華南城

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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2014	2013	**Approximate**
	HK$'000	*HK$'000*	**Change %**
	(Unaudited)	(Unaudited)	
Contracted Sales	**6,837,274**	5,787,100	**18.1**
Revenue	**5,141,135**	3,166,217	**62.4**
Gross profit	**2,425,353**	1,649,210	**47.1**
Gross profit margin	**47%**	52%	
Profit attributable to owners of the parent	**1,303,231**	964,603	**35.1**
Core net profit attributable to owners of the parent*	**887,394**	620,487	**43.0**

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

INTERIM RESULTS

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 unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2014 ("**1H FY2014/15**" or the "**Period**") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

	Notes	For the six months ended 30 September **2014** ***HK$'000*** **(Unaudited)**	 2013 *HK$'000* (Restated) (Unaudited)
REVENUE	*4*	**5,141,135**	3,166,217
Cost of sales		**(2,715,782)**	(1,517,007)
Gross profit		**2,425,353**	1,649,210
Other income and gains	*4*	**220,493**	11,824
Fair value gains on investment properties	*4*	**385,455**	488,182
Selling and distribution expenses		**(299,499)**	(190,343)
Administrative expenses		**(437,230)**	(261,794)
Other expenses		**(17,873)**	26,888
Finance costs	*5*	**(88,282)**	(81,460)
Share of profits and losses of:			
A joint venture		**(23)**	(249)
Associates		**(3,332)**	(201)
PROFIT BEFORE TAX	*6*	**2,185,062**	1,642,057
Income tax expenses	*7*	**(890,215)**	(458,668)
PROFIT FOR THE PERIOD		**1,294,847**	1,183,389
Attributable to:			
Owners of the parent		**1,303,231**	964,603
Non-controlling interests		**(8,384)**	218,786
		1,294,847	1,183,389
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the period		**HK17.87 cents**	HK15.82 cents
Diluted			
– For profit for the period		**HK14.86 cents**	HK14.28 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,294,847**	1,183,389
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**277,612**	127,049
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**277,612**	127,049
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,572,459**	1,310,438
Attributable to:		
Owners of the parent	**1,579,896**	1,088,550
Non-controlling interests	**(7,437)**	221,888
	1,572,459	1,310,438

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	**30 September 2014 HK$'000 (Unaudited)**	31 March 2014 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**739,474**	658,923
Investment properties		**26,437,042**	24,033,905
Properties under development		**5,018,405**	2,933,492
Prepaid land lease payments		**164,362**	142,895
Goodwill		**34,128**	34,128
Investment in a joint venture		**3,092**	8,919
Investments in associates		**1,228**	4,141
Finance lease receivables		**12,969**	17,975
Deposits paid for purchase of land use rights		**1,314,767**	1,051,593
Deferred tax assets		**1,187,151**	1,032,803
Total non-current assets		**34,912,618**	29,918,774
CURRENT ASSETS			
Properties held for finance lease		**166,010**	245,928
Properties held for sale		**16,321,873**	13,454,700
Trade receivables	*10*	**1,649,841**	2,805,839
Prepayments, deposits and other receivables		**817,160**	729,473
Held for trading investments at fair value through profit or loss		**30,940**	29,120
Cash and cash equivalents and restricted cash		**10,237,374**	12,777,108
Total current assets		**29,223,198**	30,042,168
CURRENT LIABILITIES			
Trade and other payables	*11*	**12,322,091**	13,809,916
Interest-bearing bank and other borrowings		**6,611,692**	5,841,720
Tax payables		**4,428,986**	4,410,502
Derivative financial instrument		**–**	181,291
Total current liabilities		**23,362,769**	24,243,429
NET CURRENT ASSETS		**5,860,429**	5,798,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,773,047**	35,717,513

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2014

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**7,213,948**	6,610,675
Senior notes	**4,069,898**	4,056,838
Convertible notes	**–**	1,009,446
Medium-term notes	**2,537,430**	–
Deferred tax liabilities	**4,122,670**	3,896,409
Total non-current liabilities	**17,943,946**	15,573,368
Net assets	**22,829,101**	20,144,145
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**7,022,136**	4,684,476
Reserves	**15,632,258**	14,318,033
Proposed final dividends	**–**	966,996
	22,654,394	19,969,505
Non-controlling interests	**174,707**	174,640
Total equity	**22,829,101**	20,144,145

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014, except for the adoption of the revised standards, interpretation and amendments as of 1 April 2014 noted below:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	E-commerce (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 September 2014						
Segment revenue:						
Sales to external customers	4,771,655	244,455	48,144	10,133	66,748	5,141,135
Intersegment sales	–	11,678	–	–	–	11,678
	4,771,655	256,133	48,144	10,133	66,748	5,152,813
Elimination of intersegment sales						(11,678)
Revenue						5,141,135
Segment results before increase in fair value of investment properties	2,410,362	158,371	(52,759)	10,133	42,760	2,568,867
Increase in fair value of investment properties	–	385,455	–	–	–	385,455
Segment results after increase in fair value of investment properties	2,410,362	543,826	(52,759)	10,133	42,760	2,954,322
Unallocated cost of sales						(143,514)
Interest income						40,883
Gain on held for trading investments at fair value through profit or loss, net						1,820
Unallocated income						177,790
Unallocated expenses						(754,602)
Finance costs						(88,282)
Share of losses of a joint venture						(23)
Share of losses of associates						(3,332)
Profit before tax						2,185,062
As at 30 September 2014						
Segment assets	24,433,476	27,502,895	1,512	7,590	208,828	52,154,301
Reconciliation:						
Investment in a joint venture						3,092
Investments in associates						1,228
Unallocated assets						11,977,195
Total assets						64,135,816
Segment liabilities	10,107,432	4,750,587	1,434	2,365	89,775	14,951,593
Reconciliation:						
Unallocated liabilities						26,355,122
Total liabilities						41,306,715

	Property development	Property investment (Restated)	Property management	E-commerce	Others (Restated)	Total (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 September 2013						
Segment revenue:						
Sales to external customers	2,998,547	101,847	33,572	–	32,251	3,166,217
Intersegment sales	–	9,148	–	–	–	9,148
	2,998,547	110,995	33,572	–	32,251	3,175,365
Elimination of intersegment sales						(9,148)
Revenue						3,166,217
Segment results before increase in fair value of investment properties	1,643,142	100,846	(31,971)	–	22,946	1,734,963
Increase in fair value of investment properties	–	488,182	–	–	–	488,182
Segment results after increase in fair value of investment properties	1,643,142	589,028	(31,971)	–	22,946	2,223,145
Unallocated cost of sales						(85,753)
Interest income						18,993
Loss on held for trading investments at fair value through profit or loss, net						(14,446)
Unallocated income						7,277
Unallocated expenses						(425,249)
Finance costs						(81,460)
Share of losses of a joint venture						(249)
Share of losses of an associate						(201)
Profit before tax						1,642,057
As at 31 March 2014 (Audited)						
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

4. REVENUE, OTHER INCOME AND GAINS, FAIR VALUE GAINS ON INVESTMENT PROPERTIES

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**4,592,940**	2,880,328
Finance lease income	**178,715**	118,219
Rental income	**244,455**	101,847
Property management service income	**48,144**	33,572
E-commerce income	**10,133**	–
Other fee income*	**66,748**	32,251
	5,141,135	3,166,217
Other income and gains		
Interest income	**40,883**	18,993
Fair value gain on derivative financial instrument	**151,915**	–
Gain/(loss) on held for trading investments at fair value through profit or loss, net	**1,820**	(14,446)
Others	**25,875**	7,277
	220,493	11,824
Fair value gains on investment properties	**385,455**	488,182

