brought on by the launch of sales of new projects, the Group entered into a rapid growth phase in FY2012/13 with revenue reaching a record high of approximately HK$7.5 billion, representing year-on-year growth of 104.0% (FY2011/12: HK$3.7 billion). Contracted Sales also grew by 15.5% to HK$8.2 billion (FY2011/12: HK$7.1 billion), exceeding the annual sales target of HK$8.0 billion. Details on Contracted Sales 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)*	**Project contribution**
CSC Shenzhen	**87,200**	**17,400**	**1,518.7**	**18.5%**
Trade center (Mall)[1]	58,500	20,900	1,222.9	14.9%
Office	16,600	10,900	181.9	2.2%
Residential property	12,100	9,400	113.9	1.4%
CSC Nanchang	**219,300**	**10,500**	**2,303.9**	**28.1%**
Trade center (Mall)	108,700	13,700	1,490.1	18.2%
Residential property	110,600	7,400	813.8	9.9%
CSC Nanning	**71,600**	**11,300**	**807.7**	**9.9%**
Trade center (Mall)	37,900	15,500	586.8	7.2%
Residential property	33,700	6,500	220.9	2.7%
CSC Xi'an	**194,400**	**10,100**	**1,971.5**	**24.0%**
Trade center (Mall)	64,500	14,100	909.5	11.1%
Trade center (Detached)[2]	129,900	8,200	1,062.0	12.9%
CSC Zhengzhou				
Trade center (Mall)	**103,000**	**13,200**	**1,355.7**	**16.5%**
CSC Harbin				
Trade center (Detached)	**33,500**	**7,400**	**248.1**	**3.0%**
Total	**709,000**	**N/A**	**8,205.6**	**100%**

Notes: (1) Refer to multi-storey trade centers in shopping mall style.
(2) Refer to low-rise standalone trade center shops.

The Group strives to enhance its presence in fast growing economic regions with well-developed transportation networks in China to maintain its sustainable business growth. As of 31 March 2013, the Group has seven large-scale integrated logistics and trade center projects at different stages of development. CSC Shenzhen is currently in its phase III development whereas CSC Nanchang, CSC Nanning, CSC Xi'an, CSC Zhengzhou and CSC Harbin are in phase I. CSC Hefei is still under planning but is expected soon to commence its phase I development in the second quarter of FY2013/14, following the acquisition of the first batch of land in May 2013.

As of 31 March 2013, land with a total attributable gross floor area ("GFA") of 17.9 million sq.m. has been acquired throughout our projects aside from CSC Hefei. In May 2013, batches of land with attributable GFA of 3.9 million sq.m. in CSC Hefei were also successfully bid for, increasing the Group's land bank to a GFA of 21.8 million sq.m., accounting for 33% of its total planned GFA, with a weighted average land cost per GFA at RMB269/sq.m. among all projects. Details of project land bank are shown in the table below:

Land Bank
as of 15 June 2013

	Completed Properties (as of 31 March 2013)		Properties under Development	Properties Planned for Future Development	Total Planned GFA	GFA for Land Acquired (% to Total Planned GFA)	
(in sq.m.)	*Sold*	*Unsold*		*Estimated*	*Estimated*		%
CSC Shenzhen	636,200	1,166,000	–	841,800	2,644,000	2,644,000	100%
CSC Nanchang	563,400	199,600	328,000	3,189,000	4,280,000	4,280,000	100%
CSC Nanning	62,700	266,300	1,032,000	3,519,000	4,880,000	2,480,000	51%
CSC Xi'an	177,300	446,500	309,000	16,567,200	17,500,000	2,045,000	12%
CSC Harbin	–	–	673,000	11,327,000	12,000,000	2,231,000	19%
CSC Zhengzhou	–	–	1,500,000	10,500,000	12,000,000	4,215,000	35%
CSC Hefei	–	–	–	12,000,000	12,000,000	3,941,000	33%
Total	1,439,600	2,078,400	3,842,000	57,944,000	65,304,000	21,836,000	33%

Broaden Financing Channel

To support its rapid growth, China South City further fortified its solid financial position. In September 2012, the Group signed a HK$400 million bilateral loan with HSBC with a one-year tenor at an interest rate of HIBOR+2.75% per annum. In the following month, the Group completed the issuance of US$125 million senior notes at coupon rate of 13.5% per annum due in 2017. In April 2013, the Group introduced PAG, one of the leading alternative investment fund management groups in Asia with extensive experience in investing in the region's capital markets and property sectors, for a strategic investment of HK$975 million in the form of convertible notes at coupon rate of 6.5% per annum due in 2018, at a conversion price of HK$1.56 per new share of the Company.

