華南城

China South City Holdings Limited
華南城控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2015	2014	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Contracted sales	**11,321,142**	14,106,039	**–19.7**
Revenue	**9,757,767**	13,468,322	**–27.6**
Among which, Recurring income	**1,103,596**	655,739	**+68.3**
Gross profit margin	**53%**	49%	
Profit attributable to owners of the parent	**3,727,872**	3,494,481	**+6.7**
Core net profit attributable to owners of the parent*	**1,854,273**	2,677,696	**–30.8**
Earnings per share – Basic	**HK48.73 cents**	HK55.71 cents	**–12.5**
Gearing ratio	**65%**	24%	
Proposed final dividend per share	**HK14.0 cents**	HK14.0 cents	

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

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") announces herewith the audited consolidated annual results of the Group for the fiscal year ended 31 March 2015 ("FY2014/15" or the "Year") together with the comparative figures for the previous fiscal year (fiscal year ended 31 March 2014 ("FY2013/14")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

		For the year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**9,757,767**	13,468,322
Cost of sales		**(4,582,237)**	(6,921,158)
Gross profit		**5,175,530**	6,547,164
Other income and gains	*4*	**324,715**	187,823
Fair value gains on investment properties	*4*	**2,398,531**	1,266,287
Selling and distribution expenses		**(721,991)**	(581,229)
Administrative expenses		**(1,074,206)**	(862,968)
Other expenses		**(70,285)**	(234,779)
Finance costs	*6*	**(165,595)**	(152,852)
Share of profits and losses of:			
A joint venture		**–**	244
Associates		**(7,210)**	(862)
PROFIT BEFORE TAX	*5*	**5,859,489**	6,168,828
Income tax expenses	*7*	**(2,144,709)**	(2,472,478)
PROFIT FOR THE YEAR		**3,714,780**	3,696,350
Attributable to:			
Owners of the parent		**3,727,872**	3,494,481
Non-controlling interests		**(13,092)**	201,869
		3,714,780	3,696,350
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**HK48.73 cents**	HK55.71 cents
Diluted			
– for profit for the year		**HK45.27 cents**	HK47.93 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2015

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**3,714,780**	3,696,350
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**58,537**	(71,903)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**58,537**	(71,903)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,773,317**	3,624,447
Attributable to:		
Owners of the parent	**3,788,396**	3,426,492
Non-controlling interests	**(15,079)**	197,955
	3,773,317	3,624,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2015

	Notes	31 March 2015 HK$'000	31 March 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,328,231**	658,923
Investment properties		**30,217,792**	24,033,905
Properties under development		**3,697,166**	2,933,492
Prepaid land lease payments		**787,819**	142,895
Goodwill		**34,128**	34,128
Investment in a joint venture		**5,079**	8,919
Investments in associates		**34,884**	4,141
Available-for-sale investment		**175,500**	–
Finance lease receivables		**8,860**	17,975
Deposits paid for purchase of land use rights		**1,225,250**	1,051,593
Deferred tax assets		**1,475,323**	1,032,803
Total non-current assets		**38,990,032**	29,918,774
CURRENT ASSETS			
Properties held for finance lease		**297,940**	245,928
Properties held for sale		**22,969,976**	13,454,700
Trade receivables	*10*	**1,636,626**	2,805,839
Prepayments, deposits and other receivables		**653,785**	729,473
Held for trading investments at fair value through profit or loss		**32,890**	29,120
Cash and cash equivalents and restricted cash		**8,672,722**	12,777,108
Total current assets		**34,263,939**	30,042,168
CURRENT LIABILITIES			
Trade and other payables	*11*	**13,534,665**	13,809,916
Interest-bearing bank and other borrowings		**6,824,949**	5,841,720
Short-term notes		**2,750,880**	–
Tax payables		**5,235,130**	4,410,502
Derivative financial instrument		**–**	181,291
Total current liabilities		**28,345,624**	24,243,429
NET CURRENT ASSETS		**5,918,315**	5,798,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**44,908,347**	35,717,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 March 2015

	31 March 2015 *HK$'000*	31 March 2014 *HK$'000* *(Restated)*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,640,398**	6,610,675
Senior notes	**4,082,811**	4,056,838
Convertible notes	**–**	1,009,446
Medium-term notes	**2,704,226**	–
Deferred tax liabilities	**4,459,096**	3,896,409
Total non-current liabilities	**19,886,531**	15,573,368
Net assets	**25,021,816**	20,144,145
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,034,761**	4,684,476
Other reserves	**17,832,208**	15,285,029
	24,866,969	19,969,505
Non-controlling interests	**154,847**	174,640
Total equity	**25,021,816**	20,144,145

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a derivative financial instrument and held for trading investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than as further explained below regarding the impact of Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Amendments to HKAS 32, Amendments to HKAS 39, HK(IFRIC)-Int 21, Amendment to HKFRS 2, Amendment to HKFRS 3, Amendment to HKFRS 13, and certain amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of law or regulations, or the introductions of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap.622) came into effect for the first time, during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contribution*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	E-commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2015						
Segment revenue:						
Sales to external customers	8,654,171	573,895	133,321	201,806	194,574	9,757,767
Intersegment sales	–	45,907	41,965	43,127	21,086	152,085
	8,654,171	619,802	175,286	244,933	215,660	9,909,852
Elimination of intersegment sales						(152,085)
Revenue						9,757,767
Segment results before increase in fair value of investment properties	4,875,425	379,064	(88,574)	201,806	112,948	5,480,669
Increase in fair value of investment properties	–	2,398,531	–	–	–	2,398,531
Segment results after increase in fair value of investment properties	4,875,425	2,777,595	(88,574)	201,806	112,948	7,879,200
Unallocated cost of sales						(305,139)
Interest income						68,996
Gains on held for trading investments at fair value through profit or loss, net						3,770
Unallocated income and gains						251,949
Unallocated expenses						(1,866,482)
Finance costs						(165,595)
Share of losses of associates						(7,210)
Profit before tax						5,859,489
Segment assets	32,990,415	29,648,772	9,810	329,344	573,974	63,552,315
Reconciliation:						
Investment in a joint venture						5,079
Investments in associates						34,884
Unallocated assets						9,661,693
Total assets						73,253,971
Segment liabilities	5,371,768	4,408,104	623,801	323,393	173,222	10,900,288
Reconciliation:						
Unallocated liabilities						37,331,867
Total liabilities						48,232,155
Other segment information:						
Depreciation	36,077	1,758	1,056	4,442	7,811	51,144
Corporate and other unallocated amounts						42,121
						93,265
Increase in fair value of investment properties	–	2,398,531	–	–	–	2,398,531
Capital expenditure*	18,152,683	43,597	1,042	4,323	294,218	18,495,863

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

* Capital expenditure consists of additions to property, plant and equipment, properties under development and investment properties.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net sales of completed properties, finance lease income, rental income, income from the provision of property management services, E-commerce income and other fee income, net of business tax and other sales related tax.

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

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sales of properties	**8,190,793**	12,534,980
Finance lease income	**463,378**	277,603
Rental income	**573,895**	304,866
Property management service income	**133,321**	67,074
E-commerce income	**201,806**	189,128
Other fee income*	**194,574**	94,671
	9,757,767	13,468,322
Other income		
Interest income from:		
Banks	**68,996**	42,935
Finance lease receivables	**–**	5,700
Government subsidies	**56,454**	10,270
Others	**43,580**	24,080
	169,030	82,985
Gains		
Fair value gains/(losses) on held for trading investments at fair value through profit or loss, net	**3,770**	(2,625)
Gains on disposal of held for trading investments at fair value through profit or loss, net	**–**	4,115
Fair value gain on derivative financial instrument	**151,915**	103,348
	155,685	104,838
	324,715	187,823
Fair value gains on investment properties	**2,398,531**	1,266,287

* Other fee income includes an amount of HK$92,476,000 (2014: HK$68,742,000) related to income from outlet operations and HK$95,845,000 (2014: HK$24,813,000) related to income from logistics and warehousing services.

5. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Cost of properties sold	**3,563,495**	6,409,079
Cost of properties held for finance lease	**215,251**	110,171
Depreciation	**94,523**	69,631
Less: Depreciation capitalised in respect of properties under development	**(1,258)**	(1,141)
	93,265	68,490
Amortisation of prepaid land lease payments	**14,823**	1,198
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**13,957**	14,264
Auditors' remuneration	**4,000**	4,000
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**707,329**	582,836
Equity-settled share option expense	**90,742**	63,357
Pension scheme contributions	**86,974**	52,023
	885,045	698,216
Foreign exchange differences, net	**(9,381)**	(6,318)
(Reversal of)/provision for impairment of trade receivables**	**(16,400)**	58,697
Loss on redemption of senior notes**	**–**	176,082
Loss on disposal of items of property, plant and equipment	**114**	973

* Included amounts of HK$127,665,100 and HK$95,658,000 for the years ended 31 March 2015 and 2014, respectively, which were capitalised under properties under development.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including convertible notes, senior notes, medium-term notes and short-term notes)	**1,617,376**	1,207,689
Less: Interest capitalised	**(1,451,781)**	(1,054,837)
Total	**165,595**	152,852

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2014: 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% (2014: 25%) on their respective taxable income during the year.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures. Amounts of LAT of HK$1,213,663,000 and HK$1,270,280,000 were charged to the consolidated statement of profit or loss for the years ended 31 March 2015 and 2014, respectively.

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

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current — Mainland China	**819,254**	1,239,428
LAT in Mainland China	**1,213,663**	1,270,280
Deferred Mainland China corporate income tax	**111,792**	(37,230)
Total tax charged for the year	**2,144,709**	2,472,478

8. DIVIDENDS

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Proposed final dividends — HK14.0 cents per ordinary share (2014: HK14.0 cents per ordinary share)	**1,120,094**	966,996

The proposed final dividends are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 7,650,707,736 (2014: 6,272,737,781) in issue during the year.

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

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

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**3,727,872**	3,494,481
Add: Interest on convertible notes	**1,701**	–
Less: Fair value gain on derivative financial instrument	**(151,915)**	(103,348)
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**3,577,658**	3,391,133

	Number of Shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**7,650,707,736**	6,272,737,781
Effect of dilution — weighted average number of ordinary shares:		
Share options	**74,674,865**	187,848,507
Tencent call option	**6,810,690**	5,174,361
Convertible notes	**171,232,876**	609,589,041
	7,903,426,167	7,075,349,690

10. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**1,778,414**	2,964,107
Impairment	**(141,788)**	(158,268)
	1,636,626	2,805,839

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

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**952,372**	1,805,792
1 to 2 months	**55,269**	208,048
2 to 3 months	**32,239**	316,165
Over 3 months	**596,746**	475,834
	1,636,626	2,805,839

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

	2015	2014
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**158,268**	100,721
(Reversal of)/provision for impairment losses *(note 5)*	**(16,400)**	58,697
Exchange realignment	**(80)**	(1,150)
Carrying amount at end of year	**141,788**	158,268

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**875,257**	499,802
Less than 1 month past due	**77,115**	1,305,990
1 to 3 months past due	**87,508**	524,213
Over 3 months past due	**596,746**	475,834
	1,636,626	2,805,839

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment.

11. TRADE AND OTHER PAYABLES

	Note	2015 HK$'000	2014 HK$'000
Other payables and accruals		**1,626,215**	2,647,884
Notes payable	*(i)*	**187,560**	62,495
Deposits and receipts in advance		**3,913,942**	5,120,311
Construction fee and retention payables	*(ii)*	**7,806,948**	5,979,226
		13,534,665	13,809,916

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

	2015 HK$'000	2014 HK$'000
1 to 3 months	**187,560**	62,495

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

	2015 HK$'000	2014 HK$'000
Within 1 year	**7,714,040**	5,923,618
Over 1 year	**92,908**	55,608
	7,806,948	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 report herewith the audited consolidated annual results of the Group for the fiscal year ended 31 March 2015.

RESULTS AND DIVIDEND

The Group's business performance for FY2014/15 was affected by a slower growth trajectory, with China entering a "New Normal" in its economic growth. During the Year, it recorded revenue of HK$9,757.8 million (FY2013/14: HK$13,468.3 million) and Contracted Sales of HK$11,321.1 million (FY2013/14: HK$14,106.0 million). Net profit attributable to owners of the parent amounted to HK$3,727.9 million (FY2013/14: HK$3,494.5 million). Basic earnings per share were HK48.73 cents (FY2013/14: HK55.71 cents).

To implement its long-term business strategy for sustainable earning drivers, the Group continued to focus on the development of its recurring businesses. Underpinned by higher revenue contributions from rentals, property management, E-commerce, logistics and warehousing services, outlet operations and furnishing market operations, recurring income for the Year surged 68.3% year-on-year to HK$1,103.6 million (FY2013/14: HK$655.7 million) and accounted for 11.3% of total revenue, which diversifies the Group's income source, reduces reliance on property sales and supports its sustainable growth.

The Board proposed a final dividend of HK14 cents per share for FY2014/15 (FY2013/14: HK14 cents per share), subject to shareholders' approval at the Company's forthcoming Annual General Meeting ("AGM") to be held on 21 August 2015.

MARKET AND OPERATIONS REVIEW

Rigid demand for modern integrated logistics and trade facilities remains strong

The Chinese Central Government announced in the first half of 2014 that China's economy development had entered into a "New Normal", where the continuous optimization of its economic structure through greater innovation and economic efficiency will drive sustainable growth at an intermediate-to-high pace. As a result of this grand change in its economy outlook, the local policy makers and business owners were adapting to this "New Normal", with the Group impacted in the segment of property sales during the Year.

Nevertheless, the management believes that the rigid demand for modern integrated logistics and trade facilities remains strong in the long run, since the government's "New Normal" calls for the continuous modification of its economic structure and the development of a more efficient economy. Hence, the urbanization process where the replacement of obsolete wholesale markets with modern integrated logistics and trade centers will remain the priority of the local policy makers. In addition, the government launched a series of new policies, including the "Internet Plus" strategy and "One Belt, One Road" initiative, known as the Silk Road Economic Belt ("One Belt") and the 21st Century Maritime Silk Road ("One Road"), will continue to fuel long-term growth of the Chinese economy and benefit the Company's future development.

Ample opportunities arising from “Internet Plus” and “One Belt, One Road”

In Chinese Premier Li Keqiang’s 2015 Report on the Work of the Government, he introduced the “Internet Plus” strategy, which highlighted the need to improve economic efficiency through innovation for sustainable growth. It is expected to bolster the Company’s strategy to develop the fourth-generation integrated logistics and trade centers, where it will help to supplement the physical trading platform with a full range of E-commerce services and a nationwide logistics information exchange platform. This will enhance the competitive advantage of small and medium-sized enterprises (“SMEs”) operating within China South City projects.

Leveraging closer strategic partnerships with Internet giant, Tencent Holdings Limited (“Tencent”), the Group is set to benefit from this favorable development. The two companies are working together to create an O2O business eco-system utilizing the Group’s large-scale physical integrated logistics and trading platform as the offline portal. Tencent raised its stake in China South City to 11.55% by fully exercising its share options in September 2014. Further, Mr. Davis Lin, Vice President of Tencent Group and General Manager of Strategic Development Department, was appointed as non-executive Director of the Company in June 2014, to provide valuable guidance to the Group’s E-commerce development.