* Other fee income includes an amount of HK$40,663,000 (six months ended 30 September 2013: HK$18,054,000) related to income from retail outlet operations and HK$24,967,000 (six months ended 30 September 2013: HK$11,428,000) related to income from logistics operations.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings:		
Wholly repayable within five years	**424,573**	288,767
Wholly repayable beyond five years	**42,199**	37,974
Interest on senior notes	**207,572**	201,037
Interest on convertible notes	**30,173**	51,405
Interest on medium-term notes	**42,147**	–
Less: Interest capitalised	**(658,382)**	(497,723)
Total	**88,282**	81,460

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,279,069**	1,318,343
Cost of properties held for finance lease	**82,224**	37,062
Depreciation	**32,153**	23,450
Less: Depreciation capitalised in respect of properties under development	**(440)**	(693)
	31,713	22,757
Amortisation of prepaid land lease payments	**773**	167
Fair value gain on derivative financial instrument*	**(151,915)**	–
Impairment/(reversal of impairment) of trade receivables**	**17,873**	(26,888)
Equity-settled share option expense	**61,846**	29,150

* Included in "Other income and gains" in the condensed consolidated statement of profit or loss.

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

7. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 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% on their respective taxable income during the period.

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 sale of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China corporate income tax	**400,871**	194,315
LAT in Mainland China	**456,334**	379,723
Deferred:		
Mainland China corporate income tax	**80,681**	101,318
LAT in Mainland China	**(104,844)**	(94,931)
Withholding tax on dividend	**57,173**	(121,757)
Total tax charged for the period	**890,215**	458,668

8. DIVIDENDS

At a meeting of the Board held on 25 November 2014, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2013: Nil).

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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

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

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

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,303,231**	964,603
Add: Interest on convertible notes	**1,701**	–
Less: fair value gain on derivative financial instrument	**(151,915)**	–
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,153,017**	964,603

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**7,292,274,153**	6,096,792,852
Effect of dilution – weighted average number of ordinary shares:		
Share options	**112,745,928**	62,241,375
Tencent call option	**13,559,145**	–
Convertible notes	**341,530,054**	594,262,295
	7,760,109,280	6,753,296,522

10. TRADE RECEIVABLES

Trade receivables represent sales income, rental, and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables 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, and net of provision, is as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**387,836**	1,805,792
1 to 2 months	**206,786**	208,048
2 to 3 months	**29,329**	316,165
3 to 9 months	**945,642**	461,967
9 to 12 months	**80,248**	13,867
Total	**1,649,841**	2,805,839

Receivables that were neither past due nor impaired and past due but not impaired related 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	**30 September 2014** *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
Other payables and accruals		**1,090,467**	2,647,884
Notes payables		**–**	62,495
Deposits received and receipts in advance		**4,368,071**	5,120,311
Construction fee and retention payables	*(i)*	**6,863,553**	5,979,226
Total		**12,322,091**	13,809,916

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

	30 September 2014 *HK$'000* **(Unaudited)**	31 March 2014 *HK$'000* (Audited)
Within one year	**6,782,212**	5,923,618
Over one year	**81,341**	55,608
Total	**6,863,553**	5,979,226

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

CHAIRMAN'S STATEMENT

On behalf of the Board of China South City Holdings Limited, together with its subsidiaries, I am pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 September 2014.

RESULTS AND DIVIDEND

The Group achieved solid growth in its businesses during the Period, with revenue climbing 62.4% year-on-year to HK$5,141.1 million (1H FY2013/14: HK$3,166.2 million). Contracted Sales (including property sales in finance lease) for the Period increased by 18.1% year-on-year to HK$6,837.3 million (1H FY2013/14: HK$5,787.1 million). Core net profit attributable to owners of the parent (being profit attributable to owners of the parent for the Period less fair value gains on investment properties and its related tax effect and fair value gain on derivative financial instrument) increased by 43.0% year-on-year to HK$887.4 million (1H FY2013/14: HK$620.5 million), while profit attributable to owners of the parent reached HK$1,303.2 million (1H FY2013/14: HK$964.6 million), up 35.1% from a year ago. Basic earnings per share amounted to HK17.87 cents (1H FY2013/14: HK15.82 cents).

As more new projects were launched for operation, the Group diversified its revenue sources with its recurring businesses expanding rapidly, laying a solid foundation for its sustainable growth. During the Period, it reported strong recurring revenue of HK$369.5 million (1H FY2013/14: HK$167.7 million), representing a significant increase of 120.4% year-on-year.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (1H FY2013/14: Nil).

REVIEW OF THE MARKET AND OPERATIONS

Riding on supportive government policies to drive industry upgrade

During the period under review, China is adapting to a slower pace of economic growth. Domestic economic environment has been challenging for different industries. However, the Chinese government continues to drive the structural economic reform with greater attention to GDP quality as opposed to quantity. Hence, the pace of Chinese urbanization shows no sign of slowing down. Given the multitude of problems caused by old-fashioned, poorly managed second generation wholesale markets in downtown areas, local governments have stepped up efforts to expedite their replacement with third-generation integrated logistics and trade centers in the outskirts of cites.

As the leading developer and operator of large-scale, integrated logistics and trade centers in China by gross floor area ("**GFA**"), China South City took pioneering initiatives to promote the industry upgrade from second generation wholesale markets to third generation integrated logistics and trade centers and achieved remarkable results with the help of strong local government support.

The Group has established a strong presence in eight major provincial capitals and municipalities by creating a nationwide network spread across two major logistics corridors in China.

Remarkable progress in e-commerce platform development

Riding on the thriving e-commerce business, the Group propelled the development of an integrated online platform in order to offer more value-added and innovative services to SMEs. It took the lead to drive the industry upgrade towards the fourth generation integrated logistics and trade centers equipped with integrated O2O business eco-systems and partnered with internet giant Tencent to achieve this goal.

The Group established e-commerce as a pillar of its business strategy, actively explored new opportunities and enhanced its own B2B and B2C e-commerce platforms – CSC Net (csc86.com) and Aolaigo (aolaigo.com).

In addition to helping its physical occupants set up their online shops and display their products on CSC Net, the online membership program in China South City Zhengzhou ("**CSC Zhengzhou**") launched earlier this year has successfully started to offer the online members a full range of e-commerce services and received an enthusiastic response.

In August 2014, the Group teamed up with Tencent to jointly launch Huasheng Outlets-Weixin Mall, an omni-channel shopping platform built upon the Group's Huasheng Outlets physical stores, while leveraging on Tencent's Weixin public platform to build the O2O features to enhance shopping experience both online and offline. Following the successful operation of its outlet in China South City Shenzhen ("**CSC Shenzhen**"), trial operation outlets on its Xi'an, Nanning and Nanchang projects started this year, and trial operation of its online mall, Aolaigo, commenced in March this year to complement the operation of its physical stores and contribute to the O2O business eco-system.

Closer strategic cooperation on e-commerce development

To open up new growth opportunities in the world of e-commerce, China South City collaborated with leading internet giant to spur "Physical + Online" integration in a bid to upgrade its online platforms and provide value-added and innovative services to SMEs in China. Leveraging on its powerful physical platform, the Group forged closer strategic partnerships with industry leader of the internet world to push for e-commerce development.

During the Period, Tencent boosted its stake in the Company to 11.55% through the exercise of share options in full. This cemented the strategic cooperation between both companies. With the support from Tencent's internet technology and expertise, the Group is in the process of connecting its physical platform, B2B and B2C online platforms with Weixin platform to create an integrated O2O eco-system, which enabled it to offer more value-added and innovative services to SMEs.

