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 2009

HIGHLIGHTS

	Six months ended 30 September		
	HK$'000	HK$'000	
	2009	2008	**Change**
Revenue	**249,564**	96,765	**157.9%**
Gross profit	**119,855**	25,469	**370.6%**
Gross profit margin	**48.0 %**	26.3%	**82.5%**
Profit / (loss) attributable to shareholders	**245,709**	(319,195)	**HK$564.9 million**
Basic earnings / (loss) per share	**HK5.45 cents**	HK(7.09) cents	**HK12.54 cents**

INTERIM RESULTS

For the six months ended 30 September 2009, the Group made a remarkable improvement in its financial performance, with revenue of HK$249.6 million, up 157.9% from the corresponding period last year, and a profit attributable to shareholders of the Company substantially rose by HK$564.9 million to HK$245.7 million, and basic earnings per share of HK5.45 cents.

INTERIM DIVIDEND

The Board of Directors declared that no distribution of interim dividend for the six months ended 30 September 2009 (2008 : nil).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2009

		For the six months ended 30 September	
		2009	2008
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
REVENUE	*3*	**249,564**	96,765
Cost of sales		**(129,709)**	(71,296)
Gross profit		**119,855**	25,469
Other income		**142,520**	12,764
Change in fair value of investment properties		**253,038**	(333,498)
Selling and distribution costs		**(40,012)**	(45,301)
Administrative expenses		**(98,267)**	(46,991)
Other expenses		**(623)**	(6,139)
Finance costs	*4*	**(11,840)**	(3,462)
Share of profits and losses of:			
Jointly-controlled entities		**645**	672
An associate		**(165)**	(78)
PROFIT/(LOSS) BEFORE TAX	*5*	**365,151**	(396,564)
Tax	*6*	**(119,747)**	77,096
PROFIT/(LOSS) FOR THE PERIOD		**245,404**	(319,468)
Attributable to:			
Owners of the Company		**245,709**	(319,195)
Minority interests		**(305)**	(273)
		245,404	(319,468)
EARNINGS PER SHARE	*7*		
Basic			
- For profit / (loss) for the period attributable to owners of the Company		**HK5.45 cents**	HK(7.09) cents
Diluted			
- For profit / (loss) for the period attributable to owners of the Company		**HK5.45 cents**	HK(7.09) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**245,404**	(319,468)
Exchange realignment	**236**	91,656
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**245,640**	(227,812)
Attributable to:		
Owners of the Company	**245,909**	(228,278)
Minority interests	**(269)**	466
	245,640	(227,812)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2009

	Notes	**30 September 2009 HK$'000 (Unaudited)**	31 March 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**244,926**	260,302
Investment properties		**6,803,853**	6,543,757
Properties under development		**2,074,666**	1,404,571
Prepaid land premiums		**6,973**	7,051
Goodwill		**20,066**	20,066
Interests in jointly-controlled entities		**6,150**	5,740
Interest in an associate		**(1,650)**	(1,106)
Loan receivables		**1,642**	4,414
Finance lease receivables		**59,326**	65,952
Deposits paid for purchase of land		**17,496**	74,663
Deferred tax assets		**21,513**	12,599
Total non-current assets		**9,254,961**	8,398,009
CURRENT ASSETS			
Properties held for sale		**429,913**	481,821
Properties for finance lease		**99,753**	101,743
Trade receivables	*9*	**82,547**	25,530
Prepayments, deposits and other receivables		**100,491**	68,128
Pledged bank deposits		**454,120**	-
Cash and cash equivalents		**3,639,088**	246,084
Total current assets		**4,805,912**	923,306
CURRENT LIABILITIES			
Other payables, accruals and deposits received		**1,057,427**	777,966
Interest-bearing bank borrowings		**1,254,711**	470,652
Bills payable		**130,469**	237,332
Tax payable		**122,531**	79,695
Total current liabilities		**2,565,138**	1,565,645
NET CURRENT ASSETS/(LIABILITIES)		**2,240,774**	(642,339)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,495,735**	7,755,670