Meanwhile, the development of One Belt, One Road, unveiled in 2013, gathered momentum during the Year as Premier Li Keqiang called for accelerating the implementation of the two projects in his 2015 Report on the Work of the Government.

Tapping the Group’s well-established network along or in the vicinity of the “One Belt, One Road” routes, China South City is poised to capture considerable opportunities arising from this initiative. Xi’an, the eastern departure point of the ancient Silk Road, hosts China South City Xi’an (“CSC Xi’an”) situating amidst extensive transportation network in Northwest China to serve as a major logistics center. Located in Zhengzhou, the bridgehead of Silk Road Economic Belt, China South City Zhengzhou (“CSC Zhengzhou”) is well-connected to dynamic business markets and extensive transport network in Central China. Leveraging the geographic advantage of Harbin, a Eurasian transportation hub, China South City Harbin (“CSC Harbin”) serves the demand from cross-border trade with Russia and Northeast Asia nations. Nanning, as a hub for the Maritime Silk Road, will allow China South City Nanning (“CSC Nanning”) to serve as a critical gateway for cross-border trade between China and ASEAN countries.

In the face of economic restructuring, the government continued to promote industrial upgrades and improvements in efficiency as the engine for economic growth. As part of its efforts, the State Council issued “2014–2020 Medium-to-Long Term Plan for Logistics Development” in early October 2014 to build a modern logistics system for the country. Further, the Ministry of Commerce released its “Opinions on Improving the Development of Trade Logistics” in September 2014, which emphasized the greater role of the logistics sector in the national economy.

Leveraging its extensive network of China South City projects, the Group developed its Logistics Information Exchange Platform (“LIEP”) which could help the SMEs operating in and around China South City projects to take advantage of the empty truckloads of Heavy Goods Vehicles (“HGVs”) on their return journeys. The LIEP, run by Qianlong Logistics Group Limited (“Qianlong Logistics”), a logistics subsidiary of the Group, commenced trial operations in CSC Nanning and China South City Shenzhen (“CSC Shenzhen”) during the Year and achieved remarkable results.

Maturing integrated business eco-system

To replicate the success of CSC Shenzhen, the Group commenced trial operations in Nanning, Nanchang, Xi'an and Zhengzhou. During the Year, the trial operations of these projects saw encouraging progress, which the number of SMEs and visitors are increasing. Further, along with the projects became more mature and the Group's "Physical + Online + Logistics" business eco-system continued to grow, it starts to offer its occupants more value-added ancillary services which include property management, E-commerce, logistics and warehousing services, outlet operations and furnishing market operations.

To enhance its corporate value, China South City is preparing to spin-off Shenzhen HOBA Home Furnishing Chain Store Company Limited ("HOBA Furnishing") for potential quotation on the National Equities Exchange and Quotations System (the "New Third Board"). HOBA Furnishing has 9 established stores in China as at 31 March 2015, in which the store at CSC Nanning is currently running trial operation and it is expected to start the same in CSC Shenzhen towards the end of 2015. The management will review other businesses of the Group from time to time and study the possibility of spinning them off in due course.

Prudent financial management for sustainable business growth

In view of the sheer size of its projects, the Group adhered to a prudent approach of project development by developing its projects in phases, in order to maintain its optimal financial leverage.

During the Year, the Group not only completed the issuance of short-term notes and medium-term notes in China's national inter-bank market successfully, but also signed a HK$600 million two-year unsecured loan agreement with the Hongkong and Shanghai Banking Corporation Limited with an interest rate of HIBOR+2.65%. Following the fiscal year-end, the Group completed the issuance of a 6-year domestic corporate bond worth RMB1.5 billion with a coupon rate of 7% per annum in April 2015.

These funding exercises received enthusiastic responses from financial institutions, reflecting the strong creditworthiness of China South City and the bright outlook for its projects. As at the end of March 2015, the Group's weighted average financing cost was 6.8% compared with 7.2% at the end of March 2014.

Reflecting its wide market recognition, China South City was named a constituent stock in the Hang Seng Composite MidCap Index and the FTSE Hong Kong Indices in FY2014/15.

PROSPECTS

Looking ahead, the outlook for integrated logistics and trade center industry remains bright in the long term, underpinned by accelerating urbanization and supportive government policies. On top of that, the "Internet Plus" strategy, "One Belt, One Road" initiative and the new urbanization will drive the extensive growth of the Chinese economy, paving the way for its sustainable long-term development.

In face of challenges and opportunities ahead, the Group will capture the business opportunities arising from the "Internet Plus" strategy and "One Belt, One Road" initiatives, reinforce risk management and strengthen its "Physical + Online + Logistics" integrated business eco-system to offer more value-added services to SMEs. While expanding its existing projects in a prudent manner, the Group will forge closer partnerships with Tencent to enhance its E-commerce platform and step up efforts on its development of logistics and warehousing facilities. With more projects set for launch and commencing operations, together with the needs of the Group, the management expects the Group to achieve an annual sales target of approximately HK$11-12 billion for the fiscal year ended 31 March 2016 ("FY2015/16"), while being on track to reach its annual recurring revenue target of HK$1.5-2.0 billion in two years time.

Finally, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our valued shareholders, customers and business partners for their trust and continued support to the Group. I would also like to convey my appreciation to our management and staff for their professionalism and wholehearted commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In 2014, the Chinese Central Government announced that China's economic development has entered into a "New Normal". The government's focus is shifting from extensive industrial expansion to promoting sustainable intermediate-to-high speed growth with an emphasis on greater economic efficiency. As a result of this grand change in China's national economic policy, local governments and business owners are adapting to the changing business environment under the "New Normal".

As local policy makers adjusted to this structural reform under the current macroeconomic environment, the Group experienced delays in the pace of infrastructure development and the SME's relocation from downtown wholesale markets to the new China South City integrated logistics and trade centers. On the other hand, the Group reported significant growth in recurring income for the Year as it proceeded with its long-term strategy to develop a recurring business portfolio ranging from rentals, property management, E-commerce, logistics and warehousing services, outlet operations to furnishing market operations, thereby laying a solid foundation for its sustainable development with greater resilience to withstand market tremors.

During the Year, the Group posted total revenue of HK$9,757.8 million (FY2013/14: HK$13,468.3 million) and Contracted Sales of HK$11,321.1 million (FY2013/14: HK$14,106.0 million), respectively. Recurring income soared by 68.3% from HK$655.7 million in FY2013/14 to HK$1,103.6 million in FY2014/15, contributing 11.3% of the Group's total revenue. Net profit attributable to owners of the parent amounted to HK$3,727.9 million (FY2013/14: HK$3,494.5 million). Basic earnings per share amounted to HK48.73 cents (FY2013/14: HK55.71 cents).

The "New Normal" calls for further enhancement of economic structure and improvement in efficiency. As a result, the Chinese government launched a series of remarkable macro policies, including the "Internet Plus" strategy and the "One Belt, One Road" initiative. With an unparalleled network of projects strategically located in eight provincial capitals and municipality in China, the Group is poised to benefit from these new government measures.

Embracing Opportunities Arising from "Internet Plus" Strategy to Further Develop E-commerce and Logistics Businesses

In the 2015 Report on the Work of the Government, Chinese Premier Li Keqiang introduced the "Internet Plus" strategy, which highlighted the need to improve economic efficiency and achieve sustainable growth through further penetration of internet technology into existing economy. The strategy is expected to bolster the replacement of obsolete downtown wholesale markets with modern fourth-generation integrated logistics and trade centers featuring O2O E-commerce tools and logistics information exchange platform.