In addition to cooperation on operation level, directorship appointment to the Company allows Tencent to provide strategic view on board level. Mr. Davis Lin, General Manager of Strategic Development Department of Tencent, was appointed as non-executive director of China South City with effect from 28 June 2014. He will spearhead his consultancy team to provide the Group with valuable guidance on various aspects, including e-commerce platforms and O2O mobile application, membership system development and management, user experience enhancement, big data utilization and provision of value-added services.

In September 2014, the Group acquired a 19.05% stake in Makepolo Inc. ("**Makepolo**"), which operates one of the leading B2B procurement trading platforms in China. This strategic investment enables the Group to offer more diversified e-commerce services.

Unparalleled logistics network

In early October this year, the State Council issued a blueprint for China's logistics industry for 2014-2020 aiming to build a modern logistics system for the country. The plan highlights the importance of logistics in the development of national economy. Furthermore, the Ministry of Commerce released in September "Opinions on Improving the Development of Trade Logistics" with the aim of helping the logistics sector play a bigger role in the national economy.

Capitalizing on market opportunities, China South City has developed eight strategically located projects in regional logistics hubs stretching from Harbin to Nanning and Shenzhen and reserved approximately 15% of its total planned GFA of each project for logistics and storage facilities. As at 30 September 2014, the Group had GFA of approximately 168,200 sq. m. logistics facilities in operation.

Taking advantage of its extensive network, the Group strives to expand its logistics assets to promote its Logistics Information Exchange Platform (LIEP), aiming to help its occupants match their freight plans and boost the utilization of empty truck loads of heavy goods vehicles ("**HGVs**"), on return journeys, thereby lowering overall logistics costs. LIEP in China South City Nanning ("**CSC Nanning**") and CSC Shenzhen rolled out for trial operation during the Period.

In May 2014, the Group entered into Framework Agreements to undertake the development of an e-commerce and logistics project in Nanchang as a part of the Group's strategy to further strengthen the e-commerce and logistics arms of its operation.

Meticulous planning for a sustainable business model

The Group takes a prudent approach to business management. Through phase-by-phase development of its projects, it reinforces cashflow management and retains adequate resources for future expansion.

Through meticulous planning, the Group successfully expanded its funding channels and optimized its debt profile at lower financing costs and forayed into the domestic short-term notes and medium-term notes markets. In October 2014, the Group successfully issued domestic short-term notes amounted RMB2.2 billion at a low rate of 5.4% p.a.. A new HSBC 2-year unsecured loan of HK$600 million was signed in the same month at an interest rate of HIBOR +2.65%. As of the end of October, the Group's average funding cost was 7.0%.

During the Period, the Group continued to receive strong support from the financial markets both domestically and internationally with access to diversified financing channels that include onshore and offshore bank loans, notes issues in the national inter-bank market in the PRC and international capital markets. The Group saw its credit ratings upgraded by international rating agencies, S&P and Moody's, by one notch to "BB-" and "B1" respectively during the Period, in recognition of its better financial position. Fitch Ratings has also assigned B+ with positive outlook on the Group.

Reflecting its wide recognition in the market, China South City has been designated a constituent of the Hang Seng Composite MidCap Index, the FTSE Hong Kong Index and MSCI China Index respectively from this year.

PROSPECTS

Looking forward, the Group will continue to promote the industry upgrade of wholesale markets by building the fourth generation integrated logistics and trade centers across China. The Group will cultivate closer partnerships with its strategic partners to drive the development of its e-commerce platforms and continue to invest in the development of logistics facilities to complete its LIEP. Riding on the strong governmental support, the Group is well positioned to capture the ample opportunities arising in the market through the further expansion of its business network in key provincial capitals and municipalities. Leveraging on its sizable scale, the Group will strengthen its "Physical + Online + Logistics" integrated business eco-system and offer ever-improving services to SMEs. Even though the domestic economic environment has been challenging, the central government continued to promote urbanization. With more projects set to launch for sales and commence operation, the management is optimistic about its business outlook.

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

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 25 November 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the period under review, China's economy adopted to a "new normal" of slower but more stable growth, attention of policy makers have been shifting to the pursuit of the quality of its GDP rather than the quantity. To encourage structural economic reform, the central government continued to roll out supportive policies to drive industry upgrade and enhance the competitiveness of Chinese cities. As the leading developer and operator of large-scale, integrated logistics and trade centers in China by GFA, China South City captures the tremendous opportunities arising in the market by taking a pioneering initiative to promote industry upgrade through the transformation of obsolete second generation wholesale markets towards third generation modern integrated trade centers.

China South City took the lead in facilitating the modernization of wholesale markets in various major cities. For example, to cater to the strong demand for relocation of wholesale markets in Zhengzhou driven by the rapid urbanization set out by the municipal government in 2012, China South City acts as a solution provider to the local government to facilitate the relocation process by bringing integrated logistics and trade centers to the city. According to the government's plan, a total of 177 wholesale markets are going to be relocated out of the third ring of the city. During the Period, CSC Zhengzhou gradually commenced trial operation and achieved remarkable progress with close to 2,000 SMEs opened for business.

Leveraging on its replicable business model and abundant experiences, China South City has established a diversified project portfolio by developing large-scale integrated logistics and trade centers in eight major provincial capitals and municipalities strategically located in two major logistics corridors in China.

With more projects launched for sale and trial operation, China South City maintained strong growth momentum and achieved revenue of HK$5,141.1 million (1H FY2013/14: HK$3,166.2 million) during the Period, up 62.4% year-on-year. Contracted Sales for the Period increased by 18.1% year-on-year to HK$6,837.3 million (1H FY2013/14: HK$5,787.1 million).

Details on Contracted Sales in 1H FY2014/15 are shown 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	**22,700**	**13,400**	**305.7**	**4.4%**
Trade center (Mall)[1]	4,500	20,400	92.6	1.4%
Office	6,700	13,000	87.5	1.2%
Residential property	11,500	11,000	125.6	1.8%
CSC Nanchang	**83,000**	**10,900**	**901.0**	**13.2%**
Trade center (Mall)	15,200	19,200	291.6	4.3%
Residential property	67,800	9,000	609.4	8.9%
CSC Nanning	**51,600**	**9,100**	**470.6**	**6.9%**
Trade center (Mall)	6,100	20,000	121.9	1.8%
Residential property	45,500	7,700	348.7	5.1%
CSC Xi'an	**96,200**	**9,100**	**878.1**	**12.8%**
Trade center (Mall)	12,000	12,700	152.1	2.2%
Trade center (Detached)[2]	84,200	8,600	726.0	10.6%
CSC Zhengzhou	**282,200**	**9,900**	**2,782.1**	**40.7%**
Trade center (Mall)	97,300	12,400	1,210.4	17.7%
Trade center (Detached)	184,900	8,500	1,571.7	23.0%
CSC Harbin	**96,100**	**8,400**	**804.7**	**11.8%**
Trade center (Detached)	96,100	8,400	804.7	11.8%
CSC Hefei	**89,000**	**7,800**	**695.1**	**10.2%**
Trade center (Detached)	89,000	7,800	695.1	10.2%
Total	**720,800**	**N/A**	**6,837.3**	**100%**

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

During the Period, the Group continued to increase the contribution from recurring revenue. It recorded recurring revenue of HK$369.5 million (1H FY2013/14: HK$167.7 million), up 120.4% year-on-year and accounting for 7.2% of total revenue as compared to 5.3% in 1H FY2013/14.