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30 September 2009

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,212,683**	898,774
Interest-bearing notes	**-**	915,790
Deferred tax liabilities	**1,438,958**	1,359,348
Due to shareholders	**-**	85,800
Total non-current liabilities	**3,651,641**	3,259,712
Net assets	**7,844,094**	4,495,958
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**60,000**	200
Reserves	**7,750,368**	4,461,763
	7,810,368	4,461,963
Minority interests	**33,726**	33,995
Total equity	**7,844,094**	4,495,958

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	**197,065**	37,541
CASH FLOWS FROM INVESTING ACTIVITIES	**(558,489)**	(715,547)
CASH FLOWS FROM FINANCING ACTIVITIES	**4,213,819**	(106,226)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,852,395**	(784,232)
Cash and cash equivalents at beginning of period	**246,084**	1,228,898
Effect of foreign exchange rate changes, net	**(5,271)**	22,626
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,093,208**	467,292

Notes:

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 financial statements for the years ended 31 March 2007, 2008 and 2009.

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 financial statements for the year ended 31 March 2009, except for the adoption of the new standards and interpretations as noted below.

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosure – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK(IFRIC)-Int 9 and HKAS39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

Apart from the above, in October 2008, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after July 1, 2009, the amendments are effective for annual periods beginning on or after January 1, 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs* issued in October 2008 contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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

3. SEGMENT INFORMATION

Six months ended 30 September 2009 (Unaudited)	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	Hotel operation HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Sales to customers	177,202	49,207	12,213	13,098	-	251,720
Intersegment sales	-	-	-	(2,156)	-	(2,156)
Reportable segment revenue	177,202	49,207	12,213	10,942	-	249,564
Reportable segment profit before increase in fair value of investment properties	122,737	12,637	(6,305)	(9,214)	-	119,855
Increase in fair value of investment properties	-	253,038	-	-	-	253,038
Reportable segment profit after increase in fair value of investment properties	122,737	265,675	(6,305)	(9,214)	-	372,893
Reportable segment assets	683,336	8,885,525	3,229	86,199	494	9,658,783
Reportable segment liabilities	455,791	1,498,163	1,932	-	-	1,955,886
Six months ended 30 September 2008 (Unaudited)						
Sales to customers	19,926	51,418	10,200	16,215	835	98,594
Intersegment sales	-	-	-	(1,829)	-	(1,829)
Reportable segment revenue	19,926	51,418	10,200	14,386	835	96,765
Reportable segment profit before increase in fair value of investment properties	14,123	15,247	1,903	(6,639)	835	25,469
Increase in fair value of investment properties	-	(333,498)	-	-	-	(333,498)
Reportable segment profit after increase in fair value of investment properties	14,123	(318,251)	1,903	(6,639)	835	(308,029)

4. FINANCE COSTS

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, wholly repayable within five years, net	**83,951**	35,035
Interest on the interest-bearing notes	**72,581**	80,250
Less: Interest capitalised	**(144,692)**	(111,823)
Total	**11,840**	3,462

5. PROFIT / (LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation	**18,290**	18,288
Less: Depreciation capitalised in respect of properties under development	**(25)**	(80)
	18,265	18,208
Amortisation of prepaid land premiums	**86**	86
Equity-settled share option expense	**3,294**	3,294
Impairment of interests in jointly-controlled entities	**199**	1,123

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2008: Nil). Major subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the PRC corporate income tax rates of 20% for the year 2009 (2008: 18%).

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved. It became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 30 September 2008 and 2009 have been provided at the enacted corporate tax rates.

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$44,479,000 was charged to the consolidated income statements for the six months ended 30 September 2009 (six months ended 30 September 2008: HK$4,410,000)

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

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current — Mainland China corporate income tax	**6,732**	-
Current — LAT in Mainland China	**44,479**	4,410
Deferred — Mainland China corporate income tax	**67,923**	(80,712)
Deferred — LAT in Mainland China	**(8,896)**	(794)
Deferred — Withholding tax on dividend	**9,509**	-
Total tax charged for the period	**119,747**	(77,096)

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit/(loss) for the period attributable to owners of the Company)	**245,709,000**	(319,195,000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,508,241,758**	4,500,000,000
Effect of dilutive potential ordinary shares on share options	**127,595**	-
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**4,508,369,353**	4,500,000,000

8. Dividends

No dividend has been paid or declared by the Company for the six months ended 30 September 2009 (six months ended 30 September 2008: nil).

