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 2014

FINANCIAL HIGHLIGHTS

	2014 *HK$'000*	2013 *HK$'000*	**Approximate Change %**
Contracted Sales	**14,106,039**	8,205,620	**71.9**
Revenue	**13,468,322**	7,488,061	**79.9**
Gross profit	**6,547,164**	4,176,695	**56.8**
Gross profit margin	**49%**	56%	**N/A**
Profit attributable to owners of the parent	**3,494,481**	2,749,864	**27.1**
Core net profit attributable to owners of the parent*	**2,677,696**	1,776,382	**50.7**
Earnings per share			
– Basic	**HK55.71 cents**	HK45.62 cents	**22.1**
Gearing ratio	**24%**	32%	
Proposed final dividend (per share)	**HK14.0 cents**	HK10.0 cents	**40.0**

* Represents the net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, fair value gain on derivative financial instrument and loss on redemption of the 2011 Notes.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") is pleased to announce the audited consolidated annual results of the Group for the fiscal year ended 31 March 2014 ("FY2013/14" or the "Year") together with the comparative figures for the previous fiscal year (fiscal year ended 31 March 2013 ("FY2012/13")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

		For the year ended 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**13,468,322**	7,488,061
Cost of sales		**(6,921,158)**	(3,311,366)
Gross profit		**6,547,164**	4,176,695
Other income and gains	*4*	**187,823**	57,971
Fair value gains on investment properties	*4*	**1,266,287**	1,251,445
Selling and distribution expenses		**(581,229)**	(288,828)
Administrative expenses		**(862,968)**	(536,899)
Other expenses		**(234,779)**	(54,606)
Finance costs	*5*	**(152,852)**	(133,314)
Share of profits and losses of:			
A joint venture		**244**	1,023
Associates		**(862)**	(351)
PROFIT BEFORE TAX	*6*	**6,168,828**	4,473,136
Income tax expenses	*7*	**(2,472,478)**	(1,606,468)
PROFIT FOR THE YEAR		**3,696,350**	2,866,668
Attributable to:			
Owners of the parent		**3,494,481**	2,749,864
Non-controlling interests		**201,869**	116,804
		3,696,350	2,866,668
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK55.71 cents**	HK45.62 cents
Diluted		**HK47.93 cents**	HK45.60 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**3,696,350**	2,866,668
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(71,903)**	238,418
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation gain upon transfer from owner-occupied properties to investment properties, net of tax	**–**	286,456
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(71,903)**	524,874
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,624,447**	3,391,542
Attributable to:		
Owners of the parent	**3,426,492**	3,272,114
Non-controlling interests	**197,955**	119,428
	3,624,447	3,391,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	31 March 2014 HK$'000	31 March 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**658,923**	601,146
Investment properties		**24,033,905**	19,425,946
Properties under development		**2,933,492**	2,381,710
Prepaid land lease payments		**142,895**	105,440
Goodwill		**34,128**	–
Investment in a joint venture		**8,919**	8,936
Investments in associates		**4,141**	(2,542)
Finance lease receivables		**17,975**	29,561
Deposits paid for purchase of land use rights		**1,051,593**	781,022
Deferred tax assets		**1,032,803**	586,232
Total non-current assets		**29,918,774**	23,917,451
CURRENT ASSETS			
Properties held for finance lease		**245,928**	571,403
Properties held for sale		**13,454,700**	9,381,178
Trade receivables	*10*	**2,805,839**	936,927
Prepayments, deposits and other receivables		**729,473**	642,581
Held for trading investments at fair value through profit or loss		**29,120**	117,643
Cash and cash equivalents and restricted cash		**12,777,108**	6,777,842
Total current assets		**30,042,168**	18,427,574
CURRENT LIABILITIES			
Trade and other payables	*11*	**13,809,916**	8,165,727
Interest-bearing bank and other borrowings		**5,841,720**	4,418,254
Tax payables		**4,410,502**	2,790,467
Derivative financial instrument		**181,291**	–
Total current liabilities		**24,243,429**	15,374,448
NET CURRENT ASSETS		**5,798,739**	3,053,126
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,717,513**	26,970,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 March 2014

	31 March 2014 *HK$'000*	31 March 2013 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**6,610,675**	4,581,741
Senior notes	**4,056,838**	2,853,402
Convertible notes	**1,009,446**	–
Deferred tax liabilities	**3,896,409**	3,492,673
Total non-current liabilities	**15,573,368**	10,927,816
Net assets	**20,144,145**	16,042,761
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**4,684,476**	60,536
Reserves	**14,318,033**	15,187,361
Proposed final dividends	**966,996**	605,356
	19,969,505	15,853,253
Non-controlling interests	**174,640**	189,508
Total equity	**20,144,145**	16,042,761

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, a derivative financial instrument 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 POLICIES 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in Annual Improvements 2009-2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the adoption of HKFRS 11 has had no impact on the currently held investments of the Group.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – *Acceptable Methods of Depreciation and Amortisation*[4]
HKAS19 Amendments	Amendments to HKAS 19 *Employee benefits – Defined Benefit Plans Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvement 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvement 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

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$'000	E-commerce HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2014						
Segment revenue:						
Sales to external customers	12,812,583	304,866	67,074	189,128	94,671	13,468,322
Intersegment sales	–	18,353	41,542	48,180	–	108,075
	12,812,583	323,219	108,616	237,308	94,671	13,576,397
Elimination of intersegment sales						(108,075)
Revenue						13,468,322
Segment results before increase in fair value of investment properties	6,293,333	246,389	(45,897)	188,912	71,724	6,754,461
Increase in fair value of investment properties	–	1,266,287	–	–	–	1,266,287
Segment results after increase in fair value of investment properties	6,293,333	1,512,676	(45,897)	188,912	71,724	8,020,748
Unallocated cost of sales						(207,297)
Interest income						48,635
Unallocated income and gains						139,188
Unallocated expenses						(1,678,976)
Finance costs						(152,852)
Share of profit of a joint venture						244
Share of losses of associates						(862)
Profit before tax						6,168,828
Segment assets	20,518,873	24,968,944	4,584	7,510	119,415	45,619,326
Reconciliation:						
Investment in a joint venture						8,919
Investments in associates						4,141
Unallocated assets						14,328,556
Total assets						59,960,942
Segment liabilities	9,954,756	4,946,443	52,611	611	78,042	15,032,463
Reconciliation:						
Unallocated liabilities						24,784,334
Total liabilities						39,816,797
Other segment information:						
Depreciation	–	–	969	1,333	4,881	7,183
Corporate and other unallocated amounts						61,307
						68,490
Increase in fair value of investment properties	–	1,266,287	–	–	–	1,266,287
Capital expenditure*	15,286,126	879,270	4,085	1,417	28,107	16,199,005

	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 joint venture						1,023
Share of losses of associates						(351)
Profit before tax						4,473,136
Segment assets	13,322,482	20,730,471	1,247	–	64,397	34,118,597
Reconciliation:						
Investment in a joint venture						8,936
Investments in associates						(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

* 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, income from the provision of property management services, E-commerce income and other fee income, net of business tax and other sales related tax.