"Internet + Wholesale Business", successful trial operation of online membership program

In order to help the SMEs operating within China South City projects to upgrade and become integrated physical plus online wholesale businesses, the Company operates its own B2B platform–CSC86.com, making it the SMEs' first contact point with E-commerce. In early 2014, the Company launched the trial operation of an online membership program based in CSC Zhengzhou. Through this four-year program, the Company intends to help SMEs develop their own multi-channel E-commerce operations and human resources. In the last 12 months of the Year, the number of registered online members participating in the trial operation in CSC Zhengzhou increased from approximately 7,000 to over 13,000, and the China South City E-commerce team is assisting them to develop their online shops.

Since most SMEs operating within China South City projects are regional-focused wholesale businesses being relocated from downtown wholesale markets, they have similar backgrounds, areas and levels of expertise, experiences and mode of operations, hence, through the trial operation of its online membership program in CSC Zhengzhou, the Company intends to develop a replicable E-commerce services package to facilitate the advancement of SMEs in other China South City projects to become integrated physical plus online wholesale businesses. Furthermore, the Company believes that developing a fourth generation integrated wholesale business will not only help to improve the competitiveness of China South City tenants and their stickiness to China South City platforms, but will also help the Company explore other areas of value-added services.

Driving E-commerce development through closer partnerships with the Group's strategic partners

During the Year, the Group reinforced strategic cooperation with Internet giant Tencent to further expand its E-commerce business. From a strategic point of view, Tencent made a further strategic investment in China South City, raising its stake to 11.55% in September 2014 by exercising all of its share options. Mr. Davis Lin, Vice President of Tencent Group and General Manager of Strategic Development Department, was appointed as non-executive Director of the Company in June 2014 to provide valuable guidance on the Group's E-commerce development.

Both sides signed a memorandum of strategic cooperation in E-commerce in June 2014, leveraging each others' strategic resources to carry out full and in-depth cooperation in various areas, including the development of an E-commerce platform and an integrated O2O business eco-system.

Pursuant to the aforementioned memorandum, a trial WiFi-enabled intelligent digital solution system covering CSC Shenzhen Plaza 1 is under development. It will enable the Group to proactively disseminate promotional messages to Weixin users visiting China South City projects through real-time tracking and analysis of their needs.

Leveraging its strategic cooperation with Tencent, the Group is also exploring business opportunities to work with Tencent's strategic partners. The Group teamed up with JD.com, one of the largest online direct sales companies in China, to help its online outlet business by tapping into its extensive customer network. The Group set up online stores at JD.com to promote its outlet products during the Year.

To further pursue its E-commerce development strategy, in September 2014, China South City acquired a 19.05% equity stake in Makepolo, a leading B2B procurement trading platform in China. Through this strategic investment, the Group will bring Tencent's expertise in internet technology and Makepolo's extensive B2B customer base and product information into full play to provide more comprehensive E-commerce services.

"Internet + Logistics Networks", Successful landing of LIEP

High logistics costs have been an important factor constraining China's economic development. According to the China Purchasing Development Report 2014, the country's total social logistics costs exceeded RMB10 trillion in 2013, accounting for 18% of GDP as compared to 8.2% in the U.S. and 13% in India. Therefore, the government has stepped up efforts to clear bottlenecks in the logistics industry to drive sustainable and efficient economic growth called for by the "New Normal".

In order to build a modern logistics system in China, the Ministry of Commerce released the "Opinions on Improving the Development of Trade Logistics" in September 2014, followed by the announcement of "2014 – 2020 Medium-to-Long Term Plan for Logistics Development" by the State Council in early October.

Leveraging its nationwide network of China South City projects covering two important logistics corridors in China, the Group is developing a LIEP to help cargo owners match their freight plans more effectively and cut logistics costs by utilizing empty truckloads of HGVs on their return journeys.

During the Year, Qianlong Logistics commenced trial operation of LIEP in CSC Nanning and CSC Shenzhen and achieved remarkable results. As at 31 March 2015, over 120,000 individual drivers and corporate carriers registered to gain access to this platform, reflecting the strong demand in the market. The Group plans to create a nationwide network by extending this platform to other projects which will significantly increase the logistics information listed on the platform and the number of successful matchings.

Extensive Network to Benefit from the "One Belt, One Road" Initiative

In addition to the "Internet Plus" strategy, the "One Belt, One Road" initiative is another top priority for the Chinese government. Initiated by President Xi Jinping in 2013, this ambitious plan aims to further propel China's integration into the world economy through the development of the New Silk Road Economic Belt and the 21st Century Maritime Silk Road.

While the New Silk Road Economic Belt will link China with Europe through Central and Western Asia, the 21st Century Maritime Silk Road will connect the country with Southeast Asia, Africa and Europe. Underpinned by "One Belt, One Road", regional and domestic trade flows are expected to grow substantially, leading to greater rigid demand for logistics services and facilities. The Group has established strong footholds in cities along the routes of "One Belt, One Road", giving it an unparalleled position to seize the tremendous opportunities that may arise in the market.

Successful Trial Operation of New Projects

Based on the successful operation in CSC Shenzhen, the Group has replicated its unique business model across different projects. As more SMEs are relocating to China South City projects, driving demand for ancillary facilities and services, the Company has started the trial operation of CSC Nanning, China South City Nanchang ("CSC Nanchang"), CSC Xi'an and CSC Zhengzhou.

CSC Nanning, with its SMEs covering industries such as textile & clothing and hardware, is in trial operation and has served as an important gateway between China and Southeast Asian countries in facilitating cross-border trading. CSC Nanning successfully hosted the China-ASEAN Expo Light Industrial Products Fair for five consecutive years. The four-day event in the Year attracted over 1 million domestic and international visit counts, greatly improving the influence of China South City within the region. To further diversify the industry coverage, HOBA Furnishing has commenced trial operation in CSC Nanning recently, demonstrating an important step towards replicating this new business segment in China South City's other projects.

CSC Nanchang, with its SMEs covering industries including textile & clothing, leather & accessories, small commodities and non-staple food, is in trial operation. The project has completed phase I construction and is now in phase II development. CSC Nanchang, as the first E-commerce Model Base in Jiangxi province, has laid a foundation for the development of the Group's fourth generation integrated logistics and trade center. The Group entered into framework agreements with the local government to develop a 2,300 mu E-Commerce and Logistics Project in Honggutan New District and in Xinjian County, in Nanchang, Jiangxi Province in May 2014. The Project will not only strengthen the Group's E-commerce and logistics operation, but will also speed up the integration of its online and offline businesses.

CSC Xi'an is in phase I construction and commenced its trial operation to home SMEs in the industries of machinery & hardware and leather & fur. Under the "One Belt, One Road" initiative, CSC Xi'an is well established to capture the tremendous business opportunities arising from the increasing economic interaction between China and the New Silk Road countries.

CSC Zhengzhou, which received strong support from the local government since its establishment, saw rapid growth during the Year, and is in trial operation with its SMEs covering industries such as building & decoration materials, machinery & hardware, automobile & parts and small commodities. As an experimental ground for China South City's E-commerce services, the trial online membership program launched in early 2014 is assisting the SMEs to establish their own online businesses. The program not only enhances the competitive edge of SMEs operating in CSC Zhengzhou, but also represents a critical step in the Group's E-commerce development.

Remarkable Progress in Huasheng Outlet Business

The Group operated its first outlets business in CSC Shenzhen through its wholly-owned subsidiary, Shenzhen Huasheng Commercial Development Company Limited. Building on its successful operation in CSC Shenzhen, the Group started trial operation of outlet malls at its projects in Nanning, Nanchang, Xi'an and Harbin. As at 31 March 2015, more than 290 famous international and domestic brands were drawn to these outlets, occupying an operating GFA of over 151,000 sq. m.. The outlet business segment generated revenue of HK$92.5 million in FY2014/15, up 34.6% from a year ago.