9. TRADE RECEIVABLES

Trade receivables represent rentals receivable from tenants and sales income and service income receivables from customers which are payable on presentation of invoices. 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 as at each of the balance sheet dates, based on the payment due date, is as follows:

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
Current	**53,641**	22,992
30 to 60 days	**9,285**	494
61 to 90 days	**4,292**	681
Over 90 days	**15,329**	1,363
Total	**82,547**	25,530

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

CHAIRMAN'S STATEMENT

I am pleased to report the first interim results of China South City Holdings Limited after its successful listing on the Main Board of the Hong Kong Stock Exchange on 30 September 2009. The Group achieved encouraging performance for the six months ended 30 September 2009, delivering a set of vastly improved figures from previous year. Profit attributable to the shareholders of the Company substantially rose by HK$564.9 million to HK$245.7 million (2008: HK$319.2 million loss). Basic earnings per share was HK5.45 cents (2008: HK7.09 cents loss).

The manufacturing industry in southern China has been a key driving force in China's development as the global factory. As a result of the large volume of industrial materials and finished goods being traded in the region, there is a strong demand for large-scale integrated logistics and trade center facilities and services. Located in the transport hub of southern China, China South City Shenzhen has experienced rapid business growth by providing large-scale integrated logistics and trade center facilities and services to serve five key manufacturing industries, namely textile and clothing, leather and accessories, electronics and accessories, printing, paper and packaging, and metals, chemicals and plastics. In addition, China's economy made a swift recovery from its troughs in the first half of 2009 following the global financial crisis, which has helped boost the business performance of the Group. At the end of the period under review, the total occupancy rate of trade centers at China South City Phase One improved to 82%. Lease renewal at Phase One trade centers was at a highly satisfactory level with over 90% of the leases expired on 30 November had been renewed. At the textile and clothing trade center of Phase Two, tenants have been moving in since June. Of the total GFA that has been put up for leasing, about 25% has been let at the end of the period.

On sales, the Group achieved results far better than expected in the sale of Phase Two trade center units at China South City Shenzhen during the period. As at the end of November 2009, including sales contracts and letters of intent, the Group has completed about 95% of its target to sell 108,000 square meters of trade center units this financial year. This reflects the market's affirmation of the business model of China South City Shenzhen's integrated logistics trade center and is optimistic about its potential for growth.

To attract more suppliers, manufacturers and distributors to China South City Shenzhen, we have continued to strengthen our market promotion. The Group was honored to have the opportunity to co-host the first China (Shenzhen) International Industrial Fair ("Industrial Fair") in October 2009 in conjunction with the China Council for the Promotion of International Trade, China Chamber of International Commerce and the Shenzhen government. The Fair attracted the participation of 1,091 enterprises and organizations from both locally and 46 overseas countries, with visitors numbering more than 82,000 and the signing of contracts totaling RMB6 billion in value. The Industrial Fair has greatly enhanced the profile of the Group and boosted both traffic and business at the trade centers.

The Group's development strategy is to establish large-scale integrated logistics and trade centers strategically located in regional economic hubs to satisfy the economic and industrial needs of the respective regions. Our unique business model has gained the support and recognition from many local governments. The Group's projects in Nanning, Nanchang and Xi'an have progressed ahead of schedule.

We are a vibrant, fast-growing business. Apart from the above factors and the fact that we can replicate our successful business model across the country, the rental rate at China South City Shenzhen, at just roughly 5% of those mature trade centers with long operating history in the region, represents tremendous room for growth. Along with the rollout of more new projects and as existing projects become more established, we expect the rental rate of trade centers to climb steadily, land reserves to increase, and more areas to be made available for sale and lease, which will in turn expand our earnings base and contribute to a sustainable growth in our revenue.

The successful listing of China South City Holdings Limited marked an important milestone in the development of the Group. It was also the fruit of all our staff's hard work in the past few years. Through the listing, we will be able to further enhance the profile of China South City, improve our corporate governance standards, widen our financing channels and minimize operational risks, thereby laying a solid foundation for expansion in the future. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers and business partners for their support, as well as to the management and our staff for their hard work and dedication.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

To deal with the global financial crisis, the Chinese government has rolled out a RMB4 trillion package to stimulate the economy. The measure has achieved initial success in the first half of 2009 with a strong rebound in China's economy. During the period under review, sales of China South City Shenzhen's Phase Two trade center units were far better than expected, reflecting a gradual recovery in the economy as well as market recognition for the long term growth prospect of large-scale and integrated logistics trade centers and services. Moreover, the Group's other projects in Nanning, Nanchang and Xi'an, which are modeled after the successful example of China South City Shenzhen, have made good progress and are ahead of schedule.