The successful conclusion of the new financing facilities and the introduction of a new strategic investor is an assertion of the capital market towards the Group's excellent operational capabilities, sound business model and promising prospects. The Group's further improved financial position will not only allow it to fund properties under development and properties planned for future development, but will also allow it to explore opportunities by extending its footprint to other regional economic hubs in China.

Operations on Projects: Five Pillars of Ancillary Services

To keep pace with its projects in Nanchang, Nanning and Xi'an slated for trial operation in FY2013/14, the Group continued to enhance its five pillars of ancillary services with the valuable experience gained from CSC Shenzhen, in a bid to complement its unique and replicable "One body with two wings" business model, and aim to better serve its trade center merchants and customers and to allow them to enjoy a mutually-beneficial operation environment.

Outlet Operation and Management

As a part of the five core service pillars, the outlet team is committed to offering value branded goods to end-users and to boosting overall traffic flow. CSC Shenzhen opened its first outlet center in April 2011 mainly featuring global sportswear and outdoor brands initially, but it now accommodates brands of sportswear, causalwear, outdoor wear, men's and women's fashion. There are over 100 international brands such as Levis, Chevignon, Columbia, Samsonite, Nike, Addidas, etc. Building on the successful opening of the outlet center at CSC Shenzhen, the Group continues to expand and replicate this further at its other projects. The outlet centers at CSC Nanning, CSC Nanchang and CSC Xian are scheduled for trial operation in FY2013/14.

E-commerce Platform

The Group's online platforms primarily aim to provide our trade center shops the combined advantages of physical stores and virtual shops for both B2B and B2C trading. As of 31 March 2013, there were over 4,750 cumulative online trade shops from our Shenzhen project with over 195,000 registered users. With more projects slated for operation in FY2013/14 successively, the quantity and variety of goods available on its online platform are expected to increase substantially.

In a bid to enhance the scope of the Group's e-commerce services, an e-commerce park with a total GFA of 40,000 sq.m. has been established at the CSC Shenzhen phase II trade center and has been appointed as a "Model Unit of E-commerce" by the Municipal Government of Shenzhen. CSC Shenzhen and the tenants of the park can benefit from the supporting policies introduced by the local government.

One-stop logistics services

A subsidiary dedicated in logistics services is in charge of warehousing and logistics services of the Group. Currently, it runs warehousing and freight forwarding market in CSC Shenzhen. It also provides warehousing management service and arrange on-site third party delivery and distribution services. With the development of our projects and the growing demand from our customers, our logistics services will be extended from our Shenzhen project to Nanning, Nanchang, Xi'an and Zhengzhou in FY2013/14 with a broadened service range, including scaled-up warehousing and management as well as freight forwarding markets, together with exchange centers with nationwide freight and logistics network, in a bid to provide our customers with one-stop logistics services on warehousing, transportation and distribution.

Property Management

With an aim of ensuring project safety and sustainability, the Group has established project management teams to be stationed at the projects when construction commences so as to provide professional advice and to take into account sustainability and the specific needs at each project in order to ensure the smooth operation of each project. In addition, the Group has entered management agreement with our trade center shops owners and tenants for property management service. This will allow a better management and service on each of our project, and in turn become a source of income to the Group. The Group endeavors to differentiate its projects from old wholesale markets by stepping up efforts to strengthen fire prevention standards, security, maintenance services as well as the management of transportation and parking lots at each of its project sites.

Convention and Exhibition Services

Through its non-stop exhibition platform aimed at promoting trade and through joint efforts with local governments to attract international and regional exhibitors and to draw traffic and business flow to its trade centers, the Group continued to organize signature regional exhibitions and conventions.

In addition, to promote the businesses of its trade center merchants while seeking to expand its business outreach, the Group has a team specified in convention and exhibition services formed to actively take part in trade fairs across the country.

Trade Fairs at a Glance

In April 2012, the Group co-organized the Fifth 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. With the supportive involvement of the municipal and regional governments, CSC Shenzhen has proven to be an effective platform for merchants outside Shenzhen to promote their businesses and for the local government to attract cross-regional trade.