Riding on the booming E-commerce development in China, the Group launched its own online outlet platform aolaigo.com and teamed up with Tencent to jointly create the Huasheng Outlet-Weixin Mall in August 2014 to enhance the shopping experience for customers. This omni-channel online, offline and mobile shopping platform allows customers to shop anytime, anywhere at will and creates greater synergy with the Group's physical outlet operations.

Qianlong Logistics and Warehousing

The Group operates its nationwide logistics and warehousing facilities and services through its subsidiary, Qianlong Logistics. To meet its tenants' tremendous demand for logistics and warehousing services, the Group reserved a substantial land bank for the development of integrated logistics and warehousing facilities at its eight projects. As at 31 March 2015, the Group's logistics and warehousing facilities in operation increased from approximately 82,500 sq. m. last fiscal year to approximately 464,900 sq. m., plus an additional approximately 489,900 sq. m. under construction. The continuous expansion of its logistics and warehousing facilities and services will help to drive sustainable recurring revenue growth from these facilities.

HOBA Furnishing

The Group is engaged in furnishing market operations through HOBA Furnishing, a subsidiary in which the Group acquired a 75% equity interest in July 2013. During the Year, HOBA Furnishing operated 9 stores (including a store in CSC Nanning) in China, generating stable recurring income to the Group.

HOBA Furnishing's store in Nanning which signs contracts with more than 320 brands, commenced trial operation recently in CSC Nanning. Meanwhile, HOBA Furnishing's store in CSC Shenzhen is expected to commence trial operation by the end of 2015.

In view of the market opportunity, the HOBA Furnishing is preparing to apply for a potential quotation of its shares on the New Third Board in the PRC so as to fully unlock its value. The management will review other businesses of the Group from time to time and study the possibility of spinning them off in due course.

Property Management

With the aim of enhancing the management and services of its projects, the Group established Shenzhen First Asia Pacific Property Management Company Limited to provide professional property management services to its projects. It 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 China South City's large-scale trade platforms spread across major provincial capitals and municipality, coupled with its extensive experience in co-organizing trade fairs with local governments, the Group has organized a number of trade exhibitions and conventions at its projects, which have received an overwhelming response. These fairs attracted many international and regional exhibitors and boosted visitor and business flows, generating business opportunities for its trade centers and enhancing China South City's brand recognition.

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 in CSC 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.

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).

Maintaining Sound Financial Position with Expanded Funding Channels

During the Year, the Group maintained a sound financial position and proactively expanded its funding channels for future business development. In recognition of its successful business model and market leadership, the Group continued to receive strong support from domestic and overseas banks and capital markets. As at 31 March 2015, the Group recorded a weighted average financing cost of 6.8%, down 40 basis points when compared to 7.2% as at 31 March 2014.

It is noteworthy that the Group successfully tapped the domestic short-term note and medium-term note markets. In May 2014, it completed the issuance of its first tranche of five-year medium-term notes worth RMB1 billion in the PRC national interbank market. The second tranche of the medium-term notes worth RMB1 billion was successfully issued in September 2014.

On 15 September 2014, China South International Industrial Material City (Shenzhen) Company Limited ("China South International"), a wholly-owned subsidiary of the Company, 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 China. The first tranche, worth RMB2.2 billion, was subsequently successfully issued in the PRC national interbank market and received an overwhelming response from investors.

In addition, the Group signed a HK$600 million two-year unsecured loan agreement with the Hongkong and Shanghai Banking Corporation Limited with an interest rate of HIBOR+2.65% in October 2014. After the fiscal year-end, China South International completed the issuance of a RMB1.5 billion domestic corporate bonds for a maximum period of 6 years at a coupon rate of 7% per annum in April 2015. These funding exercises enable the Group to further expand its financing channels, thereby laying a solid foundation for its future growth.

The medium-term notes and China South International were assigned an 'AA' rating and the short-term notes were assigned 'A-1' rating respectively by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) ("Dagong Global"), while the domestic corporate bonds were assigned an 'AA+' rating by Pengyuan Credit Rating Co., Ltd. (鵬元資信評估有限公司) ("Pengyuan Credit").

The Company saw its credit ratings upgraded by international rating agencies during the Year in recognition of its strong 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 a stable outlook. Meanwhile, 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 upgraded by these two leading international rating agencies reflect their confidence placed on China South City.

China South City's leadership and successful business model was well recognized by the capital market. During the Year, it was designated a constituent of the Hang Seng Composite MidCap Index and a constituent of the FTSE Hong Kong Indices respectively.

Land Bank

The Group's unique business model enables it to generate stable cash inflow for future expansion. During the Year, the Group acquired attributable GFA of approximately 9.65 million sq. m. in China South City Hefei ("CSC Hefei"), China South City Chongqing ("CSC Chongqing"), CSC Xi'an, CSC Zhengzhou and CSC Harbin at an average cost of RMB328/sq. m.. The increased land bank allows the Group to drive sustainable growth in the future.

Details of the land bank as of 31 March 2015 are as follows:

Project	Completed Properties		Properties under Development	Properties to be Completed by FY2015/16	Properties Planned for Future Development on GFA Acquired	Total Planned GFA	Attributable GFA Acquired (% to Total Planned GFA)	
(sq. m.)	*Sold*	*Unsold*		*Estimated*	*Estimated*	*Estimated*		%
CSC Shenzhen	719,800	1,285,100	546,000	307,000	93,100	2,644,000	2,644,000	100
CSC Nanchang	757,600	738,500	399,300	16,300	2,384,600	7,297,000*	4,280,000	59
CSC Nanning	273,400	547,200	1,130,000	566,800	529,400	4,880,000	2,480,000	51
CSC Xi'an	507,200	683,200	740,400	282,700	2,225,200	17,500,000	4,156,000	24
CSC Harbin	225,400	575,800	1,288,800	49,600	2,658,000	12,000,000	4,748,000	40
CSC Zhengzhou	902,500	1,009,900	1,813,900	841,200	1,443,700	12,000,000	5,170,000	43
CSC Hefei	691,100	340,500	1,737,700	947,800	2,431,700	12,000,000	5,201,000	43
CSC Chongqing	49,200	358,600	749,400	749,400	3,104,800	13,500,000	4,262,000	32
Total	4,126,200	5,538,800	8,405,500	3,760,800	14,870,500	81,821,000	32,941,000	40

* Included a total planned GFA of approximately 3,017,000 sq.m. for the Nanchang E-commerce and Logistics project, which the Group signed agreements with Honggutan New District Administrative Committee and Xinjian Country Government of Nanchang on 20 May 2014.

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 31 March 2015, trade center and ancillary facilities at phase I, phase II and part of phase III with a total GFA of approximately 2.0 million sq. m. were in operation. CSC Shenzhen is currently in phase III development. During the Year, construction of GFA of approximately 192,700 sq. m. of ancillary facilities was completed. In FY2015/16, construction of GFA of approximately 546,000 sq. m. will be underway, of which approximately 307,000 sq. m. are expected to be completed in the fiscal year.

In FY2014/15, CSC Shenzhen recorded total Contracted Sales of approximately HK$652.0 million (FY2013/14: HK$491.3 million), including a GFA of 5,900 sq. m. of trade center (mall style) at an average selling price ("ASP") of HK$24,600/sq. m. (FY2013/14: 8,000 sq. m. at HK$24,700/sq. m.), a GFA of 18,600 sq. m. of office units at an ASP of HK$12,000/sq. m. (FY2013/14: 10,700 sq. m. at HK$12,600/sq. m.) and a GFA of 26,100 sq. m. of residential ancillary at an ASP of HK$10,900/sq. m. (FY2013/14: 15,600 sq. m. at an ASP of HK$10,200/sq. m.).