CHINA SOUTH CITY SHENZHEN

With a total GFA of approximately 2,600,000 square meters when construction is completed, China South City Shenzhen ("CSC SZ") comprises Phase One and Phase Two. Phase One commenced operation in December 2004 and has a GFA of approximately 470,000 square meters, of which trade center units account for approximately 360,000 square meters. Phase Two has commenced construction since August 2006 and is expected to have a total GFA of approximately 2,100,000 square meters, of which trade center units account for approximately 1,500,000 square meters.

Construction of China South City Shenzhen Phase Two's residential facilities and warehousing facilities were respectively completed in February and March 2008 with a GFA of approximately 141,000 square meters and 44,000 square meters. Phase Two's textile and clothing, and leather and accessories trade centers had tenants moving-in respectively in June and October 2009 with a GFA of approximately 340,000 square meters and 385,000 square meters. Construction of the entire China South City Shenzhen is expected to complete in 2012. As at 30 September 2009, approximately 990,000 square meters of trade center units and ancillary facilities in Phase One and Phase Two were operational.

As China's economy was negatively impacted by the financial crisis, the total occupancy rate of the trade center units sank from their peaks in the year-ago period. But as a result of the gradual recovery in China's economy and of the strong demand for large-scale and integrated logistics trade centers and services, the figures have since improved. As at 30 September 2009, about 2,560 tenants have opened for business at the center. Phase One trade center's total occupancy rate reached 82%, while Phase Two's textile and clothing center has let about 25% of the total rentable areas launched. The average effective monthly rental rate for Phase One trade centers was RMB23.9 per square meter while that for Phase Two was RMB31.2. The leases of about 83,700 square meters of trade center units in Phase One expired on 30 November 2009, or 26% of the leasable area at Phase One trade centers. Of those, the Group has been able to renew the leases for about 75,600 square meters, or a lease renewal rate of over 90%.

For the period under review, China South City Shenzhen Phase Two's textile and clothing center accounted for all revenue generated from the sales of trade center units. The management has changed its operation strategy with a decision to increase the saleable area at Phase Two's textile and clothing center. About 13,013 square meters of shop units were sold during the period, which lifted sales revenue 14.2 times higher to HK$173.3 million, with average selling price of HK$14,023 per square meter. The Group has signed agreements to sell about 23,996 square meters in Phase Two's leather and accessories trade center at an average price of HK$15,156 per square meter. During the period under review there was no sales revenue recognized for Phase Two leather and accessories trade center as construction only completed in early October 2009.

As at 30 September 2009, the Group had entered into sales contracts and letters of intent for Phase Two trade center units covering a GFA of approximately 63,230 square meters, of which sales contracts account for 37,009 square meters, letters of intent account for 26,221 square meters, the average selling price per square meter was HK$15,000.

As at 30 November 2009, the Group had entered into sales contracts and letters of intent for Phase Two trade centers units covering a GFA of approximately 102,254 square meters, of which sales contracts account for 68,139 square meters, letters of intent account for 34,115 square meters, the average selling price per square meter was HK$15,000.

CHINA SOUTH CITY NANNING

Located in Nanning, Guangxi Zhuang Autonomous Region, China South City Nanning is expected to occupy a site area of approximately 1,700,000 square meters. Construction of the center will be carried out in two phases and the Phase One's construction will commence in the first half of 2010. Under the plan, the center will have a total GFA of approximately 4,200,000 square meters upon completion, of which the trade centers will account for about 1,800,000 square meters. There will also be areas of about 520,000 square meters for integrated logistics and warehousing facilities, 360,000 square meters for integrated commercial facilities, 1,200,000 square meters for integrated residential facilities and about 310,000 square meters for car parks.