Expanded Ancillary Services to Further Strengthen CSC's Business Eco-system

While it is the Group's long-term goal to provide a modernized platform to assist SMEs in conducting business in China, besides developing integrated logistics and trade center projects, China South City also operates these projects and provides value-added services to its occupants, including e-commerce, logistics and warehousing service, outlets, property management and trade fairs.

E-Commerce

Driving the evolution of wholesale markets

China South City is the first mover in partnering with internet giant to drive the migration towards the fourth generation wholesale markets which combine far-reaching e-commerce tools with tangible offline platforms. Improving information technology and infrastructure, as well as the development of e-commerce platform have spurred the penetration of e-commerce in the commercial world, thereby creating growing demand from SMEs for conducting business online. Aiming to capture this enormous new business opportunity, the Group will leverage its extensive nationwide trading and logistics network to establish an integrated O2O business eco-system for SMEs. It plans to provide one-stop solutions to its occupants through the creation of a "Physical + Online + Logistics" platform.

Strengthening e-commerce services through strategic partnerships

In January 2014, China South City brought in Tencent, an internet giant in China, as its strategic investor, and placed 9.9% of the Company's shares at a consideration of approximately HK$1,500 million. Since then, a closer strategic partnership has been forged between the two market leaders in their respective fields including e-commerce platform cooperation and development of an integrated O2O business eco-system, and stepping up efforts and investment in its e-commerce business.

Combining the Group's extensive physical platform with Tencent's Weixin platform, technical knowhow and strong brand power, both sides carried out extensive collaboration in integrated O2O services and jointly developed the "Physical + Online + Logistics" platform, which is set to accelerate the upgrade of China South City online services and thus allows it to offer more effective integrated trade services.

In June 2014, a memorandum of strategic cooperation was signed between China South City and Tencent to implement full cooperation between their e-commerce businesses, including the integration of Weixin public platform with the Group's physical platform, B2B platform (CSC Net) and B2C platform (Aolaigo).

In August 2014, Huasheng Outlets-Weixin Mall, an omni-channel shopping platform jointly established with Tencent, was launched. This marked the start of an initiative to promote Weixin public platform's B2C business collaboration with O2O features as set out in the memorandum of strategic cooperation. The Group plans to develop a wifi intelligent digital solution system which will cover all of its projects for real-time tracking and analysis of customers' shopping needs and establish two-way interaction with customers through targeted promotional messages to Weixin fans.

Mr. Davis Lin, General Manager of Strategic Development Department of Tencent, was appointed as non-executive director of the Company in June 2014 to contribute to the Group on strategic level. Mr. Lin has also been spearheading effort with his consultancy team to provide the Group with valuable guidance on aspects such as e-commerce platforms, O2O mobile applications, membership systems development and management, user experience enhancement, big data utilization and value-added services provision.

In September 2014, Tencent boosted its stake in the Company from 9.9% to 11.55% through the exercise of 244,800,000 share options in full with a consideration of approximately HK$822.5 million, thereby further strengthening the strategic cooperation between both companies.

To further pursue its e-commerce development strategy, China South City acquired 19.05% equity stake in Makepolo, an operator of one of the leading B2B procurement trading platforms in China, for a total consideration of US$22.5 million in September 2014.

Through this strategic investment, the Group will bring Tencent's powerful online system and Makepolo's extensive SME customer and product information into full play to drive the integration of O2O trade services and provide more comprehensive e-commerce services to the SMEs.

Promoting Self-developed Platforms

During the period under review, the Group has made noticeable progress in the development of different e-commerce platforms it operates. As of the end of September 2014, CSC Net, the B2B platform owned and operated by the Group, had over 500,000 registered members with over 2.2 million products on display.

An online membership program launched in CSC Zhengzhou in 2014 to provide its occupants a full range of e-commerce services through CSC Net has received an overwhelming response. As of the end of September 2014, approximately 2,000 out of the 7,000 registered occupants at CSC Zhengzhou have successfully started their online operation with CSC86.com.

In March 2014, Aolaigo (奧萊購), the Group's B2C outlets platform, started trial operation. Following the launch of Huasheng Outlets-Weixin Mall in August this year, offline traffic at the Group's physical stores can be converted into and interact with online traffic, and customers can enjoy shopping both online and offline. To date, Aolaigo has approximately 350,000 registered members.

Logistics

Exerting Full Potential of CSC's Extensive Network

Logistics sector is playing an increasingly prominent role in the national economy driven by strong government support and the rapid growth of e-commerce. However, the country's logistics costs are much higher than other advanced economies in terms of their share of GDP. As a result, there is pressing demand for more efficient logistics network in China.

In order to address the growing market demand, the Group has reserved substantial land bank for the development of integrated logistics and storage facilities at its eight projects strategically located in fast-growing provincial capitals and municipalities. These logistics and storage facilities are at different stages of development. As at 30 September 2014, the Group had 168,200 sq. m. logistics and warehousing facilities in operation.

With a nationwide network stretching from Harbin to Nanning and Shenzhen, the Group has been active in developing a Logistics Information Exchange Platform with the aim of helping its occupants match their freight plans and cut logistics costs by utilizing the empty-load HGVs on return journeys at discounted price. Trial operation of LIEP started in CSC Nanning, and extended to CSC Shenzhen in July this year. The LIEP will allow onsite SMEs to directly source their logistics needs from carriers. As of 30 September 2014, approximately 13,000 individual drivers and corporate carriers enjoyed access to this platform.

The Group established a strategy to enhance the integration of e-commerce with its logistics business. In May 2014, it entered into Framework Agreements with the Honggutan New District Administrative Committee and Xinjian County Government in Nanchang to undertake the development of the Nanchang E-commerce and Logistics Project, thereby promoting the growth of its e-commerce and logistics business in Jiangxi Province.

Outlets

Remarkable Progress in Outlets Business

Operated under Shenzhen Huasheng Commercial Development Company Limited, a wholly-owned subsidiary of the Group, the outlet business of CSC Shenzhen experienced robust growth since its opening in 2011.

As e-commerce is rapidly changing the traditional operation model of the retail industry, the Group teamed up with Tencent to jointly launch Huasheng Outlets-Weixin Mall in CSC Shenzhen on 15 August 2014. This omni-channel shopping platform leverages Weixin's public platform combine with O2O features, allowing customers to shop anytime anywhere at will. Moreover, the implementation of Weixin payment services further enhances customers' shopping experience at outlets. The roll-out of the online and offline outlets business in parallel further enhances and upgrades the Group's omni-channel outreach, creating greater synergy to its business at large.

Building on the successful operation of the outlets at CSC Shenzhen, the Group has expanded this business further at its other projects including Xi'an, Nanning and Nanchang. As at 30 September 2014, the outlet housed more than 200 renowned international and domestic labels. During the Period, outlet operation generated revenue of HK$40.7 million, up 125.2% year-on-year.

Property Management

Creating Greater Brand Value

With the aim of allowing 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 services on all China South City projects. The Group endeavors to differentiate its projects from other wholesale markets by stepping up efforts to strengthen standards in fire prevention, security, environmental stewardship, maintenance services as well as the management of transportation and parking lots on each of its project sites.

Trade Fairs

Leveraging on its large-scale trade platforms at major provincial capitals and municipalities, coupled with its extensive experience in co-organizing trade fairs with local governments, the Group has been organizing trade exhibitions and conventions at its projects. These fairs attracted international and regional exhibitors and boosted traffic and business flow, generating business opportunities for its trade centers and enhancing China South City's brand recognition.