The Hong Kong, Macau and Taiwan Commodity Fair from 29 September to 4 October 2012 in CSC Shenzhen, co-organized by the Trade Development Bureau of the Ministry of Commerce, the Group, etc., involved Macau for the first time. It was the first fair in China to feature a single exhibition accommodating exhibitors from the three economies with an aim to support national trade policies and to advocate cross-regional trade.

Leveraging its success in Shenzhen, the Hong Kong, Macau and Taiwan Commodity Fair was also held in CSC Nanchang between 28 April and 2 May 2013, and was co-organized by the Trade Development Bureau of Ministry of Commerce, the Municipal Government of Nanchang and the Group.

Since 2011, the Group has held the renowned Light Industrial Fair at CSC Nanning between September and October each year. The 9th Light Industrial 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 from 21-25 September 2012, and received an overwhelming response.

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

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 is centered within an extensive transportation network. Occupying a site area of approximately 1.06 million sq.m., the project comprises a planned total GFA of approximately 2.64 million sq.m.. As of 31 March, 2013, phase I, phase II and part of its phase III properties with a total GFA of approximately 1.80 million sq.m. is in operation, of which approximately 1.32 million sq.m. is trade center and approximately 485,000 sq.m. are ancillary services.

Currently, CSC Shenzhen is in its phase III of development with a total planned GFA of approximately 1.2 million sq.m., including 842,000 sq.m. of trade center, 330,000 sq.m of logistics facilities and 52,000 sq.m. of office facilities. Apart from the office facilities completed by FY2011/12, trade center Plaza 5, a multi-functional trade center complex designed for the trading of electronic goods, gadgets and accessories was launched in March 2013. With a planned GFA of 330,000 sq.m., comprise 232,000 sq.m. trade center units, 64,000 sq.m. of apartment units and 34,000 sq.m. of office units.

By stepping up the Group's marketing efforts in tandem with the increasingly mature operation, CSC Shenzhen continued to record significant results with Contracted Sales in FY2012/13, amounting to HK$1,518.7 million (FY2011/12: HK$1,335.1 million), including trade center units with GFA of approximately 58,500 sq.m. at an ASP HK$20,900/sq.m., mainly from Plaza 5 of phase III and the remaining phase I and II properties, (FY2011/12: Total GFA of 51,300 sq.m. at an ASP HK$17,300/sq.m), office units with a total GFA approximately 16,600 sq.m. at an ASP HK$10,900/sq.m. (FY2011/12: Total GFA of 41,000 sq.m. at an ASP HK$10,000/sq.m) and residential properties with a total GFA approximately 12,100 sq.m. at an ASP HK$9,400/sq.m. (FY2011/12: Total GFA of 4,500 sq.m. at an ASP HK$7,700/sq.m.).

For FY2012/13, rental income rose steadily by 28.6% as compared to the last fiscal year, mainly due to rental increases resulting from tenancy renewals and new lease contracts signed during the fiscal year. As at 31 March 2013, the occupancy rate and rental income of phase I trade center and shops reached 96% and HK$40/sq.m. (As at 31 March 2012: 95% at HK$35/sq.m.). The total occupancy rate of the launched rentable total GFA of phase II trade center and shops increased to 55% and HK$35/sq.m. respectively (As at 31 March 2012: 48% at HK$35/sq.m.).

CHINA SOUTH CITY NANCHANG

CSC Nanchang, strategically situated in Nanchang the capital city of Jiangxi Province, aims to fully leverage its advantageous location at one of China's major transportation hubs to operate as a dynamic integrated logistics trading platform for the Pan Pearl River Delta and Yangtze River Delta regions. Located at the intersection of the Jingjiu and Zhegan Railways, the site is readily accessible to suppliers, manufacturers and merchants via major highways, the largest port on the Gan River and a complete freight network including a cargo marshall yard, a container terminus and an international airport, together with Nanchang West Railway Station, a principal high speed rail station located just 1.2 km from CSC Nanchang and slated for operation at the end of 2013. Furthermore, the Jiangxi provincial government is scheduled to relocate its office to the vicinity of merely approximately 2 km from our project site in the first quarter of 2014, which will boost the business potential of the trade centers and supporting facilities at CSC Nanchang.

With a site 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. CSC Nanchang is being developed in phases with phase I to cover a planned GFA of 1.09 million sq.m. including 708,000 sq.m. of trade centers and 383,000 sq.m. of supporting residential facilities.