In October 2009, China South City Nanning was confirmed as the successful tenderer of a plot of land in Nanning, the PRC, by entering into the Land Use Right Bid Confirmation with Nanning Land and Resources Bureau. The land, with a site area of approximately 890,177 square meters, is located on a site surrounded by 江南區沙井大道、富樂西路、定津路及新村大道. The aggregate consideration for the land is approximately RMB351.3 million.

Served by an extensive transportation network in the town center of Nanning, China South City Nanning geographically is in close proximity to Southeast Asia. It will be developed into one of the most modernized large-scale integrated industrial materials and commodity trade centers with Southeast Asia as its key market.

CHINA SOUTH CITY NANCHANG

Located in Nanchang, Jiangxi Province, China South City Nanchang is expected to have a site area of approximately 2,000,000 square meters. Construction work will be carried out in three phases and Phase One construction to begin in the first half of 2010. According to the new construction plan, China South City Nanchang will have a total GFA of approximately 3,530,000 square meters upon completion, including trade centers, integrated logistics and warehousing facilities, integrated commercial facilities, integrated residential facilities and car parks. Upon completion, China South City Nanchang will be a large-scale integrated industrial materials and commodity trade center in central China.

On 9 December 2009, China South City Nanchang was confirmed as the successful tenderer of a plot of land in Nanchang, the PRC, by entering into the Land Use Right Bid Confirmation with Nanchang Land and Resources Bureau. The land is located at 紅谷灘新區九龍湖片區 with a site area of approximately 1,056,000 square meters. The aggregate consideration for the land is approximately RMB555,350,000.

XI'AN PROJECT

The Xi'an project covers a planned total site area of approximately 10 square kilometers. The Group plans to undertake the construction in three phases. The construction of an integrated logistics and trade center will take up five square kilometers while the other five will be used for the construction of complexes for residential and commercial uses as well as ancillary facilities.

In June 2009, China South International Industrial Materials City (Shenzhen) Company Limited ("China South International"), a wholly owned subsidiary of the Group, entered into a memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics and trade center project in the Xi'an International Trade and Logistics Park. On 3 November 2009, the Xi'an International Trade and Logistics Park Management Committee, China South International, Xin Hao Da (Hong Kong) Holding Company Limited ("Xin Hao Da") and Xi'an Government entered into a Project Agreement for the Xi'an project. Pursuant to the Project Agreement, China South International and Xin Hao Da will form a Joint Venture Company, which is owned as to 65% and 35% by them, respectively. The development of the Xi'an Project provides an excellent opportunity for the Group to extend its geographical reach to strategic locations in the northwest of the PRC.

INDUSTRIAL FAIR

In October 2009, the Group organized the 1st China (Shenzhen) International Industrial Fair, which was jointly held with the China Council for the Promotion of International Trade, China Chamber of International Commerce and the Shenzhen Municipal Government. The Fair had an exhibition area of approximately 60,000 square meters and attracted the participation of 1,091 enterprises and organizations from both locally and 46 overseas countries, with visitors numbering more than 82,000 and the signing of contracts totaling RMB6 billion in value. Held in spring and autumn each year, the China (Shenzhen) International Industrial Fair is expected to help enhance the profile of Group and boost both traffic and business at the centers.

FINANCIAL REVIEW

For the six months ended 30 September 2009, the Group made a remarkable improvement in its financial performance, with revenue of HK$249.6 million (2008: HK$96.8 million), up 157.9% from the corresponding period last year, and a profit of HK$245.4 million (2008: loss of HK$319.5 million). Excluding the effect of gain or loss on the changes in fair value of our investment properties and the deferred tax in connection with such gains or loss, the profit for the period was HK$69.8 million (2008: loss of HK$66.7 million). Basic earnings per share improved significantly to HK5.45 cents (2008: basic loss of HK7.09 cents per share). Net cash inflow from operation during the period increased substantially to HK$197.1 million (2008: HK$37.5 million).

REVENUE

The Group's revenue for the six months ended 30 September 2009 was HK$249.6 million, up 157.9% from HK$96.8 million for the corresponding period last year. The increase was primarily due to a significant increase in the sales of China South City Shenzhen Phase Two's textile and clothing trade center units during the period.

