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華南城

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2015	2014	**Approximate**
	HK$'000	*HK$'000*	**Change %**
	(Unaudited)	(Unaudited)	
Contracted Sales	**3,796,281**	6,837,274	**-44.5**
Revenue	**2,152,854**	5,141,135	**-58.1**
Among which, Recurring income	**603,215**	369,480	**63.3**
Gross profit margin	**51%**	47%	
Profit attributable to owners of the parent	**755,790**	1,303,231	**-42.0**
Core net profit attributable to owners of the parent*	**197,722**	887,394	**-77.7**
Earnings per share – Basic	**HK9.45 cents**	HK17.87 cents	**-47.1**
Cash and bank balances**	**11,547,765**	8,672,722**	**33.2**

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

** Represents cash and cash equivalents and restricted cash (comparative figure represents balance as at 31 March 2015)

INTERIM RESULTS

The board of directors (the "**Board**") of China South City Holdings Limited (the "**Company**"), together with its subsidiaries ("**China South City**" or the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2015 ("**1H FY2015/16**" or the "**Period**") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

	Notes	**For the six months ended 30 September 2015** *HK$'000* **(Unaudited)**	2014 *HK$'000* (Unaudited)
REVENUE	*4*	**2,152,854**	5,141,135
Cost of sales		**(1,048,651)**	(2,715,782)
Gross profit		**1,104,203**	2,425,353
Other income and gains/(losses)	*4*	**504,143**	269,933
Fair value gains on investment properties	*4*	**797,322**	385,455
Selling and distribution expenses		**(417,701)**	(299,499)
Administrative expenses		**(604,543)**	(486,670)
Other expenses		**(23,921)**	(17,873)
Finance costs	*5*	**(91,642)**	(88,282)
Share of profits and losses of:			
A joint venture		**–**	(23)
Associates		**–**	(3,332)
PROFIT BEFORE TAX	*6*	**1,267,861**	2,185,062
Income tax expenses	*7*	**(518,929)**	(890,215)
PROFIT FOR THE PERIOD		**748,932**	1,294,847
Attributable to:			
Owners of the parent		**755,790**	1,303,231
Non-controlling interests		**(6,858)**	(8,384)
		748,932	1,294,847
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the period		**HK9.45 cents**	HK17.87 cents
Diluted			
– For profit for the period		**HK9.44 cents**	HK14.86 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**748,932**	1,294,847
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(658,511)**	277,612
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(658,511)**	277,612
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**90,421**	1,572,459
Attributable to:		
Owners of the parent	**102,882**	1,579,896
Non-controlling interests	**(12,461)**	(7,437)
	90,421	1,572,459

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,396,905**	1,328,231
Investment properties		**31,069,284**	30,217,792
Properties under development		**6,082,412**	3,697,166
Prepaid land lease payments		**879,294**	787,819
Goodwill		**34,128**	34,128
Investment in a joint venture		**–**	5,079
Investments in associates		**41,380**	34,884
Available-for-sale investment		**175,500**	175,500
Finance lease receivables		**5,154**	8,860
Deposits paid for purchase of land use rights		**581,448**	1,225,250
Deferred tax assets		**1,666,584**	1,475,323
Total non-current assets		**41,932,089**	38,990,032
CURRENT ASSETS			
Properties held for finance lease		**358,252**	297,940
Properties held for sale		**24,156,323**	22,969,976
Trade receivables	*10*	**1,338,523**	1,636,626
Prepayments, deposits and other receivables		**774,526**	653,785
Held for trading investments at fair value through profit or loss		**28,080**	32,890
Cash and cash equivalents and restricted cash		**11,547,765**	8,672,722
Total current assets		**38,203,469**	34,263,939
CURRENT LIABILITIES			
Trade and other payables	*11*	**14,792,804**	13,534,665
Interest-bearing bank and other borrowings		**6,899,502**	6,824,949
Short-term notes		**5,240,840**	2,750,880
Tax payables		**4,690,975**	5,235,130
Total current liabilities		**31,624,121**	28,345,624
NET CURRENT ASSETS		**6,579,348**	5,918,315
TOTAL ASSETS LESS CURRENT LIABILITIES		**48,511,437**	44,908,347

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2015

	30 September 2015 *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**9,132,543**	8,640,398
Corporate bond	**1,849,043**	–
Senior notes	**4,097,543**	4,082,811
Medium-term notes	**4,902,541**	2,704,226
Deferred tax liabilities	**4,531,341**	4,459,096
Total non-current liabilities	**24,513,011**	19,886,531
Net assets	**23,998,426**	25,021,816
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,043,202**	7,034,761
Other reserves	**16,765,669**	17,832,208
	23,808,871	24,866,969
Non-controlling interests	**189,555**	154,847
Total equity	**23,998,426**	25,021,816

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2015.