Construction of residential facilities was completed during the first half of FY2012/13. Also a GFA of 380,000 sq.m. of trade center, covering clothing and textile, small commodities as well as shoes and accessories, was completed in the previous fiscal year, while the construction of the remaining 328,000 sq.m. phase I trade centers planned for outlets, branded fashion and green food, will be completed in FY2013/14. CSC Nanchang is slated for trial operation in the fourth quarter of FY2013/14 ("Q4 FY2013/14"), in a bid to capture the synergy effect brought by the opening of the Nanchang West Railway Station.

In FY2012/13, CSC Nanchang recorded a total Contracted Sales of HK$2,303.9 million (FY2011/12: HK$3,063.3 million), of which a GFA of 108,700 sq.m. trade centers sold at an ASP of HK$13,700/sq.m. (FY2011/12: total GFA of 174,300 sq.m. at an ASP of HK$11,900/sq.m.). The keen market response seen in the sales of the trade centers also spurred sales of ancillary residential facilities at CSC Nanchang. A total GFA of 110,600 sq.m. residential units was sold at an ASP of HK$7,400/sq.m. (FY2011/12: Total GFA of 170,600 sq.m. at an ASP of HK$5,800/sq.m.).

CHINA SOUTH CITY NANNING

CSC Nanning is strategically located in a prime area of Nanning, the capital city of the Guangxi Zhuang Autonomous Region. It is highly accessible to railway stations, highways and an international airport and distinguishes itself as a critical gateway between China and the Association of Southeast Asian Nations ("ASEAN") countries. Capitalizing on its proximity to Southeast Asia, and with the establishment of the China-ASEAN Free Trade Area which enjoys a tariff waiver for cross-border trade activities, CSC Nanning is poised to meet the growing demand from the Northern Bay Region and Southeast Asia.

The project has a planned net land area of approximately 1.83 million sq.m. and a planned aggregate GFA of approximately 4.88 million sq.m.. Phase I of CSC Nanning currently has construction of GFA approximately 1.36 million sq.m. commenced, which comprises approximately 896,000 sq.m. of logistics trade centers and 465,000 sq.m. of residential facilities. For phase I logistics trade centers, a GFA of approximately 329,000 sq.m., serving the machinery and hardware, leather, clothing and textile industries has been completed in FY2011/12. The remaining 567,000 sq.m. of logistics trade centers, planned for housewares and furnishing products, tea and tea wares, ASEAN products, outlets as well as showrooms, are under construction. During the fiscal year under review, approval for change in land use for residential purpose at CSC Nanning was granted by the Nanning Bureau of Land at land grant fees of RMB533.5 million for a planned GFA of 586,500 sq.m., of which 465,000 sq.m. is currently under construction. Together with the logistics trade centers, it is expected that the remaining phase I construction, with a GFA approximately 1.03 million sq.m., would be completed by FY2013/14.

In FY2012/13, CSC Nanning generated Contracted Sales of HK$807.7 million (FY2011/12: HK$507.0 million), of which trade centers accounted for a total GFA of 37,900 sq.m. sold at an ASP of approximately HK$15,500/sq.m. (FY2011/12: Total GFA of 35,300 sq.m. at an ASP of HK$14,400/sq.m) and a total GFA of 33,700 sq.m. residential units sold at an ASP of approximately HK$6,500/sq.m. (FY2011/12: Nil).

CHINA SOUTH CITY XI'AN

Strategically located in the Xi'an International Trade and Logistics Park in Shaanxi Province, CSC Xi'an is easily accessible within an extensive transportation network connected to a railway container terminal and the largest bonded area in the northwestern regions of China. Two subway lines will cross the site, with one of the planned subway stations to be located next to the phase I buildings. CSC Xi'an, which is 65% owned by the Group, is a joint venture between the Group and Shenzhen Shi Hao De Tien Cheng Investment Limited.

CSC Xi'an has a planned total site area of approximately 10.0 million sq.m. and a total planned GFA of approximately 17.5 million sq.m., half of which will be trade centers and the remaining half is planned for ancillary facilities. In FY2012/13, the Group acquired land with total site area of approximately 120,000 sq.m.. The newly acquired land, with planned GFA of 359,000 sq.m., will be used for the development of logistics and trade centers.