(After deduction of business tax)	**2009**	2008	Change
	HK$'000	HK$'000	(%)
Sale of properties	**173,268**	11,399	1,420.0
Finance lease income	**3,934**	8,527	(53.9)
Rental income	**49,207**	51,418	(4.3)
Hotel income	**10,942**	14,386	(23.9)
Property management income	**12,213**	10,200	19.7
Other income	**-**	835	(100.0)
	249,564	96,765	157.9
	=======	=======	

Revenue from Sales of Properties

Revenue from sales of properties rose sharply by 14.2 times to HK$173.3 million (2008: HK$11.4 million). The increase was primarily due to an adjustment in our operation strategy by the management to increase the areas for sale at China South City Shenzhen Phase Two's textile and clothing trade center. During the period, the area sold was increased sharply to approximately 13,013 square meters (2008: approximately 779 square meters). Average selling price per square meter was approximately HK$14,023.

Rental Income

Rental income was HK$49.2 million (2008: HK$51.4 million), a slight decrease of 4.3% from the corresponding period last year. The decrease was primarily due to a drop in the occupancy rate at China South City Shenzhen Phase One trade center as a result of the financial crisis. However, as China's economy continued to grow following the financial crisis, along with the strong demand for large-scale integrated logistics trade center facilities and services, and the raising profile of China South City, the occupancy rate at China South City Shenzhen has gradually improved. Commencing its operation in late 2004, China South City

Shenzhen becomes more and more established and its scale continues to grow. The management believes both its occupancy rate and rent level will continue to grow. The renewal of the expired lease of the trade centre units at China South City Shenzhen Phase One went well with over 90% of leases renewed as at 30 November 2009.

Finance Lease, Hotel, Property Management and Other Income

Finance lease income derives from the leasing of residential properties. For the six months ended 30 September 2009, this income was down 53.9% to HK$3.9 million (2008: HK$8.5 million). The decline was primarily the result of a reduction in the leasing of the remaining residential units at China South City Shenzhen.

Hotel income was down 23.9% to HK$10.9 million (2008: HK$14.4 million). As the economy continues to recover, and along with the continued growth in the occupancy rate at China South City Shenzhen and in its scale, the management believes hotel income will gradually increase.

Income from property management rose 19.7% to HK$12.2 million (2008: HK$10.2 million). The increase was primarily due to the commencement of leasing of Phase Two textile and clothing trade center during the period, which represents a new revenue stream. The management believes the gradual completion of China South City Shenzhen Phase Two, more units will be made available for lease, which will have a positive impact on revenue contribution going forward.

COST OF SALES

Cost of sales of the Group mainly consists of construction cost of properties sold and rental expenses. For the six months ended 30 September 2009, cost of sales was HK$129.7 million (2008: HK$71.3 million), an increase of 81.9% from the corresponding period last year. The increase was primarily due to a sharp increase in properties sold during the period, to approximately 13,013 square meters (2008: approximately 779 square meters), thus resulting in higher costs.

GROSS PROFIT

Gross profit increased by 370.6% to HK$119.9 million (2008: HK$25.5 million). Gross profit margin was much higher, at 48.0% (2008: 26.3%). The increase in gross profit margin was attributable to an increase in the share of sales revenue in total revenue to 69.4% for the period from 11.8% for the corresponding period of last year. Revenue from sales of property enjoyed a relatively higher gross margin of 69.8% as compared to the Group's other revenues.

OTHER INCOME

For the six months ended 30 September 2009, other income increased by 1,016.6% to HK$142.5 million (2008: HK$12.8 million) primarily as a result of the restructuring of interest-bearing notes by the Group with the interest-bearing note holders during the period. The fair value of the notes declined after the restructuring, resulting in a gain on restructuring for the Group. Furthermore, the Group entered into agreements with certain interest-bearing note holders to buy back a portion of the interest-bearing notes. As the buy-back price was lower than the book value of the interest-bearing notes, a gain was recorded.

During the period, the above items contributed approximately HK$136.7 million to the Group as other income.

FAIR VALUE CHANGES IN INVESTMENT PROPERTIES

During the period, the fair value of investment properties increased by HK$253.0 million (2008: decrease of HK$333.5 million). The increase was primarily due to a gradual recovery in property prices in Shenzhen from the lows in the corresponding period last year amid the financial crisis.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by 11.7% to HK$40.0 million (2008: HK$45.3 million). The decrease was due to intense media campaigns in last corresponding period on promotion of China South City Shenzhen Phase Two's textile and clothing trade center, and leather and accessories trade center which were under construction at the time. As those campaigns have achieved reasonable results, promotion expenses for the period under review were reduced considerably.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 109.1% to HK$98.3 million (2008: HK$47.0 million). The increase was primarily attributable to expenses incurred in relation to the initial public offering, including listing fees and performance bonuses, as well as an increase in administrative expenses upon the commencement of operation at China South City Shenzhen Phase Two's textile and clothing trade center.