For FY2014/15, CSC Shenzhen maintained stable growth in occupancy rates and rental rates. As at 31 March 2015, the total occupancy rate and rental rate of phase I trade center and shops were 95% and HK$55/sq. m., (as at 31 March 2014: 95% at HK$48/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 72% at HK$40/sq. m. (as at 31 March 2014: 65% at an ASP of HK$40/sq. m.) and 61% at HK$46/sq. m. (as at 31 March 2014: 51% at HK$52/sq. m.), respectively.

China South City Nanchang

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

CSC Nanchang has a site area of approximately 2.81 million sq. m. and a total planned GFA of approximately 7.30 million sq. m.. As at 31 March 2015, a total GFA of approximately 1.50 million sq. m. of trade centers, residential ancillary and warehousing facilities at phase I was completed and partly in trial operation. Construction of phase II of CSC Nanchang has commenced. During the Year, construction of a GFA of 595,200 sq. m. of trade centers and ancillary facilities was completed. In FY2015/16, construction of a GFA of 399,300 sq. m. will be underway, of which 16,300 sq. m. is expected to be completed in the fiscal year.

In FY2014/15, CSC Nanchang recorded total Contracted Sales of HK$1,350.3 million (FY2013/14: HK$1,118.2 million), including a GFA of 21,200 sq. m. of trade center (mall style) at an ASP of HK$19,700/sq. m. (FY2013/14: 67,300 sq. m. at HK$16,400/sq. m.) and a GFA of 108,700 sq. m. of residential ancillary at an ASP of HK$8,600/sq. m. (FY2013/14: 1,900 sq. m. at HK$7,800/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 and enjoying the 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 catering 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 currently in phase I construction and has a total GFA of 820,600 sq. m. completed, including 329,000 sq. m. of trade center (mall style), 456,000 sq. m. of residential ancillary and 35,600 sq. m. of warehousing facilities. During the Year, construction of a GFA of 8,000 sq. m. of warehousing facilities was completed. In FY2015/16, construction of a GFA of 1.13 million sq. m. will be underway, of which 566,800 sq. m. is expected to be completed in the fiscal year. CSC Nanning is in trial operation.

In FY2014/15, CSC Nanning recorded total Contracted Sales of HK$902.2 million (FY2013/14: HK$809.4 million), including a GFA of 10,300 sq. m. of trade center (mall style) at an ASP of HK$22,300/sq. m. (FY2013/14: 13,300 sq. m. at an ASP of HK$17,700/sq. m.) and a GFA of 89,200 sq. m. of residential ancillary facilities at an ASP of HK$7,500/sq. m. (FY2013/14: 78,700 sq. m. at an ASP of HK$7,300/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 land area of approximately 10.0 million sq. m. and a total planned GFA of approximately 17.5 million sq. m.. CSC Xi'an, which started trial operation, is in phase I construction and has a total GFA of 1.19 million sq. m. completed, including 1.11 million sq. m. of trade centers, 54,000 sq. m. warehousing facilities and 23,300 sq. m. other facilities. During the Year, construction of a GFA of 293,900 sq. m. of trade centers and ancillary facilities were completed. In FY2015/16, construction of a GFA of 740,400 sq. m. will be underway, of which 282,700 sq. m. is expected to be completed in the fiscal year.

In FY2014/15, CSC Xi'an recorded total Contracted Sales of HK$1,019.1 million (FY2013/14: HK$1,683.3 million), including a GFA of 13,200 sq. m. of trade center (mall style) at an ASP of HK$12,600/sq. m. (FY2013/14: 45,700 sq. m. at an ASP of HK$14,000/sq. m.) and a GFA of 99,400 sq. m. of trade center (detached style) at an ASP of HK$8,600/sq. m. (FY2013/14: 124,100 sq. m. at an ASP of HK$8,400/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 land area of approximately 10.0 million sq. m. and a total planned GFA of approximately 12.0 million sq. m.. CSC Harbin is at the end of phase I construction, and phase II construction has commenced. During the Year, construction of a GFA of 801,200 sq. m. of trade centers and ancillary facilities was completed. In FY2015/16, construction of a GFA of approximately 1.29 million sq. m. will be underway, of which 49,600 sq. m. is expected to be completed in the fiscal year. With more ancillary facilities put into service, as well as the increase in visitors, the project will commence trial operation in the near future.

In FY2014/15, CSC Harbin recorded total Contracted Sales of HK$984.9 million (FY2013/14: HK$1,322.6 million) including a GFA of 104,700 sq. m. of trade center (detached style) at an ASP of HK$8,400/sq. m. (FY2013/14: 171,600 sq. m. at an ASP of HK$7,700/sq. m.) and a GFA of 18,100 sq. m. of residential ancillary at an ASP of HK$5,900/sq. m. (FY2013/14: Nil).

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 the 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 which partially started trial operation, is in phase I development and has a total GFA of 1.91 million sq. m. completed. During the Year, construction of a GFA 681,800 sq. m. of trade centers and warehousing facilities were completed. In FY2015/16, construction of a GFA of 1.81 million sq. m. will be underway, of which 841,200 sq. m. are expected to be completed in the fiscal year.

In FY2014/15, CSC Zhengzhou recorded total Contracted Sales of HK$4,157.6 million (FY2013/14: HK$4,209.0 million) from a GFA of 147,000 sq. m. of trade center (mall style) at an ASP of HK$12,700/sq. m. (FY2013/14: Nil), and a GFA of 269,200 sq. m. of trade center (detached style) at an ASP of HK$8,500/sq. m. (FY2013/14: 568,000 sq. m. at an ASP of HK$7,400/sq. m.).

China South City Hefei

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

CSC Hefei has a total planned net land area of approximately 10.0 million sq. m. and a planned GFA of 12.0 million sq. m.. CSC Hefei is in phase I construction and has a total GFA of 1.03 million sq. m. of trade center and ancillary facilities completed. During the Year, construction of a GFA of 223,200 sq. m. of trade centers and ancillary facilities were completed. In FY2015/16, construction of a GFA of approximately 1.74 million sq. m. will be underway, of which 947,800 sq. m. is expected to be completed in the fiscal year. With more SMEs moving into the project and more ancillary services putting into operation, the project will commence trial operation in the near future.

CSC Hefei was the Group's first project to generate revenue in the first year of project launch, with the overwhelming response, making it one of the main contributors in sales in the last fiscal year. In FY2014/15, CSC Hefei recorded total Contracted Sales of HK$1,288.3 million (FY2013/14: HK$4,472.2 million), including a GFA of 93,100 sq. m. of trade center (detached style) at an ASP of HK$7,800/sq. m. (FY2013/14: 642,900 sq. m. at an ASP of HK$7,000/sq. m.) and a GFA of 98,000 sq. m. of residential ancillary at an ASP of HK$5,700/sq. m. (FY2013/14: Nil).

China South City Chongqing

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

According to the Framework Agreement signed with the Chongqing government on 17 January 2014 involving 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 approximately 2.4 million sq. m., including 1.26 million sq. m. of trade center, 500,000 sq. m. of commercial facilities, 100,000 sq. m. of warehousing facilities and 500,000 sq. m. of residential ancillary.

CSC Chongqing acquired the first batch of land for the project involving an attributable GFA of 749,000 sq. m., 581,400 sq. m. and 2.932 million sq. m. in March, May and October 2014 respectively. CSC Chongqing is in phase I development and has a total GFA of 407,800 sq. m. of trade centers and ancillary facilities completed. In FY2015/16, construction of a GFA of 749,400 sq. m. will be underway, and it is expected to be completed in the fiscal year. In FY2014/15, CSC Chongqing recorded total Contracted Sales of HK$966.7 million (FY2013/14: Nil), including a GFA of 131,100 sq. m. of trade center (detached style) at an ASP of HK$7,400/sq. m. (FY2013/14: Nil).