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

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**12,534,980**	6,899,068
Finance lease income	**277,603**	279,644
Rental income	**304,866**	213,995
Property management service income	**67,074**	43,589
E-commerce income	**189,128**	–
Other fee income*	**94,671**	38,474
Income from hotel operations	**–**	13,291
	13,468,322	7,488,061
Other income		
Interest income from:		
Banks	**42,935**	28,531
Finance lease receivables	**5,700**	2,500
Others	**34,350**	21,283
	82,985	52,314
Gains		
Fair value (losses)/gains on held for trading investments at fair value through profit or loss, net	**(2,625)**	5,657
Gains on disposal of held for trading investments at fair value through profit or loss, net	**4,115**	–
Fair value gain on derivative financial instrument	**103,348**	–
	104,838	5,657
	187,823	57,971
Fair value gains on investment properties	**1,266,287**	1,251,445

* Other fee income includes an amount of HK$68,742,000 (2013: HK$24,060,000) related to income from retail outlet operations.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March 2014 HK$'000	2013 HK$'000
Interest on bank and other borrowings		
Wholly repayable within five years	**576,706**	339,112
Wholly repayable beyond five years	**99,412**	45,366
Interest on senior notes	**425,141**	334,664
Interest on convertible notes	**106,430**	–
Less: Interest capitalised	**(1,054,837)**	(585,828)
Total	**152,852**	133,314

6. PROFIT BEFORE TAX

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

	For the year ended 31 March 2014 HK$'000	2013 HK$'000
Cost of properties sold	**6,409,079**	2,931,128
Cost of properties held for finance lease	**110,171**	145,709
Depreciation	**69,631**	28,944
Less: Depreciation capitalised in respect of properties under development	**(1,141)**	(1,818)
	68,490	27,126
Amortisation of prepaid land lease payments	**1,198**	190
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**14,264**	12,129
Auditors' remuneration	**4,000**	4,028
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**582,836**	318,695
Equity-settled share option expense	**63,357**	27,176
Pension scheme contributions	**52,023**	19,236
	698,216	365,107
Foreign exchange differences, net	**(6,318)**	695
Provision for impairment of goodwill**	**–**	20,066
Provision for impairment of trade receivables**	**58,697**	34,540
Loss on redemption of senior notes**	**176,082**	–
Loss on disposal of items of property, plant and equipment	**973**	955

* Included amounts of HK$95,658,000 and HK$53,831,000 for the years ended 31 March 2014 and 2013, respectively, which were capitalised under properties under development.

** Included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 (2013: 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% (2013: 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 land costs, borrowing costs and all property development expenditures. Amounts of LAT of HK$1,270,280,000 and HK$638,935,000 were charged to the consolidated statement of profit or loss for the years ended 31 March 2014 and 2013, respectively.

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

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Current — Mainland China	**1,239,428**	772,557
LAT in Mainland China	**1,270,280**	638,935
Deferred Mainland China corporate income tax	**(37,230)**	194,976
Total tax charged for the year	**2,472,478**	1,606,468

8. DIVIDENDS

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Proposed final dividends — HK14.0 cents per ordinary share (2013: HK10.0 cents per ordinary share)	**966,996**	605,356

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 6,272,737,781 (2013: 6,027,344,822) 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	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**3,494,481**	2,749,864
Less: fair value gain on derivative financial instrument	**(103,348)**	–
Profit attributable to ordinary equity holders of the parent before fair value gain on derivative financial instrument	**3,391,133**	2,749,864

	Number of Shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,272,737,781**	6,027,344,822
Effect of dilution — weighted average number of ordinary shares:		
Share options	**187,848,507**	3,088,244
Tencent call option	**5,174,361**	–
Convertible notes	**609,589,041**	–
	7,075,349,690	6,030,433,066

10. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**2,964,107**	1,037,648
Impairment	**(158,268)**	(100,721)
	2,805,839	936,927

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:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**1,805,792**	554,520
1 to 2 months	**208,048**	97,758
2 to 3 months	**316,165**	97,650
Over 3 months	**475,834**	186,999
	2,805,839	936,927

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

	2014	2013
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**100,721**	64,829
Impairment losses recognised	**58,697**	34,540
Exchange realignment	**(1,150)**	1,352
Carrying amount at end of year	**158,268**	100,721

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

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**499,802**	**496,856**
Less than 1 month past due	**1,305,990**	**57,664**
1 to 3 months past due	**524,213**	**195,408**
Over 3 months past due	**475,834**	**186,999**
	2,805,839	**936,927**

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

	Note	2014 HK$'000	2013 HK$'000
Other payables and accruals		**2,647,884**	916,752
Notes payables	*(i)*	**62,495**	453,677
Deposits and receipts in advance		**5,120,311**	3,792,892
Construction fee and retention payables	*(ii)*	**5,979,226**	3,002,406
		13,809,916	8,165,727

(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:

	2014 HK$'000	2013 HK$'000
1 to 2 months	**62,495**	135,455
Over 3 months	**–**	318,222
	62,495	453,677

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

	2014 HK$'000	2013 HK$'000
Within 1 year	**5,923,618**	2,923,753
Over 1 year	**55,608**	78,653
	5,979,226	3,002,406

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

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the board of directors of China South City Holdings Limited, together with its subsidiaries, I am pleased to report the annual results of the Group for the fiscal year ended 31 March 2014.

RESULTS AND DIVIDEND

The Group maintained a strong growth momentum in FY2013/14 and continued to deliver on its financial targets. During the reporting period, the Group's revenue significantly increased by 79.9% to HK$13,468.3 million (FY2012/13: HK$7,488.1 million). Net profit attributable to equity owners of the parent also rose by 27.1% to HK$3,494.5 million (FY2012/13: HK$2,749.9 million). Basic earnings per share were HK55.71 cents (FY2012/13: HK45.62 cents).

The Board proposed a final dividend of HK14 cents per share for FY2013/14 (FY2012/13: HK10 cents per share), subject to shareholder approval at the Company's forthcoming annual general meeting ("AGM") to be held on 21 August 2014.

REVIEW OF THE OPERATION

Rapid Growth Driven by Successful Replication of Business Model

As the leading large scale integrated logistics and trade center developer and operator in China by gross floor area ("GFA"), the Group continued to benefit from a stable macro environment and the successful replication of China South City's business model. During the Year, the Group continued to implement its development strategy and diversify its revenue source. During the Year, China South City had its Contracted Sales (including property sales in finance lease) reached HK$14.1 billion (FY2012/13: HK$8.2 billion), to which CSC Hefei and CSC Zhengzhou, two of the newest China South City projects, are the key contributors. The success of the new China South City projects was a strong reflection of its successful business model and the benefit of its diversified project portfolio.

Strong Growth in Recurring Revenue

As a key corporate strategy, the Group will operate the integrated logistics and trade center projects after construction and initial sale, which ensures a prolonged period of stable return through recurring revenue generated, including but not limited to rental, property management, E-commerce, logistics and warehousing service and outlet business.

During the Year, the Group reported recurring revenue of HK$655.7 million (FY2012/13: HK$309.3 million), a robust growth of 112.0%. All the different areas of recurring revenue reported significant increase: rental income increased by 42.5%, logistics and warehousing revenue increased by 176.8%, property management income increased by 53.9% and outlet business increased by 185.7%. With the initiation of the online membership programme for its physical occupants, E-commerce income recorded HK$189.1 million (FY2012/13: Nil).

EVOLVING STRATEGY

The Group has always understood the opportunities coming with the modernization of Chinese urban wholesale markets. Over the past decade, the Group's success has been built upon providing a professional platform to assist SMEs in modernizing the way they conduct business. The Group will continue to play the role as service provider that are crucial to its SMEs.

E-commerce, the Heart of Future Strategy

Given the increasing demand from the SMEs to conduct more businesses online, the Group believes the next step of Chinese wholesale market revolution will occur around the merger between the far-reaching online tools and tangible offline platforms. In order to capitalize on this opportunity, the Group has put E-commerce at the heart of its future strategy. One part of that strategy is assisting the SMEs operating within China South City in establishing online trading platforms. By the end of March 2014, CSC86.com, the Group's own E-commerce platform, had helped approximately 5,000 occupants set up online shops and over 1.6 million products on display. Furthermore, with the launch of CSC Zhengzhou project, the Group introduced its online service to the physical occupants and received positive response. In CSC Nanchang, the E-commerce services in trial operation help its occupants expand their business on third party online platforms. Starting from March 2014, the Group has the beta launch of online outlet platform, offering B2C services to both the tenants and customers.