CSC Xi'an's, currently under its phase I construction with total planned GFA of approximately 933,000 sq.m., which includes trade centers of GFA of 557,000 sq.m. in shopping mall style covering fashion, clothing and accessories industries completed in FY2012/13. There is also standalone low-rise trade center shops with GFA of 376,000 sq.m. mainly serving metal and hardware industries, with part of the construction completed in this fiscal year, and the remaining GFA of 309,000 sq.m. is also expected to have construction completed by FY2013/14. With part of the phase I successively delivered in the second half of the fiscal year, trial operation is planned to commence in Q4 FY2013/14.

In FY2012/13, a total of HK$1,971.5 million Contracted Sales was generated from the sale of trade centers, of which include Contracted Sales of trade centers of shopping mall style for a total GFA of 64,500 sq.m. at an ASP of approximately HK$14,100/sq.m. (FY2011/12: Total GFA of 57,500 sq.m. at an ASP of HK$13,900/sq.m), and standalone low-rise trade center shops for a total GFA of 129,900 sq.m. at an ASP of approximately HK$8,200/sq.m. (FY2011/12: Total GFA of 40,700 sq.m. at an ASP of HK$8,200/sq.m.).

CHINA SOUTH CITY HARBIN

Situated in the Daowai district of Harbin, the capital city of Heilongjiang Province, CSC Harbin makes full use of 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 is expected to bridge economic activities within the region. Capitalizing on the opportunities arising from the emerging potential for development in the area, CSC Harbin is poised to become the largest trade center in Northeast China.

By December 2012, the Group completed the acquisition of the entire equity capital of Hydoo Harbin at a total consideration of RMB500 million. With the project developed by Hydoo Harbin included into our CSC Harbin project, the Group will be able to fully control and realize the synergy brought on by the centralized and coordinated development of the two parcels of land.

After the acquisition, CSC Harbin has a planned site area of approximately 10.0 million sq.m. and a planned total GFA of approximately 12.0 million sq.m.. In FY2012/13, a total attributable GFA of 2.2 million sq.m. was obtained via tendering, auction and listing-for-sale procedures and the acquisition of Hydoo Harbin. Phase I construction has a total planned GFA of 1.57 million sq.m., including 1.07 million sq.m. trade centers and 497,000 sq.m. ancillary facilities. Currently, trade centers of GFA approximately 673,000 sq.m. are under construction and approximately of which 318,000 sq.m. are expected to be completed by FY2013/14. For the trade centers under construction there are 436,000 sq.m. in shopping mall style, covering housewares and furnishing products, outlets and boutique shops. The remaining 237,000 sq.m. are low-rise standalone trade center shops targeted for metal and hardware, as well as construction materials. In FY2012/13, parts of the low-rise standalone shops were launched for presale. Driven by an enthusiastic market response during pre-sales, a total GFA of 33,500 sq.m. was sold at an ASP of HK$7,400/sq.m, generating Contracted Sales of HK$248.1 million.

CHINA SOUTH CITY ZHENGZHOU

Leveraging its strategic location in Zhengzhou, the capital city of Henan Province, CSC Zhengzhou has access to extensive transportation networks, being a mere 16 km away from Zhengzhou Xinzheng International Airport and with the Beijing-Guangzhou Railway Freight Station and Beijing-Hong Kong-Macao Highway only a couple of kilometers away. CSC Zhengzhou aims to meet the strong demand for integrated logistics and trade centers driven by the thriving trading business in China's 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 2015.

CSC Zhengzhou has a total net land area of approximately 7.0 million sq.m. and total planned GFA of 12.0 million sq.m.. In FY2012/13, the Group acquired the first batch of land for CSC Zhengzhou. The attributable GFA for the newly acquired land is approximately 4.2 million sq.m., and will be used for the development of logistics and trade centers.

Phase I trade centers with planned GFA of 2.65 million sq.m. are expected to cover six industries, including construction materials, machinery and hardware, automobile and accessories, small commodities, household goods and grains, and dried food and seasonings. Currently, a total GFA of approximately 1.50 million sq.m. is under construction and expected to be completed by FY2013/14, of which 500,000 sq.m. is a trade center in shopping mall style, serving small commodities. The remaining 1.0 million sq.m. are low-rise standalone trade center shops targeted for metal and hardware, as well as construction materials. In FY2012/13, the trade center in shopping mall style was launched for presale, with fervent response, a total GFA of 103,000 sq.m. was contracted at an ASP of HK$13,200/sq.m., generating Contracted Sales of HK$1,355.7 million.