Other Information

The financial information relating to the year ended 31 March 2015 that is included in the interim condensed consolidated financial statements for the six months ended 30 September 2015 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

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

3. SEGMENT INFORMATION

	Property development *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Property management *HK$'000* (Unaudited)	E-commerce *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2015						
Segment revenue:						
Sales to external customers	1,549,639	333,951	87,980	50,797	130,487	2,152,854
Intersegment sales	–	14,726	–	57,810	6,848	79,384
	1,549,639	348,677	87,980	108,607	137,335	2,232,238
Elimination of intersegment sales						(79,384)
Revenue						2,152,854
Segment results before increase in fair value of investment properties	914,115	238,923	(27,203)	50,790	88,468	1,265,093
Increase in fair value of investment properties	–	797,322	–	–	–	797,322
Segment results after increase in fair value of investment properties	914,115	1,036,245	(27,203)	50,790	88,468	2,062,415
Unallocated cost of sales						(160,890)
Interest income						36,571
Loss on held for trading investments at fair value through profit or loss, net						(4,810)
Unallocated income						472,382
Unallocated expenses						(1,046,165)
Finance costs						(91,642)
Share of losses of a joint venture						–
Share of losses of associates						–
Profit before tax						1,267,861
As at 30 September 2015						
Segment assets	35,173,355	30,930,470	11,593	88,288	835,227	67,038,933
Reconciliation:						
Investment in a joint venture						–
Investments in associates						41,380
Unallocated assets						13,055,245
Total assets						80,135,558
Segment liabilities	6,705,521	4,573,267	37,523	314,938	226,489	11,857,738
Reconciliation:						
Unallocated liabilities						44,279,394
Total liabilities						56,137,132

	Property development *HK$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Property management *HK$'000* (Unaudited)	E-commerce *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2014						
Segment revenue:						
Sales to external customers	4,771,655	244,455	48,144	10,133	66,748	5,141,135
Intersegment sales	–	11,678	–	–	–	11,678
	4,771,655	256,133	48,144	10,133	66,748	5,152,813
Elimination of intersegment sales						(11,678)
Revenue						5,141,135
Segment results before increase in fair value of investment properties	2,410,362	158,371	(52,759)	10,133	42,760	2,568,867
Increase in fair value of investment properties	–	385,455	–	–	–	385,455
Segment results after increase in fair value of investment properties	2,410,362	543,826	(52,759)	10,133	42,760	2,954,322
Unallocated cost of sales						(143,514)
Interest income						40,883
Gain on held for trading investments at fair value through profit or loss, net						1,820
Unallocated income						227,230
Unallocated expenses						(804,042)
Finance costs						(88,282)
Share of losses of a joint venture						(23)
Share of losses of associates						(3,332)
Profit before tax						2,185,062
As at 31 March 2015 (Audited)						
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

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), FAIR VALUE GAINS ON INVESTMENT PROPERTIES

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**1,430,408**	4,592,940
Finance lease income	**119,231**	178,715
Rental income	**333,951**	244,455
Property management service income	**87,980**	48,144
E-commerce income	**50,797**	10,133
Other fee income*	**130,487**	66,748
	2,152,854	5,141,135
Other income		
Interest income	**36,571**	40,883
Government grants**	**542,719**	17,471
Others	**14,796**	8,404
	594,086	66,758
Gains/(losses)		
(Loss)/gain on held for trading investments at fair value through profit or loss, net	**(4,810)**	1,820
Exchange (loss)/gain	**(85,133)**	49,440
Fair value gains on derivative financial instrument	**–**	151,915
	(89,943)	203,175
	504,143	269,933
Fair value gains on investment properties	**797,322**	385,455

* Other fee income includes an amount of HK$59,606,000 (six months ended 30 September 2014: HK$40,663,000) related to income from outlet operations and HK$65,824,000 (six months ended 30 September 2014: HK$24,967,000) related to income from logistics and warehousing services.