Win-Win Cooperation

On 15 January 2014, the Group established strategic cooperation with Tencent Holdings Limited ("Tencent") to provide value-added services to China South City's occupants. As the market leaders in their respective fields, the cooperation is capable of creating an integrated online and offline platform where millions of internet users can come in direct contact with numerous SMEs operating within China South City. The successful cooperation will be a major step towards the development of "Physical + Online" business eco-system.

The Group believes that bringing in Tencent to jointly achieve" Physical + Online" integration will expedite the upgrade of China South City's online services, allowing it to offer its occupants more effective integrated trade services. The successful integration of the "Physical + Online" platform will expand China South City's business eco-system, providing our SMEs with more business opportunities and greater success in a new generation of wholesale business environment powered by E-commerce tools.

Logistics, the Value of the Network

Professional logistics service has long been an important value-added service to the SMEs operating with China South City. For the new generation wholesale markets powered by E-commerce tools, advanced logistics network is more valuable than ever. The Group has not only reserved substantial land bank dedicated to logistics and storage, but also extended its physical presence in eight different provinces and municipality, covering large territories from the most northerly project of CSC Harbin to the most southerly project of CSC Nanning. During the Year, the Group set up trial operation of a logistics information exchange platform in CSC Nanning, through which it wishes to realize the full value of China South City extended network.

HOBA Furnishing, Exploring Opportunities of the Growing Business Eco-system

In July 2013, the Group entered into a subscription agreement to acquire 75% shareholding in HOBA Furnishing, a leading domestic furniture market operator with eight existing large stores in operation. The Group intends to set up new HOBA stores in different China South City projects, significantly increasing HOBA's business scope. The acquisition will also help the Group extend its industries profile and expand its ancillary services to take advantage of the growing business eco-system. As China South City projects continue to grow, the Group will seek to create more synergy value through further acquisitions.

Continuing Expansion of Project Portfolio

The Group continued to expand its project portfolio during the Year to maintain a stable growth dynamic. In January 2014, the Group entered into framework agreements with Chongqing Government to build an integrated trade and logistics project with planned GFA of 13.5 million sq. m. in Banan District of Chongqing, through which the Group has its first footing set into China's Municipality.

In February 2014, the Group entered into an agreement to acquire the remaining 35% shareholding in CSC Xi'an project, to increase the Group's holding to 100%. As of the end of March 2014, the Group owns 100% in all eight projects it operates, maintaining a diversified project portfolio.

In March 2014, the Group also entered into a Letter of Intent with Guangzhou Government to undertake the development of an integrated trade and logistics project with planned GFA of approximately 10 million sq. m. in Guangzhou.

PRUDENT FINANCIAL MANAGEMENT

The Group continues to balance between its expansion strategy and financial sustainability. As of the end of March 2014, the Group has cash and cash equivalents and restricted cash amounted to HK$12.8 billion. The gearing ratio was 24%. During the Year, the Group received strong support from the financial market both domestically and internationally, demonstrated by the ready access of a range of financing resources including domestic and offshore bank loans, and bond issuance in the PRC and international capital markets.

PROSPECTS

Looking forward, as China is entering into a new phase of economy reform where quality growth outweighs the need for quantity growth, greater emphasis will be placed on the modernization of different aspects of the economy. Outlined in the 12th National Five-Year Plan, the Government will continue to carry out urbanization and industrial upgrade throughout China. The Group believes that the current strategy to develop modern integrated logistics network and relocation of urban wholesale markets will remain a critical component of the Government's new structural reform plan. Leveraging on the Group's unique business model, proven operational capabilities and extensive cooperation experiences with local governments, China South City is poised to capture the enormous market opportunities. Furthermore, the Group will continue to strengthen the "Physical + Online" platform. Leveraging on its cooperation with Tencent and the opening for business in new China South City projects, the Group will seek opportunities in providing more value-added services both online and offline.

The Group has its annual contract sales target of HK$18 billion to HK$20 billion in FY2014/15. Furthermore, with an increasing number of projects starts to contribute recurring revenue, steadily becoming an important growth and revenue driver, the Group's 3-year target in annual recurring revenue ranges from HK$1.5 billion to HK$2 billion.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Year, the Group continued to enjoy a stable market environment in China. The Central Government continues its path of structural reform with more emphasis on the quality of growth rather than pure pursue of quantity growth. As a result of our prudent investment strategy and successful replicable business model, China South City has seen strong demands for our new projects. Contracted Sales reached HK$12.6 billion at the end of December 2013, already beating our annual target of HK$11 billion. A new Contracted Sales target was revised and increased to HK$14 billion in the same month.

As the launch of sales on new projects continues to provide strong driver for income, the Group maintained a rapid growth momentum in FY2013/14. Contracted Sales surged by 72% to HK$14.1 billion (FY2012/13: HK$8.2 billion). The total revenue reached HK$13.5 billion, a year-on-year growth of 80% (FY2012/13: HK$7.5 billion).

Details on Contracted Sales in FY2013/14 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	**34,300**	**14,300**	**491.3**	**3.5%**
Trade center (Mall)[1]	8,000	24,700	198.5	1.4%
Office	10,700	12,600	135.1	1.0%
Residential property	15,600	10,200	157.7	1.1%
CSC Nanchang	**69,200**	**16,100**	**1,118.2**	**7.9%**
Trade center (Mall)	67,300	16,400	1,103.1	7.8%
Residential property	1,900	7,800	15.1	0.1%
CSC Nanning	**92,000**	**8,800**	**809.4**	**5.7%**
Trade center (Mall)	13,300	17,700	234.2	1.7%
Residential property	78,700	7,300	575.2	4.0%
CSC Xi'an	**169,800**	**9,900**	**1,683.3**	**12.0%**
Trade center (Mall)	45,700	14,000	642.3	4.6%
Trade center (Detached)[2]	124,100	8,400	1,041.0	7.4%
CSC Zhengzhou				
Trade center (Detached)	**568,000**	**7,400**	**4,209.0**	**29.8%**
CSC Harbin				
Trade center (Detached)	**171,600**	**7,700**	**1,322.6**	**9.4%**
CSC Hefei				
Trade center (Detached)	**642,900**	**7,000**	**4,472.2**	**31.7%**
Total	**1,747,800**	**N/A**	**14,106.0**	**100.0%**

Notes:

(1) Refer to multi-storey trade centers in shopping mall style.

(2) Refer to standalone low-rise trade center shops.

E-commerce

Next Generation Wholesale Markets

Chinese urban wholesale markets have been a critical part of Chinese business establishment. China South City has played a key role in facilitating the successful upgrade of many wholesale markets in numerous major cities across China. With increasing demands from the SMEs to conduct business online, the Group saw the revolution for a new generation of wholesale market. The new generation of wholesale market combines the connectivity of the E-commerce tools, including online trading platform, O2O apps, online social network etc., with the tangible offline platform.

To build the next generation wholesale market and benefit from the "Physical + Online" business eco-system, the Group's short-term goal is to help our SMEs master different E-commerce tools and bring in more business and traffic online, whereas mid-to-long-term goal is to provide further value-added services, including E-commerce database, micro financing, online payment services, etc.