Trade Fairs at a Glance

China-ASEAN Light Industrial Products Fair

The 11th China-ASEAN Light Industrial Products Fair, co-organized by the Ministry of Commerce of China, its ASEAN counterparts plus the China-ASEAN Expo Secretariat, and undertaken by the government of the Guangxi Zhuang Autonomous Region, was held at China South City Nanning in September 2014. The fair attracted over 1 million domestic and international visit counts (2013: 960,000 visit counts). This annual event further enhanced the Group's brand recognition in the region as well as among ASEAN members.

Spring Tea Festival at CSC Nanning

CSC Nanning organized the Spring Tea Festival during the Labor Day Holidays in May 2014, which showcased an array of tea and tea wares. This commercial trade fair received an enthusiastic response, attracting approximately 317,000 visit counts (2013: 150,000 visit counts).

Growing Capital Market Recognition, as Evidenced by the Expanding Financial Channels and Inclusion in Major Indices

During the Period, the Group maintained a sound financial position and proactively expanded its financing channels for future business development. In recognition of its successful business model, outstanding operating performance and market leadership, it received enthusiastic response from capital markets for its funding exercises. With more diversified financing channels, the Group successfully optimized its debt profile at lower financing costs. The Group recorded a weighted average financing cost of 7.0% as at the end of October.

It is noteworthy that the Group successfully tapped into the domestic short-term notes and medium-term notes markets. In April 2014, China South International Industrial Materials City (Shenzhen) Company Limited ("**China South International**"), a wholly-owned subsidiary of the Company, was granted approval to issue medium-term notes with a term of 5 years in an aggregate maximum principal amount of RMB4 billion in the PRC. In May and September 2014, China South International completed the issuance of its first and second tranches of five-year medium-term notes each worth RMB1 billion in the national interbank market of the PRC to repay its domestic bank loans and to optimize its debt structure. China South International and both notes were assigned an "AA" rating by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司).

In September 2014, China South International was granted approval to issue short-term notes in an aggregate maximum principal amount of RMB4.3 billion with a maturity period of 365 days in the PRC. The first tranche, worth RMB2.2 billion, was successfully issued in the national interbank market of the PRC the following month and received an overwhelming response from investors. China South International and the short-term notes were assigned an "AA" and "A-1" rating respectively by Dagong Global Credit Rating Co., Ltd..

The Company saw its credit ratings upgraded by international rating agencies during the Period in recognition of its financial position. Standard & Poor's Ratings Services raised its long-term corporate credit rating on the Company to 'BB-' from 'B+' and raised the rating on the Company's outstanding senior notes to 'B+' from 'B' in July 2014 with stable outlook. Meanwhile, Fitch Ratings assigned B+ with positive outlook on the Group earlier this year. Furthermore, Moody's Investors Service upgraded China South City's corporate family rating to 'B1' from 'B2' and its senior notes rating to 'B2' from 'B3' in June 2014 with a stable rating outlook. The ratings upgrade by these leading international rating agencies clearly reflects their recognition of China South City's financial position.

China South City's leadership and remarkable business performance was well recognized by the capital market. During the Period, the Company was designated a constituent of the Hang Seng Composite MidCap Index and a constituent of the FTSE Hong Kong Indices, respectively. Besides, the company was named a constituent of the MSCI China Index, effective as of the close of 25 November 2014.

Expansion of Project Portfolio

In order to drive its growth momentum, the Group continued to identify expansion opportunities in provincial capitals and municipalities in China with good potential.

In March 2014, the Group signed a Letter of Intent with the Economic and Trade Commission of Guangzhou Municipality to undertake the construction and development of a large-scale integrated logistics and trade center in Guangzhou. The aim of this project is to accelerate the upgrade of the traditional trade and logistics industry in the region.

Going forward, the Group plans to add one or two projects every year to expand its project portfolio through replicating the model of its Shenzhen project.

Land Bank

During the Period, an attributable GFA of approximately 3.34 million sq. m. in China South City Xi'an ("**CSC Xi'an**"), China South City Hefei ("**CSC Hefei**"), China South City Chongqing ("**CSC Chongqing**") and China South City Harbin ("**CSC Harbin**") was acquired at an average cost of RMB443/sq. m.. The increased land bank allows the Group to drive sustainable growth in the future.

Details of the land bank as at 30 September 2014:

	Completed Properties		Properties Under Development	Properties to be completed by FY2014/15	Properties planned for future development on GFA acquired	Total planned GFA	Attributable GFA acquired (% to total planned GFA)	
(in sq. m.)	Sold	Unsold		Estimated	Estimated	Estimated		%
CSC Shenzhen	690,500	1,209,800	497,200	110,500	246,500	2,644,000	2,644,000	100%
CSC Nanchang	638,500	456,000	747,200	403,000	2,438,300	4,280,000	4,280,000	100%
CSC Nanning	226,600	589,400	762,000	558,500	902,000	4,880,000	2,480,000	51%
CSC Xi'an	468,000	428,500	731,400	168,500	2,528,100	17,500,000	4,156,000	24%
CSC Harbin	148,600	87,000	1,167,000	130,800	1,278,400	12,000,000	2,681,000	22%
CSC Zhengzhou	819,500	1,025,300	1,313,600	65,500	1,056,600	12,000,000	4,215,000	35%
CSC Hefei	652,500	155,900	1,355,600	563,600	2,679,000	12,000,000	4,843,000	40%
CSC Chongqing	–	–	877,700	680,000	453,300	13,500,000	1,331,000	10%
Total	3,644,200	3,951,900	7,451,700	2,680,400	11,582,200	78,804,000	26,630,000	34%

China South City Shenzhen

CSC Shenzhen, the Group's first 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 total planned GFA of approximately 2.64 million sq. m.. As at 30 September 2014, trade center and ancillary facilities at phase I, phase II and part of phase III with a total GFA of approximately 1.9 million sq. m. were in operation. CSC Shenzhen is currently in its phase III development. In 2H FY2014/15, construction of GFA of 497,200 sq. m. will be underway, among which 110,500 sq. m. are expected to be completed by this fiscal year. During the Period, construction of GFA of 88,100 sq. m. of ancillary facilities were completed.

In 1H FY2014/15, CSC Shenzhen recorded total Contracted Sales of HK$305.7 million (1H FY2013/14: HK$283.1 million), including trade center (mall) with GFA of 4,500 sq. m. at an ASP of HK$20,400/sq. m. (1H FY2013/14: 5,800 sq. m. at HK$27,100/sq. m.), office units with GFA of 6,700 sq. m. at an ASP of HK$13,000/sq. m. (1H FY2013/14: 3,300 sq. m. at HK$12,000/sq. m.) and residential ancillary with GFA of 11,500 sq. m. at an ASP of HK$11,000/sq. m. (1H FY2013/14: 8,800 sq. m. at HK$9,800/sq. m.).

For 1H FY2014/15, CSC Shenzhen maintained a stable growth in occupancy rates and rental rates. As at 30 September 2014, the total occupancy rate and rental rate of phase I trade center and shops were 95% and HK$53/sq. m., (As at 30 September 2013: 95% at HK$44/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 70% at HK$39/sq. m. (As at 30 September 2013: 60% at HK$37/sq. m.) and 56% at HK$47/sq. m. (As at 30 September 2013: 49% at HK$53/sq. m.), respectively.

China South City Nanchang ("CSC 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 which 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.. As of 30 September 2014, trade centers and residential ancillary at phase I with a total GFA of approximately 1.1 million sq.m. were completed and partly in trial operation. CSC Nanchang is at the turn of phase II construction. In 2H FY2014/15, construction of GFA of 747,200 sq. m. will be underway, among which 403,000 sq. m. are expected to be completed by this fiscal year. During the Period, construction of GFA of 193,600 sq. m. of trade centers and ancillary facilities were completed.