FINANCIAL REVIEW

For FY2014/15, the Group reported a decrease in revenue of 27.6% to HK$9,757.8 million (FY2013/14: HK$13,468.3 million), and net profit attributable to owners of the parent for the Year increase 6.7% to HK$3,727.9 million (FY2013/14: HK$3,494.5 million). Excluding the effects of fair value gains on investment properties and related tax effects, fair value gain on derivative financial instrument and loss on redemption of senior notes, core net profit attributable to owners of the parent for the Year as adjusted decreased by 30.8% to HK$1,854.3 million (FY2013/14: HK$2,677.7 million). Basic earnings per share decreased to HK48.73 cents (FY2013/14: HK55.71 cents).

Revenue

Revenue decreased by 27.6% to HK$9,757.8 million (FY2013/14: HK$13,468.3 million). The decrease was mainly due to the slow down in general business environment and the fewer gross floor areas were sold during the Year.

	FY2014/15	FY2013/14	Change
	HK$'000	*HK$'000*	*%*
Sales of properties and finance lease income	**8,654,171**	12,812,583	–32.5
Sales of trade center units	***6,836,963***	*11,778,160*	*–42.0*
Sales of residential properties	***1,353,830***	*756,820*	*78.9*
Finance lease income	***463,378***	*277,603*	*66.9*
Recurring income	**1,103,596**	655,739	68.3
Rental income	***573,895***	*304,866*	*88.2*
Property management service income	***133,321***	*67,074*	*98.8*
E-commerce income	***201,806***	*189,128*	*6.7*
Other fee income	***194,574***	*94,671*	*105.5*
	9,757,767	13,468,322	–27.6

Sales of Properties and Finance Lease Income

Revenue from sales of properties decreased by 34.7% to HK$8,190.8 million (FY2013/14: HK$12,535.0 million). The decrease was mainly due to the slow down in general business environment and the fewer gross floor areas were sold during the Year. 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)***	
	FY2014/15	FY2013/14	**FY2014/15**	FY2013/14	**FY2014/15**	FY2013/14	**FY2014/15**	FY2013/14
CSC Shenzhen	**24,400**	24,700	**5,900**	8,000	**143.6**	198.5	**135.5**	187.8
CSC Nanchang								
– Trade center units	**17,300**	15,900	**63,400**	24,200	**1,094.4**	384.0	**1,034.5**	361.8
– Residential properties	**8,200**	7,800	**104,600**	2,000	**852.3**	15.1	**805.7**	14.2
CSC Nanning								
– Trade center units	**21,000**	17,700	**8,600**	13,300	**180.0**	234.2	**169.6**	220.9
– Residential properties	**7,400**	7,100	**78,500**	110,300	**581.7**	786.6	**548.1**	742.6
CSC Xi'an	**8,600**	9,300	**43,200**	286,700	**371.8**	2,654.0	**351.0**	2,512.7
CSC Harbin	**7,700**	–	**225,400**	–	**1,745.0**	–	**1,648.4**	–
CSC Zhengzhou	**7,700**	8,500	**368,000**	534,500	**2,824.9**	4,568.4	**2,669.9**	4,298.5
CSC Hefei	**9,300**	7,000	**53,100**	638,000	**496.0**	4,440.7	**468.8**	4,196.5
CSC Chongqing	**7,700**	–	**49,200**	–	**380.6**	–	**359.3**	–
Total	**N/A**	N/A	**999,900**	1,617,000	**8,670.3**	13,281.5	**8,190.8**	12,535.0

Finance lease income, derived from the leasing of office towers and residential properties in CSC Shenzhen, increased by approximately 66.9% to HK$463.4 million (FY2013/14: HK$277.6 million). The increase was primarily attributable to the increase in demand of office and residential units of Plaza 5 at CSC Shenzhen during the Year.

During the Year, the Group entered into finance lease arrangements with tenants for approximately 43,500 sq. m. (FY2013/14: 26,200 sq. m.) at an average price of HK$11,300/sq. m. (FY2013/14: HK$11,200/sq. m.).

Rental Income

Rental income increased by 88.2% to HK$573.9 million (FY2013/14: HK$304.9 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, the contribution from HOBA Furnishing and the commencement of operation of the trade centers in projects other than CSC Shenzhen during the Year.

Occupancy at CSC Shenzhen has been driven by the demand for large-scale integrated logistics and trade center facilities and the growing profile of China South City. As at 31 March 2015, the total occupancy rate of phase I trade center and shops remained stable at approximately 95% (31 March 2014: 95%), while the total occupancy rate for phase II trade center and shops increased to 72% (31 March 2014: 65%) of launched area. For the total occupancy rate of phase III trade center and shops, it represented 61% (31 March 2014: 51%) of the launched area. The average effective monthly rental rate for phase I, phase II and phase III trade centers and shops were approximately HK$55/sq. m. (31 March 2014: HK$48/sq. m.), HK$40/sq. m. (31 March 2014: HK$40/sq. m.) and HK$46/sq. m. (31 March 2014: HK$52/sq. m.) respectively.

Property Management Service Income

Income from property management services rose by 98.8% to HK$133.3 million (FY2013/14: HK$67.1 million). The increase in income was mainly attributable to the contribution of CSC Nanchang, CSC Nanning, CSC Xi'an and CSC Zhengzhou which entered into trial operation and the increasing total occupancy rate of the launched areas of CSC Shenzhen phase II and phase III trade centers and supporting facilities during the Year.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to our customers, rose by 6.7% to HK$201.8 million (FY2013/14: HK$189.1 million) during the Year. The Group has initiated an online membership programme in CSC Zhengzhou. By joining the service, the occupants of CSC Zhengzhou will enjoy a full range of E-commerce services offered by the Group's E-commerce platform, CSC86.com.

Other Fee Income

The other fee income rose by 105.5% to HK$194.6 million (FY2013/14: HK$94.7 million). The increase was mainly attributable to the growth of the outlet operations and logistics and warehousing services which contributed HK$92.5 million (FY2013/14: HK$68.7 million) and HK$95.8 million (FY2013/14: HK$24.8 million) respectively during the Year.

Increase in income from outlet operations was mainly due to the growth of outlet center business and increase in operating areas during the Year. Increase in income from the logistics and warehousing services was mainly due to the increase in operating areas of logistics and warehousing services during the Year.

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. During the Year, cost of sales decreased by 33.8% to HK$4,582.2 million (FY2013/14: HK$6,921.2 million). The decrease in cost of sales was basically in line with the decrease of GFA of properties sold and properties entered into under finance lease contracts during the Year.

Gross Profit

Gross profit decreased by 21.0% to HK$5,175.6 million (FY2013/14: HK$6,547.2 million). Gross profit margin increased to 53% during the Year (FY2013/14: 49%) which was mainly due to the change in product mix, the recurring income which has higher gross profit margin accounted for a higher portion in the Revenue and the receipt of government development grants in certain projects.

Other Income and Gains

Other income and gains increased by 72.9% to HK$324.7 million (FY2013/14: HK$187.8 million) during the Year. The increase was mainly due to the fair value gain of the option granted to Tencent to subscribe for the shares of the Company, which was treated as a derivative financial instrument, amounting to HK$151.9 million (FY2013/14: HK$103.3 million) during the Year. Besides, the increase in bank interest income during the Year also led to the increase in other income and gains.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 89.4% to HK$2,398.5 million (FY2013/14: HK$1,266.3 million) during the Year. The increase was mainly attributable to the addition of properties at CSC Shenzhen, and the stable growth of value of existing properties at CSC Shenzhen and CSC Harbin.

Selling and Distribution Expenses

Selling and distribution expenses increased by 24.2% to HK$722.0 million (FY2013/14: HK$581.2 million). The increase was mainly attributable to marketing and advertising expenses incurred by our projects in Zhengzhou, Hefei and Chongqing, which launched more sales and marketing activities during the Year. In addition, the 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 Year.