The Solution Provider

The major constraints existing SMEs in reaching their online potential are the technical knowhow and skilled workforce. To facilitate the transformation, the Group will play the role as a solution provider in releasing those constraints.

As of the end of March 2014, the Group has successfully helped approximately 5,000 of our occupants set up their own online shop on CSC86.com, the E-commerce platform owned and operated by the Group, to display over 1.6 million products. In many of the cases, setting up the online shop is just the beginning. The Group provides follow-up support and services, including website management, visual design, data sharing and analysis, online promotion, search engine optimization, third party certification, etc.

Starting from FY2013/14, the Group has initiated an online membership programme in CSC Zhengzhou. By joining the service, the occupants will enjoy the full range of E-commerce service offered by the Group's E-commerce platform, CSC86.com. Currently, approximately 7,000 CSC Zhengzhou's occupants have joined the programme, significantly increased the penetration of the E-commerce services among our occupants.

The Group is working with local universities and colleges to set up E-commerce programme in certain China South City projects to provide E-commerce skill training for the graduates and create a talent pool for our SMEs. The Group believes in helping the SMEs to expand their business with E-commerce tools and in return the enlarged business eco-system will provide with more business opportunities.

The Group's outlet business is also taking advantage of the E-commerce opportunity. On 8 March 2014, the Group had the beta launch of Aolaigo.com (奧萊購), the Group's B2C outlets platform. At the same time, the Group has set up storage and distribution facilities in CSC Shenzhen for our online outlets platform.

Utilizing Tangible Offline Platform

Leveraging on the offline platform and supporting facilities including the logistics and warehousing capability, the Group is attracting a new group of occupants from existing online businesses. As of the end of March 2014, the Group homed approximately 250 online businesses, cross-border E-commerce business in particular. By making their offline presence in China South City, these online businesses are able to establish a tangible relationship with their customers in physical showrooms; they are able to source directly from many SMEs on the same project and are able to manage their stocks and logistics more conveniently with readily accessible on-site facilities, all within China South City.

Strengthening the Platform through Strategic Partnership

In order to provide more value-added services to China South City's occupants and customers, the Group established a strategic partnership with Tencent, one of the most successful internet companies in China. As the market leaders in their respective fields, the cooperation is capable of creating an online and offline platform where millions of internet users can come in direct contact with numerous SMEs operating within China South City. The successful cooperation between the two parties will lead to the development of an integrated "Physical + Online" business eco-system.

Leveraging on Tencent's internet technology, the Group will connect different China South City platforms, including the physical platform, B2C and B2B online platforms with Weixin platform to create an integrated O2O eco-system, allowing the Group to offer more value-added services to its SMEs and unique O2O experiences to their customers.

Logistics

The Value is in the Network

Logistics and warehousing service is always crucial to our customers, for most of them are SME wholesalers. In general, upon the master plan of each project, approximately 15% of the total planned GFA are allocated to serve logistics and storage function. As at 31 March 2014, a GFA of approximately 82,500 sq. m. were in operation among our projects. In FY2014/15, construction of logistics and warehousing facilities of GFA of 779,300 sq. m. will be underway across our projects.

As of the end of March 2014, the Group had 8 different China South City projects, covering a large part of China's territory, from the northernmost project CSC Harbin to the southernmost project CSC Nanning. Leveraging on the network and their enormous scale, Qianlong Logistics Group Limited, the Group's subsidiary specialized in logistics and warehousing service, is building a logistics information exchange platform targeting long-distance heavy goods vehicles ("HGV") and wholesale businesses across China.

Using this logistics information exchange platform, tens of thousands of SMEs operating within each China South City project in the future can directly source their logistics needs from carriers available on our project sites and track their goods with real time GPS data. In return their demand could help attract HGVs in the region to our platform. Through this platform, the Group could collect freight for HGVs and generate a significant cash pool.

Outlets

Strong Driver for Future Growth

Operated under Shenzhen Huasheng Commercial Development Co., Ltd, a wholly-owned subsidiary of the Group, the outlet business achieved 446.5% CAGR growth in revenue since its first opening in Shenzhen in 2011. Revenue from outlet business increased from HK$24.1 million in FY2012/13 to HK$68.7 million, an increment of 185.7%.

During the year under review, the outlet in CSC Shenzhen had a GFA of approximately 64,800 sq. m., with approximately 170 brands in operation, contributing over 87.8% of overall outlet revenue, HK$60.4 million.

The other outlet stores in trial operation during FY2013/14 included CSC Nanning, CSC Nanchang and CSC Xi'an, with a total GFA of 14,500 sq. m., 5,900 sq. m. and 7,200 sq. m., respectively. With the existing projects growing in scale and more new outlets starting up their operation, the Group expects stronger growth from outlet business in the coming years.

HOBA Furnishing

Expansion of Ancillary Services

In order to expand our ancillary services to take advantage of the growing business eco-system, the Group will seek to create greater synergy, the increase in traffic and industry coverage on our projects through further acquisitions of different industries. In July 2013, the Group entered into a subscription agreement to acquire 75% shareholding in HOBA Furnishing, a leading domestic furniture market operator with eight existing large stores in operation. The Group intends to set up new HOBA Furnishing stores in our different projects, significantly increasing its business scope.

Property Management

Creating Greater Brand Value

With an aim to allow better management and services on each of our projects, the Group established Shenzhen First Asia Pacific Property Management Company Limited to carry out professional property management service in all China South City projects. The Group endeavors to differentiate its projects from other wholesale markets by stepping up efforts to strengthen standards of fire prevention, security, environmental stewardship, maintenance services as well as the management of transportation and parking lots at each of its project site.

Trade Fairs

Strong Generator of Brand Recognition

Leveraging on our large operational scale and ties with the local governments, the Group continued to attract international and regional exhibitors to our various projects, not only creating large traffic and business flow but also generating brand recognition and promoting the project itself. For the up and coming trial operation at new China South City projects, the Group proactively organized trade fairs and events to draw attention from the market and boost traffic flow.

Trade Fairs At a Glance

China-ASEAN Expo Light Industrial Products Fair

The 10th China-ASEAN Expo Light Industrial Products Fair, co-organized by the Ministry of Commerce of China and its ASEAN counterparts plus the China-ASEAN Secretariat and undertaken by the Government of the Guangxi Zhuang Autonomous Region, was held at CSC Nanning in September 2013. The fair, covering an exhibition area of approximately 100,000 sq. m., attracted about 1,200 exhibitors (2012: 980) and approximately 960,000 domestic and international visit counts (2012: 620,000). This annual event further enhanced the Group's brand recognition in the region as well as among the ASEAN members.

Guangxi (Nanning) Spring Tea Festival

CSC Nanning organized the 6th Guangxi (Nanning) Spring Tea Festival, held between 28 April and 2 May 2013, which showcased an array of tea and tea wares. This commercial trade fair received an overwhelming response, attracting over 150,000 visit counts.

During the Labor Holidays in May 2014, the 7th Guangxi (Nanning) Spring Tea Festival cum CSC Nanning Auto Expo was held in CSC Nanning, attracting approximately 317,000 visit counts. The event significantly boosted the sales of our tea and tea wares tenants and automobile exhibitors. Our other tenants also benefited from the event with the increased traffic.

Hong Kong, Macau and Taiwan Commodity Fair

Followed by the success of the Hong Kong, Macau and Taiwan Commodity Fair co-organized by the Trade Development Bureau of Ministry of Commerce and the Group at CSC Shenzhen in September 2012, the Trade Development Bureau of Ministry of Commerce, the Group, together with Nanchang Government, held the same event at CSC Nanchang from 28 April to 2 May 2013. The fair, which covered an area of 55,000 sq. m., drew approximately 740,000 visit counts. Accommodating exhibitors from these three places, the fair successfully promoted cross-regional trade and facilitated traffic flow at CSC Nanchang.