In 1H FY2014/15, CSC Nanchang recorded total Contracted Sales of HK$901.0 million (1H FY2013/14: HK$756.9 million), including trade center (mall) of GFA of 15,200 sq. m. at an ASP of HK$19,200/sq. m. (1H FY2013/14: 45,200 sq. m. at HK$16,400/sq. m.) and residential ancillary of a GFA of 67,800 sq. m. at an ASP of HK$9,000/sq. m. (1H FY2013/14: 1,800 sq. m. at HK$7,600/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.

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. In 2H FY2014/15, construction of GFA of 731,400 sq. m. will be underway, among which 168,500 sq. m. are expected to be completed by this fiscal year.

In 1H FY2014/15, CSC Xi'an recorded total Contracted Sales of HK$878.1 million (1H FY2013/14: HK$1,405.5 million), including trade center (mall) with GFA of 12,000 sq. m. at an ASP of HK$12,700/sq. m. (1H FY2013/14: 32,400 sq. m. at HK$14,200/sq. m.) and trade center (detached) with GFA of 84,200 sq. m. at an ASP of HK$8,600/sq. m. (1H FY2013/14: 113,500 sq. m. at HK$8,300/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. In 2H FY2014/15, construction of a GFA of 762,000 sq. m. will be underway, among which 558,500 sq. m. are expected to be completed by this fiscal year.

In 1H FY2014/15, CSC Nanning recorded total Contracted Sales of HK$470.6 million (1H FY2013/14: HK$298.5 million), including trade center (mall) with GFA of 6,100 sq. m. at an ASP of HK$20,000/sq. m. (1H FY2013/14: 5,100 sq. m. at HK$16,800/sq. m.) and residential ancillary with GFA of 45,500 sq. m. at an ASP of HK$7,700/sq. m. (1H FY2013/14: 30,100 sq. m. at HK$7,100/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 helps to facilitate economic activities within and across the region. Tapping the opportunities arising from the area's emerging development potential, CSC Harbin endeavors to become the largest integrated logistics and 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 130,800 sq. m. are expected to be completed by this fiscal year. During the Period, construction of GFA 235,600 sq. m. of trade centers were completed.

In 1H FY2014/15, CSC Harbin recorded total Contracted Sales of HK$804.7 million (1H FY2013/14: HK$1,146.5 million) from trade center (detached) with GFA of 96,100 sq. m. at an ASP of HK$8,400/sq. m. (1HFY2013/14: 151,500 sq. m. at HK$7,600/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. In 2H FY2014/15, construction of GFA of 1.3 million sq. m. will be underway, among which 65,500 sq. m. are expected to be completed by this fiscal year . During the Period, construction of GFA 614,200 sq. m. of trade centers and ancillary facilities were completed and trial operation has commenced in CSC Zhengzhou.

In 1H FY2014/15, CSC Zhengzhou recorded total Contracted Sales of HK$2,782.1 million (1H FY2013/14: HK$1,896.6 million) from trade center (mall) with GFA of 97,300 sq. m. at an ASP of HK$12,400/sq. m. (1H FY2013/14: Nil), and trade center (detached) with GFA 184,900 sq. m. at an ASP of HK$8,500 sq. m. (1H FY2013/14: 229,400 sq. m. at HK$8,300/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. In 2H FY2014/15, construction of GFA of 1.4 million sq. m. will be underway, among which 563,600 sq. m. are expected to be completed by this fiscal year.

CSC Hefei was the first project to be launched for sales and generated revenue in the first year of project, with overwhelming response to become one of the main contributors in sales in the last fiscal year. In 1H FY2014/15, CSC Hefei recorded total Contracted Sales of HK$695.1 million (1H FY2013/14: Nil) from trade center (detached) with GFA of 89,000 sq. m. at an ASP of HK$7,800/sq. m. (1H FY2013/14: 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 sq. m. and 581,400 sq. m. in March and May 2014 respectively. CSC Chongqing is in phase I development. In 2H FY2014/15, construction of GFA of 877,700 sq. m. will be underway, among which 680,000 sq. m. are expected to be completed by this fiscal year.

Financial Review

For the six months ended 30 September 2014, the Group reported a strong growth in its financial performance, with revenue growth of 62.4% to HK$5,141.1 million (six months ended 30 September 2013: HK$3,166.2 million), profit attributable to owners of the parent for the period grew 35.1% to HK$1,303.2 million (six months ended 30 September 2013: HK$964.6 million). Excluding the effects of fair value gains on investment properties and related tax effects and fair value gain on derivative financial instrument, core net profit attributable to owners of the parent for the period as adjusted increased by 43.0% to HK$887.4 million (six months ended 30 September 2013: HK$620.5 million). Basic earnings per share increased to HK17.87 cents (six months ended 30 September 2013: HK15.82 cents).

Revenue

Revenue increased by 62.4% to HK$5,141.1 million (six months ended 30 September 2013: HK$3,166.2 million). The increase was mainly due to the delivery of newly completed properties in our Zhengzhou, Harbin and Nanchang projects during the period under review, and the growing demand of our trade center units.

	For the six months ended 30 September		
	2014	2013	Change
	HK$'000	HK$'000	%
Sales of properties and finance lease income	**4,771,655**	2,998,547	59.1%
Sales of trade center units	***4,335,626***	*2,463,850*	*76.0%*
Sales of residential properties	***257,314***	*416,478*	*(38.2%)*
Finance lease income	***178,715***	*118,219*	*51.2%*
Recurring income	**369,480**	167,670	120.4%
Rental income	***244,455***	*101,847*	*140.0%*
Property management service income	***48,144***	*33,572*	*43.4%*
E-commerce income	***10,133***	*–*	*N/A*
Other fee income	***66,748***	*32,251*	*107.0%*
	5,141,135	3,166,217	62.4%

Sales of Properties and Finance Lease Income

Revenue from sales of properties (including trade center units and residential properties) increased by 59.5% to HK$4,592.9 million (six months ended 30 September 2013: HK$2,880.3 million). The increase was mainly due to the delivery of newly completed properties in our Zhengzhou, Harbin and Nanchang projects during the period 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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
CSC Shenzhen	**19,600**	27,100	**4,100**	5,800	**80.7**	157.8	**76.2**	149.0
CSC Xi'an	**10,000**	9,000	**4,000**	259,000	**40.3**	2,329.9	**37.5**	2,197.5
CSC Hefei	**9,000**	–	**14,500**	–	**130.3**	–	**123.1**	–
CSC Zhengzhou	**8,100**	–	**285,100**	–	**2,303.5**	–	**2,174.5**	–
CSC Harbin	**7,700**	–	**148,600**	–	**1,143.9**	–	**1,079.9**	–
CSC Nanning								
– Trade center units	**19,300**	16,800	**5,000**	5,100	**96.3**	86.1	**90.7**	81.3
– Residential properties	**7,600**	6,900	**35,400**	62,200	**269.7**	427.6	**253.6**	403.7
CSC Nanchang								
– Trade center units	**16,500**	16,700	**48,500**	2,300	**798.6**	38.2	**753.7**	36.0
– Residential properties	**11,000**	7,600	**400**	1,800	**3.9**	13.6	**3.7**	12.8
Total	**N/A**	N/A	**545,600**	336,200	**4,867.2**	3,053.2	**4,592.9**	2,880.3

Finance lease income, derived from the leasing of office towers and residential properties, increased by approximately 51.2% to HK$178.7 million (six months ended 30 September 2013: HK$118.2 million).