Administrative Expenses

Administrative expenses increased by 24.5% to HK$1,074.2 million (FY2013/14: HK$863.0 million). The increase was primarily due to the increase in business activities at new projects, and, when more new projects entered into trial operations, the expansion of the management team and the increase in number of employees. During the Year, the Group has granted 103,300,000 share options to certain directors and employees. Share option expenses of HK$90.7 million in the Year were recorded (FY2013/14: HK$63.4 million).

Finance Costs

Finance costs were up by 8.3% to HK$165.6 million (FY2013/14: HK$152.9 million). The rise was mainly attributable to an increase in new bank and other loans for general business purposes with interest expenses recorded through profit or loss. As at the end of March 2015, the Group's weighted average financing cost was 6.8% compared with 7.2% at the end of March 2014.

Tax

Tax expenses recorded a decrease of 13.3% to HK$2,144.7 million (FY2013/14: HK$2,472.5 million). The decrease in tax expenses was attributable to the decrease in current income tax expenses and land appreciation tax as a result of less income generated during the Year, offsetted by the increase in tax related to fair value gain on investment properties.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables decreased by 10.4% to HK$653.8 million (31 March 2014: HK$729.5 million), due to the net effect of (i) an increase in deposits paid for construction of new projects, (ii) a decrease in prepayment of business taxes of pre-sold properties in certain CSC projects, and (iii) a decrease in consideration receivable from the disposal of subsidiaries in the previous year. As at 31 March 2015, the remaining consideration receivable from the disposal of subsidiaries was approximately HK$12.5 million.

Trade and Other Payables

Trade and other payables decreased by 2.0% to HK$13,534.7 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 consideration 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 Year. As at 31 March 2015, the balance of construction fees and retention payable and deposits received and receipts in advance were HK$7,806.9 million and HK$3,913.9 million respectively.

Liquidity and Financial Resources

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

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2015, the Group had HK$8,672.7 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$7,253.5 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 31 March 2015, the Group had approximately HK$25,003.3 million in interest-bearing bank and other borrowings, senior notes, medium-term notes and short-term notes (31 March 2014: HK$17,518.7 million). The Group had aggregated interest-bearing bank and other borrowings of approximately HK$15,465.3 million as at 31 March 2015 (31 March 2014: HK$12,452.4 million), of which HK$6,824.9 million will be repayable within one year or on demand, approximately HK$4,296.4 million will be repayable in the second year, approximately HK$3,809.6 million will be repayable in the third to the fifth years and approximately HK$534.3 million will be repayable after five years. As at 31 March 2015, the Group's interest-bearing bank and other borrowings of approximately HK$10,360.2 million were secured by certain buildings, investment properties, properties under development and properties held for sales with a total carrying value of approximately HK$24,492.5 million.

Except for the bank loans equivalent to HK$850 million, which is denominated in HK dollars and bear interest at HIBOR+2.65% to HIBOR+2.75% (31 March 2014: 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 5.54% to 8.00% (31 March 2014: 5.40% to 7.87%) per annum. Furthermore, as at 31 March 2015, the Group had unused banking facilities of approximately HK$5,578.2 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 the Year. 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 (equivalents approximately HK$3,120 million) at a coupon rate of 8.25% per annum for the purpose of redeeming all of the outstanding senior notes due in January 2016, 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 interbank 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 31 March 2015, the carrying value of China South International's medium-term notes was HK$2,704.2 million. As assessed by 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 interbank 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 at 31 March 2015, the carrying value of China South International's short-term notes was HK$2,750.9 million. 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.

Corporate Bonds

In March 2015, China South International obtained the relevant approval for the proposed issue of the corporate bonds in a maximum principal amount of RMB1.5 billion with a term of up to 6 years in maximum from the date of issue in the PRC. In April 2015, China South International completed the issuance of the corporate bonds in the PRC with the total principal amount of RMB1.5 billion with a term of up to 6 years in maximum and at an interest rate of 7.0% per annum. The proceeds thereof are intended to be used for funding the construction of CSC Zhengzhou project. As assessed by Pengyuan Credit, China South International and the corporate bonds were given "AA" and "AA+" rating respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 65.3% as at 31 March 2015 and 23.5% as at 31 March 2014.

Net Current Assets and Current Ratio

As at 31 March 2015, the Group had net current assets of HK$5,918.3 million (31 March 2014: HK$5,798.7 million) at a current ratio of 1.21 (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 31 March 2015, the guarantees amounted to HK$6,049.3 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 31 March 2015, the Group had future capital expenditure contracted but not yet provided in the amount of HK$9,253.9 million (31 March 2014: HK$5,763.6 million).

Foreign Exchange Risk

The Group conducts its business mainly in Renminbi; this includes our incomes and expenses, assets and liabilities. During the Year, the exchange rate of Renminbi to HK dollars and US dollars basically 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.

Economic, Commercial and other Risks

The Group is exposed to the risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in sales prices of the properties, rental rates and occupancy rates of trade centers, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. The development of the Group's projects may subject to market risks as it usually takes time to come to fruition and achieve the desired returns. Though the Group appoints quality partners for the development of its projects, it may still subject to associated risk of the quality and safety of the products and services provided by the Group. The Group may also subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the political environment in such territories may also affect the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk are set out in the note to the financial statements.

Acquisition and Disposal of Subsidiary and Associated Company

Except for the acquisition transaction of 19.05% interest in Makepolo Inc. completed in October 2014 as available-for-sale investment, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Year.

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, 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 31 March 2015, the Company has utilized approximately HK$875.4 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 in 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 new 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 31 March 2015, 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 31 March 2015, the Group had a workforce of approximately 7,600 people, including approximately 7,550 people directly employed by the Group and approximately 50 people employed by our associate. The number of the Group's staff increased by 18.0% 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 Year, the Company granted 103,300,000 share options to certain directors and employees.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (the "Listing Rules") during the Year, save and except for the following deviation:

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings of the Company. During the Year, one 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 for the Year in relation to the securities dealings, if any.

AUDIT COMMITTEE

The Company has established an Audit Committee in September 2009 and has formulated and amended its written terms of reference in accordance with the provisions set out in the CG Code from time to time. The Audit Committee consists of Mr. Li Wai Keung (chairman of Audit Committee), Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung and Mr. Yung Wing Ki Samuel. All of the Audit Committee members are independent non-executive Directors. The principal duties of the Audit Committee include the review and monitoring of the Group's financial reporting system and internal control procedures, review of the Group's financial information, review of the relationship with the independent auditor of the Company, determining of the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Audit Committee has reviewed the audited financial statements of the Group for the FY2014/15.

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

The Company repurchased a total of 44,562,000 shares of the Company at prices ranging from HK$2.58 to HK$3.64 per share on the Hong Kong Stock Exchange during the Year. 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
22 December 2014	4,570,000	3.50	3.38	15,720,340
23 December 2014	1,020,000	3.50	3.45	3,546,300
14 January 2015	3,500,000	2.90	2.87	10,112,680
15 January 2015	4,136,000	2.83	2.58	11,610,880
	44,562,000			150,615,760

All 44,562,000 shares repurchased were cancelled during the Year. The Company believes that the repurchase of shares will lead to an enhancement of the net value of the Group, its assets and its earnings per share.

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 August 2015 to 28 August 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. The ex-dividend date will be on 25 August 2015. In order to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 August 2015. The proposed final dividend, subject to the approval of the shareholders of the Company at the AGM, will be distributed on or about 11 September 2015 to shareholders of the Company whose names appear on the Register of Members on 28 August 2015.

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

Hong Kong, 29 June 2015

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.