Jiangxi Provincial Commodities Fair & CNY Festive Bargains

Leveraging on its exhibition platform and experience, the Group also co-organized the first Jiangxi Provincial Commodities Fair ("江西省地方特色商品博覽會") with the Department of Commerce of Jiangxi Province in October 2013, attracting about 300 exhibitors and approximately 1,106,000 visit counts, which further promoted the brand name of China South City in the regions as well as regional trade activities at Nanchang.

Following the success of Jiangxi Provincial Commodities Fair, CSC Nanchang held a fortnight CNY festive bargains from late December 2013, attracting nearly 1 million visit counts. The success of the two events gave our SMEs a vote of confidence for trial operation.

Expanding Financing Channel

To maintain the growth momentum, the Group continued to strengthen our financial position and expand our financing channels. With the confidence placed in the Group's sound business model and outstanding operational capabilities by the capital market and banks, the Group was able to diversify financing channels through international and domestic banks, debt market as well as institutional strategic investors.

During the Year, the Group recorded a lowered financing cost, at a weighted average of 7.2% p.a. as of 31 March 2014, mainly from the favorable funding cost from domestic banks at a weighted average of 6.7% p.a. as at 31 March 2014, whereas that of offshore financing was at 8.4% p.a.. As regards new funding in FY2013/14, the Group drew down a HK$500 million 2-year unsecured loan in October 2013 at an interest rate of HIBOR +2.75% with HSBC. In January 2014, the Group successfully issued a 5-year senior note of US$400 million at 8.25% p.a. due 2019 for the early redemption of senior notes at 13.5% p.a. due 2016, lowering the Group's overall financing cost.

During the Year, the Group gained positive credit outlook from rating agencies. In November 2013, S & P revised the Company's rating outlook to 'Positive' from 'Stable' and affirmed our 'B+' long-term corporate credit rating. In December 2013, Moody's also revised the Company's outlook to 'Positive' from 'Stable' and affirmed our B2 corporate family rating. In January 2014, Fitch Ratings also assigned B+ with Positive outlook on the Company.

In April 2014, our wholly-owned subsidiary, China South International Industrial Materials City (Shenzhen) Company Limited ("China South International"), obtained relevant approval to issue 5-year medium-term notes worth up to RMB4 billion in China. The issuance of the first tranche amounted to RMB1 billion at 7.5% p.a. with an AA credit rating assigned by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) was completed in the following month.

Following the strategic investment from PAG in April 2013, a leading alternative investment fund management group in Asia, by purchasing convertible notes of HK$975 million at 6.5% per annum due 2018, Tencent made strategic investment of approximately HK$1.50 billion in the Group by subscribing an aggregate of 680,300,000 new shares of China South City at HK$2.2 per share, representing approximately 9.9% of the enlarged capital in January 2014. An option for 244,800,000 shares at HK$3.50 per share has also been granted to Tencent in the transaction. These strategic investments further strengthen the Group's capital position and ample liquidity.

Land Bank

During the Year, with the strong growth in Contracted Sales and capital position, the Group acquired attributable GFA of 5.39 million sq. m. in CSC Hefei, CSC Chongqing, CSC Xi'an and CSC Harbin at an average cost of RMB303/sq. m., accounting for 6.8% of the total planned GFA, which is a strong guarantee for the Group's future growth and a reflection of our prudent strategy.

Land Bank as at 31 March 2014

	Completed properties		Properties under development[1]	Properties to be completed by FY2014/15[2]	Properties planned for future development	Total planned GFA	GFA Acquired (% to total planned GFA)	
(in sq.m.)	*Sold*	*Unsold*		*Estimated*	*Estimated*	*Estimated*		%
CSC Shenzhen	670,400	1,141,800	270,000	117,000	561,800	2,644,000	2,644,000	100
CSC Nanchang	589,600	311,300	853,000	394,100	2,526,100	4,280,000	4,280,000	100
CSC Nanning	186,300	626,300	765,000	558,500	3,302,400	4,880,000	2,480,000	51
CSC Xi'an	464,000	432,500	737,900	515,200	15,865,600	17,500,000	2,506,000	14
CSC Harbin	–	–	1,232,600	336,700	10,767,400	12,000,000	2,475,000	21
CSC Zhengzhou	534,500	696,100	1,499,200	560,000	9,270,200	12,000,000	4,215,000	35
CSC Hefei	638,000	170,400	1,209,400	900,600	9,982,200	12,000,000	3,941,000	33
CSC Chongqing	–	–	500,000	–	13,000,000	13,500,000	749,000	6
Total	3,082,800	3,378,400	7,067,100	3,382,100	65,275,700	78,804,000	23,290,000	30

Notes:

(1) Including construction underway as at 31 March 2014 and commencing in FY2014/15.

(2) Properties under development to be completed by FY2014/15.

China South City Shenzhen

CSC Shenzhen, the Group's first-ever project, is strategically located in the heart of the Pearl River Delta region amid 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 2014, the trade center and ancillary facilities at phase I, phase II and part of phase III, with a total GFA of approximately 1.80 million sq. m., were in operation. CSC Shenzhen is currently in its phase III development. In FY2014/15, construction of GFA of 270,000 sq. m. will be underway, among which 117,000 sq. m. are expected to be completed.

In FY2013/14, CSC Shenzhen recorded total Contracted Sales of HK$491.3 million (FY2012/13: HK$1,518.7 million), including trade center (mall) of GFA of 8,000 sq. m. at an ASP of HK$24,700/sq. m. (FY2012/13: 58,500 sq. m. at HK$20,900/sq. m.), office units of 10,700 sq. m. at an ASP of HK$12,600/sq. m. (FY2012/13: 16,600 sq. m. at HK$10,900/sq. m.) and residential ancillary of 15,600 sq. m. at an ASP of HK$10,200/sq. m. (FY2012/13: 12,100 sq. m. at HK$9,400/sq. m.).

For FY2013/14, CSC Shenzhen maintained a stable growth in occupancy rates and rental rates. As at 31 March 2014, the total occupancy rate and rental rate of phase I trade center and shops were 95% and HK$48/sq. m. (As at 31 March 2013: 96% at HK$40/sq. m.) respectively. The total occupancy rate and rental rate of the launched rentable GFA of phase II and phase III trade center and shops were 65% at HK$40/sq. m. (As at 31 March 2013: 55% at HK$35/sq. m.) and 51% at HK$52/sq. m. respectively.

China South City Nanchang

Situated in Nanchang, the capital city of Jiangxi Province, CSC Nanchang is readily accessible to suppliers, manufacturers and merchants via major highways, the largest port on the Gan River and a complete freight network which includes a cargo marshal yard, a container terminus and an international airport, coupled with Nanchang West Railway Station – a principal high speed rail station located just 1.2 km from CSC Nanchang commenced operation successively from September 2013.

CSC Nanchang has a site area of approximately 1.54 million sq. m. and a total planned GFA of approximately 4.28 million sq. m., CSC Nanchang is in phase I construction and has total GFA of 900,900 sq. m. completed, including trade center (mall) of 517,900 sq. m. and residential ancillary of 383,000 sq. m.. In FY2014/15, construction of GFA of 853,000 sq. m. will be underway, among which 394,100 sq. m. are expected to be completed in the year. During the Year, CSC Nanchang commenced trial operation with its phase I development close to completion.