CHINA SOUTH CITY HEFEI

Situated in Hefei, the capital city of Auhui Province, transport hub in East China and a political, economic, cultural and financial center at the heart of East China, CSC Hefei capitalizes on the strategic location in Hefei New Industrial Demonstration Park with well-developed infrastructure in adjacent areas and fully utilizes the city's extensive transportation system of railways, highways and river transport across China.

According to the cooperative agreement signed with the Hefei Government and Feixi County Government on 1 December 2012 for the development of a large-scale, integrated logistics and trade center in Hefei, CSC Hefei has a planned total net land area of approximately 10.0 million sq.m. and a planned GFA of 12.0 million sq.m..

In May 2013, the Group successfully bid for the first batch of land for CSC Hefei. The land acquired has a total site area of 1.36 million sq.m. with attributable GFA of 3.94 million sq.m.. Construction is scheduled to commence in FY2013/14.

FINANCIAL REVIEW

For FY2012/13, the Group reported a remarkable growth in its financial performance, with revenue growth of 104.0% to HK$7,488.1 million (FY2011/12: HK$3,670.8 million), and profit attributable to owners of the parent for the year grew 32.8% to HK$2,749.9 million (FY2011/12: HK$2,070.7 million). Excluding the effects of fair value gains on investment properties, gain on disposal of subsidiaries and their respective related tax effects, profit attributable to owners of the parent for the year as adjusted increased by 92.5% to HK$1,776.4 million (FY2011/12: HK$922.6 million). Basic earnings per share increased to HK45.62 cents (FY2011/12: HK34.58 cents).

Revenue

Revenue increased by 104.0% to HK$7,488.1 million (FY2011/12: HK$3,670.8 million). The increase was mainly due to the commencement of sales and delivery of new and existing trade center units at CSC Xi'an and residential properties at CSC Nanchang during the fiscal year under review.

	FY2012/13	FY2011/12	Change
	HK$'000	*HK$'000*	%
Sales of properties	**6,899,068**	3,010,808	129.1%
Sales of trade centers units	***5,190,427***	*2,851,531*	*82.0%*
Sales of residential properties	***1,708,641***	*159,277*	*972.7%*
Finance lease income	**279,644**	420,515	(33.5%)
Rental income	**213,995**	166,393	28.6%
Property management service income	**43,589**	41,500	5.0%
Hotel income	**13,291**	26,946	(50.7%)
Other fee income	**38,474**	4,605	735.5%
	7,488,061	3,670,767	104.0%

Revenue from Sales of Properties

Revenue from sales of properties increased by 129.1% to HK$6,899.1 million (FY2011/12: HK$3,010.8 million). The increase was mainly due to the commencement of sales and delivery of new and existing trade center units at CSC Xi'an and residential properties at CSC Nanchang, which contributed revenue to the Group of approximately HK$3,782.4 million. The sales made by each project have been illustrated 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**	
	FY2012/13	FY2011/12	**FY2012/13**	FY2011/12	**FY2012/13**	FY2011/12	**FY2012/13**	FY2011/12
CSC Shenzhen	**20,900**	16,500	**58,500**	35,400	**1,222.9**	583.7	**1,156.1**	551.1
CSC Nanning	**15,500**	14,600	**37,900**	24,800	**586.8**	361.3	**553.9**	341.2
CSC Nanchang								
– Trade center units	**13,700**	11,900	**108,700**	174,300	**1,490.1**	2,075.5	**1,406.7**	1,959.2
– Residential properties	**6,500**	–	**280,400**	–	**1,810.0**	–	**1,708.7**	–
CSC Xi'an	**12,400**	–	**177,300**	–	**2,196.7**	–	**2,073.7**	–
CSC Heyuan	**–**	10,500	**–**	16,700	**–**	167.1	**–**	159.3
Total	**N/A**	N/A	**662,800**	251,200	**7,306.5**	3,187.6	**6,899.1**	3,010.8

Finance Lease Income

Finance lease income, derived from the leasing of office towers and residential properties, decreased by approximately 33.5% to HK$279.6 million (FY2011/12: HK$420.5 million). The decrease was primarily attributable to the reduction in the remaining number of available office of China South Development Tower and Global Logistics Center and residential units of West Garden for finance lease at CSC Shenzhen during the fiscal year under review.