OTHER EXPENSES

Other expenses decreased by 89.9% to HK$0.6 million (2008: HK$6.1 million). Other expenses in the corresponding period last year were higher as a result of a one-off charitable donation made by the Group. The Group has no such donation during the period under review.

FINANCE COSTS

Finance cost was up by 242.0% to HK$11.8 million (2008: HK$3.5 million). The increase was primarily attributable to an increase in new bank loans mainly for working capital purposes during the period.

TAX

Tax expenses was HK$119.7 million (2008: an income of HK$77.1 million). The difference in tax expenses was primarily the result of increases in both current and deferred tax during the period. As sales revenue increased, both the provision for land appreciation tax and income tax were higher during the period as compared with the last corresponding period. As a result of an appreciation in the value of our investment properties during the period, compared to a decrease in value in the corresponding period last year, a deferred tax expense of HK$63.3 million was recorded during the period under review compared to a deferred tax income of HK$83.4 million in the last corresponding period.

INVESTMENT PROPERTIES

The value of investment properties was higher because it closely tracks the prices in Shenzhen’s property market, which have risen during the period under review.

PROPERTIES UNDER DEVELOPMENT

Costs for properties under development as at 30 September 2009 were higher than that at 31 March 2009 as a result of the ongoing construction of China South City Shenzhen Phase Two’s leather and accessories trade center, as well as supporting facilities such as office buildings and shopping malls of the residential facilities.

OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

As at 30 September 2009, other payables, accruals and deposits received amounted to HK$1,057.4 million (31 March 2009: HK$778.0 million). The increase was primarily attributable to the receipt of advance payment from the sales of the Group’s China South City Shenzhen Phase Two trade center units.

INTEREST-BEARING NOTES

During the period, the interest-bearing notes were restructured between the Group and interest-bearing note holders, which resulted in a gain on restructuring recorded by the Group. Furthermore, the Group entered into agreements with certain interest-bearing note holders to buy back a portion of the interest bearing notes at a price lower than its book value.

On 30 September 2009 (the listing date of the Company), the Group redeemed the remaining outstanding portion of the interest-bearing notes in accordance with the terms. Details are disclosed in 2009/10 unaudited interim financial statements.

DUE TO SHAREHOLDERS

The amount due to shareholders has been capitalized on 30 September 2009 (the listing date of the Company). Details are disclosed in 2009/10 unaudited interim financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has ample liquidity and financial resources. As at 30 September 2009, the Group had HK$4,093.2 million in cash and cash equivalents and pledged bank deposits (31 March 2009: HK$246.1 million), and HK$3,597.9 million in bank loans, bills payable and interest-bearing notes (31 March 2009: HK$2,522.5 million). Details are disclosed in 2009/10 unaudited interim financial statements. The Group’s indebtedness had improved to a net cash position of HK$495.3 million as at 30 September 2009 from a net debt position of HK$2,276.4 million and the gearing ratio of 51% (net debt divided by total equity) as at 31 March 2009. The increase in cash and cash equivalents and pledged bank deposits was primarily the result of capital raised through the successful listing of the Company’s shares on the Hong Kong Stock Exchange on 30 September 2009, in addition to cash inflow from daily operation and increases in bank loans. The funds raised from the listing will be used as stated in the Group’s Prospectus.

Furthermore, as at 30 September 2009, the Group had unutilized banking facilities of approximately RMB2,550 million. The Group will deploy the unutilized banking facilities as appropriate depending on project development needs and working capital status.

PLEDGED ASSETS

As at 30 September 2009, the Group had pledged buildings, hotel properties, investment properties, properties under development, leasehold land, properties held for sale and secured bank deposits to the value of approximately HK$4,284.3 million, to secure loans from various banks.