In FY2013/14, CSC Nanchang recorded total Contracted Sales of HK$1,118.2 million (FY2012/13: HK$2,303.9 million), including trade center (mall) of GFA of 67,300 sq. m. at an ASP of HK$16,400/sq. m. (FY2012/13: 108,700 sq. m. at HK$13,700/sq. m.) and residential ancillary of a GFA of 1,900 sq. m. at an ASP of HK$7,800/sq. m. (FY2012/13: 110,600 sq. m. at HK$7,400/sq. m.).

China South City Xi'an

CSC Xi'an is strategically situated in the Xi'an International Trade and Logistics Park in Shaanxi Province, and enjoys access to an extensive transportation network connected to a railway container terminal and the largest bonded area in the northwestern region of China, along with two planned subway lines that cross the project site.

In February 2014, the Group entered into an equity transfer agreement to acquire the remaining 35% equity interest of CSC Xi'an at a consideration of RMB260 million. The transaction was completed in March 2014 and CSC Xi'an became the Group's wholly-owned subsidiary since then.

CSC Xi'an has a total planned site area of approximately 10.0 million sq. m. and a total planned GFA of approximately 17.5 million sq. m.. CSC Xi'an is in phase I construction and has total GFA of 896,500 sq. m. completed, including trade center (mall) of 555,900 sq. m. and trade center (detached) of 340,600 sq. m.. In FY2014/15, construction of GFA of 737,900 sq. m. will be underway, among which 515,200 sq. m. are expected to be completed in the year. During the Year, CSC Xi'an commenced trial operation with its phase I development close to completion.

In FY2013/14, CSC Xi'an recorded total Contracted Sales of HK$1,683.3 million (FY2012/13: HK$1,971.5 million), including trade center (mall) of GFA of 45,700 sq. m. at an ASP of HK$14,000/sq. m. (FY2012/13: 64,500 sq. m. at HK$14,100/sq. m.) and trade center (detached) of a GFA of 124,100 sq. m. at an ASP of HK$8,400/sq. m. (FY2012/13: 129,900 sq. m. at HK$8,200/sq. m.).

China South City Nanning

CSC Nanning is situated in Nanning, the capital city of the Guangxi Zhuang Autonomous Region and a critical gateway between China and ASEAN countries, and is easily accessible to railway stations, highways and an international airport. Strategically located in close proximity to Southeast Asia to take advantage of a tariff waiver on cross-border trade activities within the China-ASEAN Free Trade Area, CSC Nanning endeavors to serve as a key hub for cross-border trade to cater to the strong demand from the Northern Bay Region and Southeast Asia.

CSC Nanning has a planned net land area of approximately 1.83 million sq. m. and a total planned GFA of approximately 4.88 million sq. m.. CSC Nanning is in phase I construction and has total GFA of 812,600 sq. m. completed, including trade center (mall) of 329,000 sq. m., residential ancillary of 456,000 sq. m. and warehousing facilities of 27,600 sq. m.. In FY2014/15, construction of GFA of 765,000 sq. m. will be underway, among which 558,500 sq. m. are expected to be completed in the year. During the Year, CSC Nanning commenced trial operation with its phase I development close to completion.

In FY2013/14, CSC Nanning recorded total Contracted Sales of HK$809.4 million (FY2012/13: HK$807.7 million), including trade center (mall) of GFA of 13,300 sq. m. at an ASP of HK$17,700/sq. m. (FY2012/13: 37,900 sq. m. at HK$15,500/sq. m.) and residential ancillary of a GFA of 78,700 sq. m. at an ASP of HK$7,300/sq. m. (FY2012/13: 33,700 sq. m. at HK$6,500/sq. m.).

China South City Harbin

Located in the Daowai district of Harbin, the capital city of Heilongjiang Province, CSC Harbin fully leverages 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 to tie in with economic activities within and across the region. Tapping the opportunities arising from the area's emerging development potential, CSC Harbin will endeavor to become the largest integrated logistics trade center in northeast China.

CSC Harbin has a planned site area of approximately 10.0 million sq. m. and a total planned GFA of approximately 12.0 million sq. m.. CSC Harbin is in phase I construction. In FY2014/15, construction of GFA of 1.2 million sq. m. will be underway, among which 336,700 sq. m. are expected to be completed in the year.

In FY2013/14, CSC Harbin recorded total Contracted Sales of HK$1,322.6 million (FY2012/13: HK$248.1 million) from trade center (detached) of GFA of 171,600 sq. m. at an ASP of HK$7,700/sq. m. (FY2012/13: 33,500 sq. m. at HK$7,400/sq. m.).

China South City Zhengzhou

CSC Zhengzhou is located in Zhengzhou, the capital city of Henan Province, which is highly accessible and enjoys extensive transportation networks – it is a mere 16 km away from Zhengzhou Xinzheng International Airport and only a couple of kilometers away from the Beijing-Guangzhou Railway Freight Station and Beijing-Hong Kong-Macao Highway.

CSC Zhengzhou has a total planned net land area of approximately 7.0 million sq. m. and a total planned GFA of 12.0 million sq. m.. CSC Zhengzhou is in phase I development and has total GFA of 1.23 million sq. m. of trade center completed. In FY2014/15, construction of GFA of 1.5 million sq. m. will be underway, among which 560,000 sq. m. are expected to be completed in the year.

In FY2013/14, CSC Zhengzhou recorded total Contracted Sales of HK$4,209.0 million from trade center (detached) of GFA of 568,000 sq. m. at an ASP of HK$7,400/sq. m. (FY2012/13: Contracted Sales of HK$1,355.7 million from trade center (mall) of GFA of 103,000 sq. m. at HK$13,200/sq. m.).

China South City Hefei

CSC Hefei is located in Hefei, the capital city of Anhui Province, a transport and economic hub at the heart of eastern China. CSC Hefei benefits from its strategic location in the Hefei Taohua Industrial Park, its well-developed infrastructure, as well as an extensive transportation system that includes railways, highways and river transport across China.

CSC Hefei has a total planned net land area of approximately 10.0 million sq. m. and a planned GFA of 12.0 million sq. m.. CSC Hefei is in phase I construction and has total GFA of 808,400 sq. m. of trade center completed. In FY2014/15, construction of GFA of 1.2 million sq. m. will be underway, among which 900,600 sq. m. are expected to be completed in the year.

CSC Hefei was the first project to launch for sales and generate revenue in the first year of project, with exceptional overwhelming response to become the main contributor in sales. In FY2013/14, CSC Hefei recorded total Contracted Sales of HK$4,472.2 million (FY2012/13: Nil) from trade center (detached) of GFA of 642,900 sq. m. at an ASP of HK$7,000/sq. m. (FY2012/13: Nil).

China South City Chongqing

CSC Chongqing is located in Banan District, Chongqing Municipality, the first municipal city the Group stepping into. The project site is highly accessible to city center and other regions given its strategic location in Chongqing Highway Logistics Base, the state-level transportation infrastructure and large highway base in the Western region.

According to the Framework agreement signed with Chongqing Government on 17 January 2014 for the development of a large-scale, integrated logistics and trade center in Chongqing, CSC Chongqing has a total planned net land area of approximately 6.3 million sq. m. and a total planned GFA of 13.5 million sq. m.. Phase I has a total planned GFA of 2.4 million sq. m., including trade center of 1.26 million sq. m., commercial facilities of 500,000 sq. m., warehousing facilities of 100,000 sq. m. and residential ancillary of 500,000 sq. m..

CSC Chongqing acquired the first batch of land of attributable GFA of 749,000 and 581,400 sq. m. in March and May 2014 respectively. On 28 March 2014, the ground-breaking ceremony was held at CSC Chongqing. Construction of GFA of 500,000 sq. m. is scheduled to commence in FY2014/15.