During the fiscal year under review, the Group entered into finance lease contracts with tenants for approximately 28,700 sq.m. (FY2011/12: 45,500 sq.m.) at an average price of HK$10,300/sq.m. (FY2011/12: HK$9,800/sq.m.).

Rental Income

Rental income increased by 28.6% to HK$214.0 million (FY2011/12: HK$166.4 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. The total occupancy rate of phase I trade center and shops increased to approximately 96% (31 March 2012: 95%), while the total occupancy rate for phase II trade center and shops increased to 55% (31 March 2012: 48%) of the launched area. The average effective monthly rental rate for phase I and phase II trade centers and shops were approximately HK$40 per sq.m. (31 March 2012: HK$35/sq.m.) and HK$35 per sq.m. (31 March 2012: HK$35/sq.m.) respectively.

Property Management Service Income

Income from property management services rose by 5.0% to HK$43.6 million (FY2011/12: HK$41.5 million). The increase in income was mainly due to the continuous increase in the total occupancy rate of the launched area of CSC Shenzhen phase I and phase II trade centers.

Hotel Income

Hotel income decreased by 50.7% to HK$13.3 million (FY2011/12: HK$26.9 million). The Group has leased out the hotel properties to a third party for operation to earn rental income after September 2012, which led to the decrease in hotel income during the year.

Other Fee Income

The other fee income rose by 735.5% to HK$38.5 million (FY2011/12: HK$4.6 million). The increase was mainly contributed by warehousing services and outlet center operation during the fiscal year under review.

Increase in warehousing services income was mainly due to the acquisition of additional equity interest in a joint-controlled entity, which was then accounted for as a subsidiary of the Group during the year. Increase in income from outlet center operation was mainly due to the growth of outlet operations and increase in leased area when comparing to FY2011/12.

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 130.8% to HK$3,311.4 million (FY2011/12: HK$1,434.7 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 86.8% to HK$4,176.7 million (FY2011/12: HK$2,236.1 million). Gross profit margin dropped to 56% during the fiscal year under review (FY2011/12: 61%), 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 62% and 45% respectively.

Other Income and Gains

Other income and gains dropped by 89.4% to HK$58.0 million (FY2011/12: HK$547.2 million). The decrease was mainly due to last fiscal year's one-off gain on disposal of subsidiaries of HK$545.7 million; however, there were no such one-off gain recorded during the fiscal year under review.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 12.0% to HK$1,251.4 million (FY2011/12: HK$1,117.7 million). During the fiscal year under review, the fair value gain was mainly contributed from new properties in CSC Shenzhen and CSC Nanning, for which fair value was compared with the booked land and construction costs. The value of the Group's existing properties at CSC Shenzhen remained stable.

Selling and Distribution Expenses

Selling and distribution expenses increased by 54.2% to HK$288.8 million (FY2011/12: HK$187.3 million). The increase was mainly attributable to the commission fee paid to agency arising from presales of the Group's properties and the staff costs incurred due to expansion of sales and marketing team during the fiscal year under review.

Administrative Expenses

Administrative expenses increased by 53.0% to HK$536.9 million (FY2011/12: HK$350.9 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 number of employees. During the fiscal year under review, the Group has granted 116,870,000 share options to certain directors and employees, and HK$27.2 million (FY2011/12: HK$42.3 million) share option expenses were recorded.

Finance Costs

Finance costs were up by 126.4% to HK$133.3 million (FY2011/12: HK$58.9 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 27.7% to HK$1,606.5 million (FY2011/12: HK$1,258.0 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 Shenzhen, CSC Nanchang, CSC Xi'an and CSC Nanning during the fiscal year under review.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables decreased by 25.9% to HK$642.6 million (31 March 2012: HK$866.8 million) due to the decrease in consideration receivables of disposed subsidiaries in the previous year. As at 31 March 2013, the remaining consideration receivable from the disposal was approximately HK$438.5 million.

Trade and Other Payables

Trade and other payables increased by 25.1% to HK$8,165.7 million (31 March 2012: HK$6,529.7 million). The increase was mainly due to the increase in construction fees and retention payables as construction of new projects are underway, the increase in sales and rental deposits received and receipts in advance (including those received for Contracted Sales) arising from new projects, and the increase in other tax payables arising from the delivery of properties during the fiscal year under review. As at 31 March 2013, the balance of construction fees and retention payables and deposits received and receipts in advance were HK$3,002.4 million and HK$3,792.9 million, respectively.