NET CURRENT ASSETS AND CURRENT RATIO

As at 30 September 2009, the Group had net current assets of HK$2,240.8 million (31 March 2009: net current liabilities of HK$642.3 million). Current ratio increased to 1.9 (31 March 2009: 0.6).

CONTINGENT LIABILITIES

The Group provides guarantees to banks in connection with banking facilities granted to buyers of our trade center units and lessees of our residential properties for making relevant sales and lease payments to the Group. As at 30 September 2009, the guarantees amounted to HK$87.5 million (31 March 2009: HK$95.9 million). Such guarantees will be released upon the repayment of the loan's principal by the buyers and lessees.

CAPITAL COMMITMENT

As at 30 September 2009, the Group had future capital expenditure contracted but not provided for property development, acquisition of land and investment in subsidiaries of HK$118.0 million (31 March 2009: HK$399.8 million).

FOREIGN EXCHANGE RISK

The Group conducts its business primarily in Renminbi, along with our income and expenses, assets and liabilities. As at 30 September 2009, the Group's cash and cash equivalents and pledged bank deposits denominated in Renminbi amounted to approximately RMB1,095.6 million while its bank loans denominated in Renminbi amounted to approximately RMB2,655.7 million. The Group has not issued any financial instruments for hedging purposes.

HUMAN RESOURCES

As at 30 September 2009, the Group had a workforce of approximately 1,060 people, including approximately 859 people directly employed under the Group and approximately 201 people employed under our jointly controlled entities. The Group aims to recruit, retain and develop competent individuals committed to its long-term success and growth. Remunerations and other benefits of employees are reviewed annually both in response to the market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, responsibilities and performance. In-house and external training programs are provided to the employees.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code of provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules) during the six months ended 30 September 2009, except for the code provision A.2.1.

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. As at 30 September 2009 (the listing date of the Company), no CEO was appointed. To rectify this deviation, the Company appointed Mr. Leung Moon Lam, Executive Director of the Company, as CEO on 30 November 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code ("Model Code") for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as it own code of conduct regarding Directors' securities transactions on 30 September 2009 (i.e. the listing date of the Company), therefore this Model Code is not applicable to all Directors for the six-months period ended 30 September 2009.

AUDIT COMMITTEE

The Company has established the Audit Committee in September 2009 and has formulated its written terms of reference in accordance with the provisions set out in the Code. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Li Wai Keung (Chairman of the Audit Committee), Mr. Shi Wan Peng and Mr. Leung Kwan Yuen Andrew. The principal duties of the Audit Committee include the review and supervision 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 external auditor of the Company.

The Group's interim report for the six months ended 30 September 2009 has been reviewed by the Audit Committee and by Ernst & Young, the auditor of the Company in accordance with the 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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROSPECT AND OUTLOOK

Looking ahead to the second half of the financial year, we expect a stable recovery in China's economy to provide a favorable environment for the sale and leasing of the Group's trade center units. Sales of units at China South City Shenzhen Phase Two's textile and clothing center and leather and accessories trade center continued to do well in the months of October and November 2009, while selling prices have also increased along with a gradual recovery in Shenzhen's property market. We are confident that we can achieve the target of selling 108,000 square meters of trade center units in the financial year. The situation with the leasing of units was also encouraging with considerable growth in both the rental renewal rate and new rental rate at China South City Shenzhen Phase One, and in the take up of Phase Two trade center units newly launched to the market.

We believe the demand for large-scale integrated logistics trade center facilities and services will continue to grow steadily. Large-scale, high quality and cost effective are the hallmarks of the trade centers developed by the Group. Our effective and professional management team will help ensure the continued growth in the Group's business. Currently, the rental rate at China South City Shenzhen is just roughly 5% of those mature trade centers with long operating history, offering tremendous potential for growth. With further regional economic development, and as our trade centers become more established, we expect the selling price and rental rate of our properties to further increase. At the same time, our new projects in Nanning, Nanchang and Xi'an will gradually begin to provide more trade center units for sale and lease in the coming years, which will in turn help the Group achieve respectable earnings growth.

By Order of the Board
China South City Holdings Limited
Cheng Chung Hing
Co-Chairman

Hong Kong, 15 December 2009

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 and Dr. Ma Wai Mo; and the independent non-executive Directors are Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew, SBS, JP and Mr. Li Wai Keung.