FINANCIAL REVIEW

For FY2013/14, the Group reported a strong growth in its financial performance, with revenue growth of 79.9% to HK$13,468.3 million (FY2012/13: HK$7,488.1 million), and net profit attributable to owners of the parent for the Year grew 27.1% to HK$3,494.5 million (FY2012/13: HK$2,749.9 million). Excluding the effects of fair value gains on investment properties and related tax effects, fair value gain on derivative financial instrument and loss on redemption of the 2011 Notes, core net profit attributable to owners of the parent for the Year as adjusted increased by 50.7% to HK$2,677.7 million (FY2012/13: HK$1,776.4 million). Basic earnings per share increased to HK55.71 cents (FY2012/13: HK45.62 cents).

Revenue

Revenue increased by 79.9% to HK$13,468.3 million (FY2012/13: HK$7,488.1 million). The increase was mainly due to the delivery of newly completed properties in our Hefei, Zhengzhou, Xi'an and Nanning projects during the fiscal year under review, and the growing demand of our trade center units.

	FY2013/14 *HK$'000*	FY2012/13 *HK$'000*	Change %
Sales of properties	**12,534,980**	6,899,068	81.7%
Sales of trade center units	***11,778,160***	*5,190,427*	*126.9%*
Sales of residential properties	***756,820***	*1,708,641*	*(55.7%)*
Finance lease income	**277,603**	279,644	(0.7%)
Rental income	**304,866**	213,995	42.5%
Property management service income	**67,074**	43,589	53.9%
E-commerce income	**189,128**	–	N/A
Other fee income	**94,671**	38,474	146.1%
Income from hotel operations	**–**	13,291	(100%)
	13,468,322	7,488,061	79.9%

Revenue from Sales of Properties

Revenue from sales of properties increased by 81.7% to HK$12,535.0 million (FY2012/13: HK$6,899.1 million). The increase was mainly due to the delivery of newly completed properties in our Hefei, Zhengzhou, Xi'an and Nanning projects during the fiscal year under review, and the growing demand of our trade center units. Sales for each project are as follows:

	Average selling price (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*	
	FY2013/14	FY2012/13	**FY2013/14**	FY2012/13	**FY2013/14**	FY2012/13	**FY2013/14**	FY2012/13
CSC Shenzhen	**24,700**	20,900	**8,000**	58,500	**198.5**	1,222.9	**187.8**	1,156.1
CSC Xi'an	**9,300**	12,400	**286,700**	177,300	**2,654.0**	2,196.7	**2,512.7**	2,073.7
CSC Hefei	**7,000**	–	**638,000**	–	**4,440.7**	–	**4,196.5**	–
CSC Zhengzhou	**8,500**	–	**534,500**	–	**4,568.4**	–	**4,298.5**	–
CSC Nanning								
– Trade center units	**17,700**	15,500	**13,300**	37,900	**234.2**	586.8	**220.9**	553.9
– Residential properties	**7,100**	–	**110,300**	–	**786.6**	–	**742.6**	–
CSC Nanchang								
– Trade center units	**15,900**	13,700	**24,200**	108,700	**384.0**	1,490.1	**361.8**	1,406.7
– Residential properties	**7,800**	6,500	**2,000**	280,400	**15.1**	1,810.0	**14.2**	1,708.7
Total	**N/A**	N/A	**1,617,000**	662,800	**13,281.5**	7,306.5	**12,535.0**	6,899.1

Finance Lease Income

Finance lease income, derived from the leasing of office towers and residential properties, slightly decreased by approximately 0.7% to HK$277.6 million (FY2012/13: HK$279.6 million).

During the fiscal year under review, the Group entered into finance lease arrangements with tenants for approximately 26,200 sq. m. (FY2012/13: 28,700 sq. m.) at an average price of HK$11,200/sq. m. (FY2012/13: HK$10,300/sq. m.).

Rental Income

Rental income increased by 42.5% to HK$304.9 million (FY2012/13: HK$214.0 million). The increase was mainly attributable to the continuous increase in rental income of phase I, II and III trade center units of CSC Shenzhen, and the newly contribution from HOBA Furnishing during the fiscal year under review.

Occupancy at CSC Shenzhen has been driven by the demand for large-scale integrated logistics and trade center facilities and the growing profile of China South City. As at 31 March 2014, the total occupancy rate of phase I trade center and shops remained stable at approximately 95% (31 March 2013: 96%), while the total occupancy rate for phase II trade center and shops gradually increased to 65% (31 March 2013: 55%) of the launched area. For the total occupancy rate of phase III trade center and shops, it represented 51% of the launched area. The average effective monthly rental rate for phase I, phase II and phase III trade centers and shops were approximately HK$48 per sq. m. (31 March 2013: HK$40 per sq. m.), HK$40 per sq. m. (31 March 2013: HK$35 per sq. m.) and HK$52 per sq. m. respectively.

Property Management Service Income

Income from property management services rose by 53.9% to HK$67.1 million (FY2012/13: HK$43.6 million). The increase in income was mainly from the contribution of projects other than CSC Shenzhen and the rising contribution of property management fees from CSC Shenzhen phase II and phase III trade centers and supporting facilities with an increase in the total occupancy rate of launched area of up to 65% and 51%, respectively as at 31 March 2014.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to our customers during the fiscal year under review. During the year, the Group has initiated an online membership programme in CSC Zhengzhou. By joining the service, the occupants will enjoy the full range of E-commerce service offered by the Group's E-commerce platform, CSC86.com.

Other Fee Income

The other fee income rose by 146.1% to HK$94.7 million (FY2012/13: HK$38.5 million). The increase was mainly contributed by outlet center operation of HK$68.7 million (FY2012/13: HK$24.1 million) and warehousing services of HK$24.8 million (FY2012/13: HK$9.0 million) during the fiscal year under review.

Increase in income from outlet center operation was mainly due to the growth of outlet operations and increase in operating area during the fiscal year under review. Increase in warehousing services was mainly due to the growth of logistics and warehousing operations during the fiscal year under review.

Income from Hotel Operations

The Group has leased out its hotel properties to a third party to operate since September 2012. Accordingly, no hotel operating income was generated during the fiscal year under review.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and rental expenses. Cost of sales increased by 109.0% to HK$6,921.2 million (FY2012/13: HK$3,311.4 million).

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

Gross Profit

Gross profit increased by 56.8% to HK$6,547.2 million (FY2012/13: HK$4,176.7 million). Gross profit margin dropped to 49% during the fiscal year under review (FY2012/13: 56%) was mainly due to the change in product mix with the addition of new projects generating sales. During the fiscal year under review, a large portion of sales revenue was recognized for trade center units sold in our new projects. At the early stage of sales launched by our new projects, the Group usually set a lower price so as to allow customer to have more room for future price appreciation. Accordingly, gross profit margin is usually lower than those more matured projects.

Other Income and Gains

Other income and gains increased by 224.0% to HK$187.8 million (FY2012/13: HK$58.0 million). The increase was mainly due to the fair value gain of the option granted to Tencent to subscribe the shares of the Company, which was treated as a derivative financial instrument, amounting to HK$103.3 million during the fiscal year under review; however, there was no such fair value gain in FY2012/13. The increase in bank interest income during the fiscal year under review also led the increase in other income and gains.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 1.2% to HK$1,266.3 million (FY2012/13: HK$1,251.4 million). The increase was mainly contributed by new properties at CSC Harbin and CSC Nanchang, and the stable growth of existing properties at CSC Shenzhen and CSC Nanning.