Liquidity and Financial Resources

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

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2013, the Group had HK$6,777.8 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$6,264.7 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.

Borrowing and Charges on the Group's Assets

As at 31 March 2013, the Group had approximately HK$11,853.4 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$9,000.0 million as at 31 March 2013 (31 March 2012: HK$4,773.4 million), of which

HK$4,418.3 million will be repayable within one year or on demand, approximately HK$1,678.9 million will be repayable in the second year, approximately HK$2,149.3 million will be repayable in the third to fifth years and approximately HK$753.5 million will be repayable after five years. As at 31 March 2013, the Group's interest-bearing bank and other borrowings of approximately HK$6,121.4 million were secured by certain buildings, investment properties, properties under development and properties held for sales with a total carrying value of approximately HK$15,520.3 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 5.40% to 7.54% (31 March 2012: 5.98% to 7.87%) per annum. Furthermore, as at 31 March 2013, the Group had unused banking facilities of approximately HK$2,927.8 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$1,950.0 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. In FY2011/12, the Company repurchased from the market a portion of the senior notes with nominal value of US$9 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$975.0 million) at a coupon rate of 13.5% per annum for the purpose of funding its properties under development, and refinancing a portion of our existing debt and for general corporate purposes. As at 31 March 2013, the carrying value of the Group's senior notes were HK$2,853.4 million.

Gearing ratio

The Group's gearing ratio (net debt divided by total equity) was 32% as at 31 March 2013, 33% as at 30 September 2012 and 21% as at 31 March 2012, respectively.

Net Current Assets and Current Ratio

As at 31 March 2013, the Group had net current assets of HK$3,053.1 million (31 March 2012: net current assets HK$2,350.4 million). The current ratio was at 1.20 (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 31 March 2013, the guarantees amounted to HK$1,366.4 million (31 March 2012: HK$352.6 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.

Commitments

As at 31 March 2013, the Group had future capital expenditure contracted but not yet provided in the amount of HK$3,636.4 million (31 March 2012: HK$3,129.6 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 Subsidiary and Associated Company

Except for the acquisition of the entire equity capital of Hydoo Harbin in December 2012, the Group had no material acquisition and disposal of subsidiary and associated company during the fiscal year 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 will be 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 required and the 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 changing 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 the Group requires for applying for certificates for different projects, the Group adjusts the development for 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. Pursuant to certain land grant contracts signed by CSC Nanchang and CSC Nanning in 2010, 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 properties built for residential, commercial and other uses. Pursuant to certain land grant contracts signed by CSC Hefei in May 2013, the saleable GFA of trade centers built on these parcels of land are limited to 50% of the total buildable GFA. This restriction does not apply to properties built for residential, commercial and other uses. Except for the conditions mentioned above, there are no restriction on sales of the land acquired by the Group. The Group holds and builds the properties with restrictions for leasing and self-use.

Human Resources

As at 31 March 2013, the Group had a workforce of approximately 3,730 people, including approximately 3,570 people directly employed by the Group and approximately 160 people employed by our jointly-controlled entity. The number of staff increased by 77.6% from 2,100 as at 31 March 2012. During the fiscal year under review, the total employee benefit expenses amounted to HK$365.1 million, increased by 38.9% (FY2011/12: HK$262.8 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 116,870,000 share options to certain directors and 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 Corporate Governance Code (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") during the fiscal year under review, save and except for the following deviation:

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings of the Company. During the Year, one executive Director, one non-executive Director and one independent non-executive Director were unable to attend the annual general meeting of the Company held on 21 August 2012 as they were out of town or had other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 they have 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 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 and Mr. Yung Wing Ki Samuel. The principal duties of the audit committee include the review and monitoring 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 FY2012/13.

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 August 2013 to 29 August 2013, both days inclusive, during which period no transfer of shares will be effected. The ex-dividend date will be 26 August 2013. 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 2013. The final dividend will be paid to shareholders whose names appear on the register of members on 29 August 2013 and the payment date will be on or about 11 September 2013.

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

Hong Kong, 24 June 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive Directors of the Company 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 of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung Stephen, JP and Mr. Yung Wing Ki Samuel, SBS, MH, JP.