During the period under review, the Group entered into finance lease arrangements with tenants for approximately 16,000 sq. m. (six months ended 30 September 2013: 12,100 sq. m.) at an average price of HK$11,800/sq. m (six months ended 30 September 2013: HK$10,400/sq. m.).

Rental Income

Rental income increased by 140.0% to HK$244.5 million (six months ended 30 September 2013: HK$101.8 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 contribution from HOBA Furnishing during the period 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 30 September 2014, the total occupancy rate of phase I trade center and shops remained stable at approximately 95% (30 September 2013: 95%), while the total occupancy rate for phase II trade center and shops gradually increased to 70% (30 September 2013: 60%) of the launched area. For the total occupancy rate of phase III trade center and shops, it represented 56% of the launched area (30 September 2013: 49%). The average effective monthly rental rate for phase I, phase II and phase III trade centers and shops were approximately HK$53/sq. m. (30 September 2013: HK$44/sq. m.), HK$39/sq. m. (30 September 2013: HK$37/sq. m.) and HK$47/sq. m. (30 September 2013: HK$53/sq. m), respectively.

Property Management Service Income

Income from property management services rose by 43.4% to HK$48.1 million (six months ended 30 September 2013: HK$33.6 million). The increase in income was mainly due to 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 70% (30 September 2013: 60%) and 56% (30 September 2013: 49%) respectively as at 30 September 2014.

E-commerce Income

E-commerce income, derived from the e-commerce services provided to our customers during the period under review. The Group has initiated an online membership programme in CSC Zhengzhou. By joining the service, the occupants would 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 107.0% to HK$66.7 million (six months ended 30 September 2013: HK$32.3 million). The increase was mainly contributed by outlet center operation of HK$40.7 million (six months ended 30 September 2013: HK$18.1 million) and logistic operation of HK$25.0 million (six months ended 30 September 2013: HK$11.4 million) during the period 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 period under review. Increase in logistic operation was mainly due to the growth of logistics and warehousing service operations during the period under review.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and rental expenses. Cost of sales increased by 79.0% to HK$2,715.8 million (six months ended 30 September 2013: HK$1,517.0 million).

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

Gross Profit

Gross profit increased by 47.1% to HK$2,425.4 million (six months ended 30 September 2013: HK$1,649.2 million). Gross profit margin dropped to 47% during the period under review (six months ended 30 September 2013: 52%) was mainly due to the change in product mix with the addition of new projects generating sales. During the period 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 customers 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 1,764.8% to HK$220.5 million (six months ended 30 September 2013: HK$11.8 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$151.9 million during the period under review; however, there was no such fair value gain for the six months ended 30 September 2013. The increase in bank interest income during the period under review also led the increase in other income and gains.

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 21.0% to HK$385.5 million (six months ended 30 September 2013: HK$488.2 million). During the period under review, the fair value gain mainly contributed by properties at CSC Harbin and CSC Nanning. The fair value gains on properties at CSC Shenzhen, CSC Zhengzhou and CSC Nanchang also recorded stable growth.

Selling and Distribution Expenses

Selling and distribution expenses increased by 57.3% to HK$299.5 million (six months ended 30 September 2013: HK$190.3 million). The increase was mainly attributable to marketing and advertising expenses incurred by our projects in Zhengzhou, Harbin, Nanning, Nanchang and Hefei, which launched more sales activities during the period 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 period under review.

Administrative Expenses

Administrative expenses increased by 67.0% to HK$437.2 million (six months ended 30 September 2013: HK$261.8 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 period under review, the Group has granted 103,300,000 share options to certain directors, independent non-executive directors and employees, and HK$61.8 million share option expenses were recorded (six months ended 30 September 2013: HK$29.2 million).

Finance Costs

Finance costs were up by 8.4% to HK$88.3 million (six months ended 30 September 2013: HK$81.5 million). The rise was mainly attributable to an increase in new bank and other loans for general business purposes with interest expenses recorded through income statement.

Tax

Tax expenses recorded an increase of 94.1% to HK$890.2 million (six months ended 30 September 2013: HK$458.7 million). The increase in tax expenses was attributable to (i) the increase in current income tax expenses and land appreciation tax as a result of the increase in recognized income during the period and (ii) last period has one-off reversal of provision of prior years' income tax and withholding tax; however, there was no such one-off reversal during the period under review.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 12.0% to HK$817.2 million (31 March 2014: HK$729.5 million), due to the net effect of an increase in balance arising from new projects, and a decrease in consideration receivables of disposed subsidiaries in the previous year. As at 30 September 2014, the remaining consideration receivable from the disposal was approximately HK$85.8 million.

Trade and Other Payables

Trade and other payables decreased by 10.8% to HK$12,322.1 million (31 March 2014: HK$13,809.9 million). The decrease was mainly due to the recognition of the receipts in advance as sales revenue, payment of other tax payables arising from the sales of properties and settlement of remaining payable of acquisition of non-controlling interest of a subsidiary, and net off the increase in construction fees and retention payables as construction of new projects are underway during the period under review. As at 30 September 2014, the balance of construction fees and retention payable and deposits received and receipts in advance were HK$6,863.6 million and HK$4,368.1 million, respectively.

Liquidity and Financial Resources

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

Cash and Cash Equivalents and Restricted Cash

As at 30 September 2014, the Group had HK$10,237.4 million in cash and cash equivalents and restricted cash (31 March 2014: HK$12,777.1 million), among which non-restricted cash and cash equivalents amounted to approximately HK$8,530.9 million (31 March 2014: HK$11,303.0 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 30 September 2014, the Group had approximately HK$20,433.0 million in interest-bearing bank and other borrowings, senior notes, medium-term notes and convertible notes (31 March 2014: HK$17,518.7 million). The Group had aggregated interest-bearing bank and other borrowings of approximately HK$13,825.6 million as at 30 September 2014 (31 March 2014: HK$12,452.4 million), of which HK$6,611.7 million will be repayable within one year or on demand, approximately HK$3,389.2 million will be repayable in the second year, approximately HK$3,142.8 million will be repayable in the third to fifth years and approximately HK$681.9 million will be repayable after five years. As at 30 September 2014, the Group's interest-bearing bank and other borrowings of approximately HK$8,895.3 million were secured by certain buildings, investment properties, properties under development, properties held for sales and leasehold land with a total carrying value of approximately HK$18,977.6 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 2014: 5.40% to 7.87%) per annum. Furthermore, as at 30 September 2014, the Group had unused banking facilities of approximately HK$2,383.1 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

Issuance of Notes

Senior Notes

The Company has the following outstanding senior notes in issue at the end of reporting period. In October 2012, the Company 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 (equivalent 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, with which the coupon rate was 13.5% per annum, and for general corporate purposes.

Convertible Notes

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. In July 2014, the notes were fully converted. For more details, please refer to contents under the sub-heading "New Shares Issued Under General Mandate".

Medium-Term Notes

In April 2014, China South International obtained the relevant approval for the proposed issue of medium-term notes in a maximum principal amount of RMB4 billion with a term of 5 years in the PRC. In May 2014, China South International completed the issuance of the first tranche of the medium-term notes in the national inter-bank market in the PRC with the 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.

In September 2014, China South International completed the issuance of the second tranche of the medium-term notes in the national inter-bank market in the PRC with the total principal amount of RMB1 billion with a maturity period of 5 years and at an interest rate of 8.4% per annum. The proceeds thereof are intended to be used for repaying part of bank loans of the Group.