Selling and Distribution Expenses

Selling and distribution expenses increased by 101.2% to HK$581.2 million (FY2012/13: HK$288.8 million). The increase was mainly attributable to marketing and advertising expenses incurred by our projects in Xi’an, Zhengzhou, Harbin and Hefei, which launched more sales activities during the fiscal year under review. In addition, increase in staff costs incurred for the expansion of sales and marketing team also led to the increase in selling and distribution expenses during the fiscal year under review.

Administrative Expenses

Administrative expenses increased by 60.7% to HK$863.0 million (FY2012/13: HK$536.9 million). The increase was primarily due to the increase in business activities at 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 234,300,000 share options to certain directors, independent non-executive directors and employees, and HK$63.4 million share option expenses were recorded (FY2012/13: HK$27.2 million).

Finance Costs

Finance costs were up by 14.7% to HK$152.9 million (FY2012/13: HK$133.3 million). The rise was mainly attributable to an increase in new bank and other loans for general business purposes with interest expenses recorded through income statement.

Tax

Tax expenses recorded an increase of 53.9% to HK$2,472.5 million (FY2012/13: HK$1,606.5 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 Nanning, CSC Xi'an, CSC Zhengzhou and CSC Hefei during the fiscal year under review.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 13.5% to HK$729.5 million (31 March 2013: HK$642.6 million), due to the net effect of i) an increase in prepayment of business taxes of pre-sold properties in CSC Harbin, CSC Zhengzhou and CSC Nanchang, ii) an increase in balance arising from new project, and iii) a decrease in consideration receivables of disposed subsidiaries in the previous year. As at 31 March 2014, the remaining consideration receivable from the disposal was approximately HK$202.1 million.

Trade and Other Payables

Trade and other payables increased by 69.1% to HK$13,809.9 million (31 March 2013: HK$8,165.7 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 increase in other tax payables arising from the sales of properties during the fiscal year under review. As at 31 March 2014, the balance of construction fees and retention payable and deposits received and receipts in advance were HK$5,979.2 million and HK$5,120.3 million, respectively.

Liquidity and Financial Resources

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

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2014, the Group had HK$12,777.1 million in cash and cash equivalents and restricted cash (31 March 2013: HK$6,777.8 million), among which non-restricted cash and cash equivalents amounted to approximately HK$11,303.0 million (31 March 2013: HK$6,264.7 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 2014, the Group had approximately HK$17,518.7 million in interest-bearing bank and other borrowings, senior notes and convertible notes (31 March 2013: HK$11,853.4 million). The Group had aggregated interest-bearing bank and other borrowings of approximately HK$12,452.4 million as at 31 March 2014 (31 March 2013: HK$9,000.0 million), of which HK$5,841.7 million will be repayable within one year or on demand, approximately HK$2,834.2 million will be repayable in the second year, approximately HK$3,182.1 million will be repayable in the third to fifth years and approximately HK$594.4 million will be repayable after five years. As at 31 March 2014, the Group's interest-bearing bank and other borrowings of approximately HK$8,491.2 million were secured by certain buildings, investment properties, properties under development and properties held for sales with a total carrying value of approximately HK$19,992.7 million.

Except for the bank loan equivalent to HK$500.0 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 rates that range from 5.40% to 7.87% (31 March 2013: 5.40% to 7.54%) per annum. Furthermore, as at 31 March 2014, the Group had unused banking facilities of approximately HK$4,171.1 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

In January 2011, the Company issued senior notes due in January 2016 with a nominal value of US$250 million (equivalent to approximately HK$1,950 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. In FY2011/12, the Company repurchased from the market a portion of the senior notes with nominal value of US$9 million. In October 2012, the Company further issued senior notes due in October 2017 with a nominal value of US$125 million (equivalent to approximately HK$975 million) at a coupon rate of 13.5% per annum for the purpose of funding its properties under development and properties planned for future development, and refinancing a portion of its existing debt and for general corporate purposes. In January 2014, the Company issued senior notes due in January 2019 with a nominal value of US$400 million (equivalents approximately HK$3,120 million) at a coupon rate of 8.25% per annum for the purpose of redeeming all of the outstanding senior notes due in January 2016 and for general corporate purposes. In February 2014, US$241 million senior notes due in January 2016 were fully redeemed. As at 31 March 2014, the carrying value of the Group's senior notes was HK$4,056.8 million.

In April 2013, the Group issued convertible notes due in April 2018 with a principal amount of HK$975 million at a coupon rate of 6.5% per annum for the purpose of funding its properties under development and properties planned for future development, and for refinancing a portion of its existing debt, and for general corporate purposes. As at 31 March 2014, the carrying value of the Group's convertible notes was HK$1,009.4 million.

In May 2014, the Group completed the issuance of the first tranche of the PRC medium-term notes in the national inter-bank market in the PRC with total principal amount of RMB1 billion with a maturity period of 5 years and at an interest rate of 7.5% per annum. The proceeds thereof are intended to be used for repaying existing short-term bank loans of the Group.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 24% as at 31 March 2014 and 32% as at 31 March 2013.

Net Current Assets and Current Ratio

As at 31 March 2014, the Group had net current assets of HK$5,798.7 million (31 March 2013: HK$3,053.1 million) at a current ratio of 1.24 (31 March 2013: 1.20).

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 2014, the guarantees amounted to HK$3,741.0 million (31 March 2013: HK$1,366.4 million). The guarantees granted to purchasers will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly along with the repayment of loan principals by the lessees.

Commitments

As at 31 March 2014, the Group had future capital expenditure contracted but not yet provided in the amount of HK$5,763.6 million (31 March 2013: HK$3,636.4 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 remained stable. The Group's management believes that the fluctuation of the Renminbi will not have a significant impact on the Group's operations. The Group has not issued any financial instruments for hedging purposes.

Acquisition and Disposal of Subsidiary and Associated Company

Except for the acquisition of HOBA Furnishing in December 2013 and the acquisition of the remaining equity capital of CSC Xi'an from non-controlling interests in March 2014, the Group had no material acquisitions and disposals of subsidiaries and associated companies 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. These 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 involving public tender, auction and listing. The actual area of the land acquired and other relevant conditions are subject to these procedures.

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

Pursuant to certain land grant contracts signed by CSC Shenzhen, the saleable GFA of CSC Shenzhen properties built on these parcels of land is limited to 30% of the total buildable GFA. 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 the properties built for residential, commercial and other uses. Pursuant to certain land grant contracts signed by CSC Hefei in May 2013, June 2013 and April 2014, 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 the properties built for residential, commercial and other uses. Except for the conditions mentioned above, there is 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 2014, the Group had a workforce of approximately 6,440 people, including approximately 6,280 people directly employed by the Group and approximately 160 people employed by our joint venture. The number of the Group's staff increased by 72.7% from 3,730 as at 31 March 2013. 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 in response to both 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 granted 234,300,000 share options to certain directors, independent non-executive 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 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 deviations:

Code Provisions A.6.7 and E.1.2

Under Code Provisions A.6.7 and E.1.2, the Chairman of the Board, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings of the Company. During the Year, due to other prior business engagements, two non-executive Directors were unable to attend the last annual general meeting of the Company held on 21 August 2013, and one executive Director, one non-executive Director and one independent non-executive Director were unable to attend the extraordinary general meeting of the Company held on 13 March 2014.

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, review of the relationship with the independent auditor of the Company, determining of the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The audit committee has reviewed the audited financial statements of the Group for the FY2013/14.

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 2014 to 29 August 2014, both days inclusive, during which period no transfer of shares will be effected. The ex-dividend date will be 26 August 2014. 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 2014. The final dividend will be paid to shareholders whose names appear on the register of members on 29 August 2014 and the payment date will be on or about 11 September 2014.

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

Hong Kong, 24 June 2014

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.