As at 30 September 2014, the carrying value of China South International's medium-term notes was HK$2,537.4 million. As assessed by 大公國際資信評估有限公司 (Dagong Global Credit Rating Co., Ltd*) ("**Dagong Global**"), China South International, and the first tranche and second tranche of the medium-term notes were given AA rating respectively.

Short-Term Notes

In September 2014, China South International obtained the relevant approval for the proposed issue of the short-term notes in a maximum principal amount of RMB4.3 billion with a term of 1 year in the PRC. In October 2014, China South International completed the issuance of the first tranche of the PRC short-term notes in the national inter-bank market in the PRC with the total principal amount of RMB2.2 billion with a maturity period of 1 year and at an interest rate of 5.4% per annum. The proceeds thereof are intended to be used for repaying part of bank loans of the Group. As assessed by Dagong Global, China South International and the first tranche of the short-term notes were given AA and A-1 rating respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 44.7% as at 30 September 2014 and 23.5% as at 31 March 2014.

Net Current Assets and Current Ratio

As at 30 September 2014, the Group had net current assets of HK$5,860.4 million (31 March 2014: HK$5,798.7 million) at a current ratio of 1.25 (31 March 2014: 1.24).

Contingent Liabilities

The Group has provided guarantees with respect to banking facilities granted by certain banks in connection with mortgage loans entered into by purchasers of the Group's trade centers and residential properties and bank loans entered into by lessees of the Group's residential and commercial properties. As at 30 September 2014, the guarantees amounted to HK$5,463.4 million (31 March 2014: HK$3,741.0 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 30 September 2014, the Group had future capital expenditure contracted but not yet provided in the amount of HK$7,112.0 million (31 March 2014: HK$5,763.6 million).

Foreign Exchange Risk

The Group conducts its business mainly in Renminbi; this includes our income and expenses, assets and liabilities. During the period under review, the exchange rate of Renminbi to HK dollars and US dollars 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 transaction of 19.05% interest in Makepolo Inc. completed in October 2014, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the period under review.

Land for Projects and Restriction on Sales

The Group signs project agreements with local governments prior to the development of all projects in order to outline the blueprints of relevant projects in the area. 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.

New Shares Issued Under General Mandate

- On 15 January 2014, the Company entered into the Investment and Cooperation Agreement (the "**Investment and Cooperation Agreement**") with THL H Limited ("**THL**"), a wholly-owned subsidiary of Tencent Holdings Limited ("**Tencent**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Pursuant to the Investment and Cooperation Agreement and the general mandate granted to the directors at the annual general meeting of the Company held on 21 August 2013, THL has subscribed for an aggregate of 680,300,000 shares of the Company ("**Shares**") at the subscription price of HK$2.20 per Share ("**Subscription Share**"). In addition, the Company has also granted an option to THL to subscribe for a further 244,800,000 Shares at the option price of HK$3.50 per Share (subject to adjustments (if any)) ("**Option**"). The Company intends to use part of the net proceeds in certain areas of intended cooperation with the Tencent Group and the remaining will be used for general corporate purposes.

  Under the Investment and Cooperation Agreement, the Company issued and allotted 680,300,000 Shares to THL on 23 January 2014 with a total consideration of approximately HK$1,500 million. On 23 September 2014, the Company received a notice from THL for the exercise of Option at the option price of HK$3.36 per Share at the total consideration of approximately HK$822.5 million (as adjusted by the dividend declared by the Company). Accordingly, the Company issued and allotted 244,800,000 Shares to THL on 29 September 2014 with respect to the exercise of the Option by THL. Details of the Investment and Cooperation Agreement are set out in the announcements dated 15 January 2014, 23 January 2014, 23 September 2014 and 29 September 2014 respectively.

  The net proceeds from the Subscription Shares and the exercise of Option were in an aggregate of approximately HK$2,319.2 million. As at 30 September 2014, the Company has utilized approximately HK$340 million in e-commerce related business and other general corporate purposes. For the remaining of the net proceeds, the Group plans to use it for business related to e-commerce, logistics and general corporate purposes.

- On 9 April 2013, ASEAN City (BVI) Limited, a wholly-owned subsidiary of the Company, issued convertible notes due April 2018 in the principal amount of HK$975 million at a coupon rate of 6.5% per annum ("**Convertible Notes**") for the purpose of, amongst others, funding the Group's properties under development and planned for future development (including land grant fees), refinance a portion of the Group's existing debt, and for general corporate purposes. The Convertible Notes will be converted into 625,000,000 Shares after full conversion at the initial conversion price of HK$1.56 per share (subject to adjustment) under the general mandate granted to the directors at the annual general meeting of the Company held on 21 August 2012.

On 8 July 2014, the Company received notices from the holder of the Convertible Notes to fully convert the Convertible Notes at the initial conversion price of HK$1.56 per Share. Accordingly, the Company issued and allotted 624,999,999 Shares to the holder of the Convertible Notes on 9 July 2014 and the Convertible Notes were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited. Details of the Convertible Notes are set out in the announcements dated 1 April 2013, 9 April 2013, 6 March 2014 and 9 July 2014 respectively.

The net proceeds from the full conversion of the Convertible Notes were approximately HK$975 million. As at 30 September 2014, the net proceeds thereof have been fully utilized on the CSC Hefei project for the development of a large-scale integrated logistics and trade center in Hefei, and for the partial payment of the consideration of acquiring the HOBA Furnishing.

Human Resources

As at 30 September 2014, the Group had a workforce of approximately 7,720 people, including approximately 7,560 people directly employed by the Group and approximately 160 people employed by our joint venture. The number of the Group's staff increased by 19.9% from 6,440 as at 31 March 2014. 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 period under review, the Company granted 103,300,000 share options to certain directors and employees.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), save and except for the following deviation:

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors, as equal Board members, should attend general meetings of the Company. During the Period, one non-executive director and one independent non-executive director were unable to attend the last annual general meeting of the Company held on 21 August 2014 as they had other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2014.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2014 have been reviewed by the Audit Committee and Ernst & Young, the Company's independent auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased a total of 31,336,000 Shares of the Company at prices ranging from HK$3.27 to HK$3.64 per Share on the Hong Kong Stock Exchange during the Period. Details of the repurchases of such Shares were as follows:

Date of the repurchase	**Number of Shares repurchased**	**Highest price paid per Share**	**Lowest price paid per Share**	**Aggregate consideration paid (excluding expenses)**
		HK$	*HK$*	*HK$*
11 April 2014	8,230,000	3.64	3.50	29,463,660
14 April 2014	7,800,000	3.56	3.48	27,351,400
15 April 2014	5,808,000	3.59	3.52	20,679,860
2 May 2014	5,212,000	3.37	3.27	17,349,380
5 May 2014	4,286,000	3.46	3.38	14,781,260
	31,336,000			109,625,560

All 31,336,000 Shares repurchased were cancelled during the Period. The Company believes that the repurchases of Shares will lead to an enhancement of the net value of the Group and its assets and its earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

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

Hong Kong, 25 November 2014

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Mr. Fung Sing Hong Stephen; 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, Mr. Cheng Tai Po and Mr. Lin Ching Hua; 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 JP and Mr. Yung Wing Ki Samuel SBS, MH, JP.

This announcement contains operating statistics for the Period and forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Group (collectively "Information Statements"). The Information Statements are unaudited and are made based on the Group's business plans, internal information, certain expectations, assumptions and premises, which may be subjective or beyond our control. They do not constitute warranties of future performance of the Group and subject to factors included but not limited to general industry and economic conditions and changes in government policies. With these, the Information Statements in this announcement should not be regarded as representations by the Board or the Company that they will be achieved, and investors should not place undue reliance on such Information Statements.