** Various government grants have been received from the relevant government authorities to foster and support the development of the relevant projects of the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including convertible notes, corporate bond, senior notes, medium-term notes and short-term notes)	**952,058**	746,664
Less: Interest capitalised	**(860,416)**	(658,382)
Total	**91,642**	88,282

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**584,242**	2,279,069
Cost of properties held for finance lease	**51,282**	82,224
Depreciation	**97,948**	32,153
Less: Depreciation capitalised in respect of properties under development	**(602)**	(440)
	97,346	31,713
Amortisation of prepaid land lease payments	**11,562**	773
Loss on disposal of subsidiaries and a joint venture*	**5,480**	–
Fair value gain on derivative financial instrument	**–**	(151,915)
Impairment of trade receivables*	**8,490**	17,873
Equity-settled share option expense	**11,114**	61,846

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

7. INCOME TAX EXPENSES

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

The PRC land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China corporate income tax	**209,595**	400,871
LAT in Mainland China	**276,302**	456,334
Deferred:		
Mainland China corporate income tax	**98,445**	80,681
LAT in Mainland China	**(69,075)**	(104,844)
Withholding tax on dividend	**3,662**	57,173
Total tax charged for the period	**518,929**	890,215

8. DIVIDENDS

At a meeting of the Board held on 27 November 2015, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2014: Nil).

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

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

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

	For the six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**755,790**	1,303,231
Add: Interest on convertible notes	**–**	1,701
Less: Fair value gain on derivative financial instrument	**–**	(151,915)
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**755,790**	1,153,017

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**8,000,895,283**	7,292,274,153
Effect of dilution – weighted average number of ordinary shares:		
Share options	**9,495,719**	112,745,928
Tencent call option	**–**	13,559,145
Convertible notes	**–**	341,530,054
	8,010,391,002	7,760,109,280

10. TRADE RECEIVABLES

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

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

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**768,277**	952,372
1 to 2 months	**22,569**	55,269
2 to 3 months	**13,961**	32,239
Over 3 months	**533,716**	596,746
Total	**1,338,523**	1,636,626

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	**30 September 2015** *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Other payables and accruals		**2,275,286**	1,626,215
Notes payables		**24,376**	187,560
Deposits received and receipts in advance		**4,184,528**	3,913,942
Construction fee and retention payables	*(i)*	**8,308,614**	7,806,948
Total		**14,792,804**	13,534,665

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

	30 September 2015 *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Within one year	**8,209,491**	7,714,040
Over one year	**99,123**	92,908
Total	**8,308,614**	7,806,948

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 hereby report the unaudited consolidated interim results of the Group for the six months ended 30 September 2015.

Results and Dividend

With China's announcement last year that its economic growth had entered a "New Normal", the Central government has continued to drive its economic restructuring to promote quality and sustainable growth. Meanwhile, GDP growth has fallen continuously with the third quarter growth rate slipping to 6.9% for the first time since 2009. This change in China's macroeconomic outlook has had a mixed impact on the Company's market environment. While the Company's recurring income continued to record robust growth, evident of strong demand for its integrated logistics and trade centers as well as its comprehensive online and offline services; the Group saw weaker demand for the Contracted Sales of its trade centers.

In addition to the changes in China's macroeconomic environment, the Company also observed several short-term factors including delays in relocation plans at project level, volatility in China's A-share market and sudden Renminbi devaluation. These have created uncertainty and affected the small and medium sized enterprises' ("**SMEs**") decision to invest in their own trade center units. Furthermore, the Company believes that there is room for improvement in respect of the Company's management performance during the Period. As a result, Contracted Sales of the Group for the Period dropped 44.5% year-on-year to HK$3,796.3 million (1H FY2014/15: HK$6,837.3 million). The Group recorded revenue of HK$2,152.9 million (1H FY2014/15: HK$5,141.1 million) for the Period, meanwhile recurring revenue amounted to HK$603.2 million (1H FY2014/15: HK$369.5 million), representing a surge of 63.3% year-on-year.

Profit attributable to owners of the parent was HK$755.8 million (1H FY2014/15: HK$1,303.2 million). Core net profit attributable to owners of the parent (being profit attributable to owners of the parent less fair value gains on investment properties and its related tax effect and fair value gain on derivative financial instrument) was HK$197.7 million (1H FY2014/15: HK$887.4 million). Basic earnings per share amounted to HK9.45 cents (1H FY2014/15: HK17.87 cents).

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (1H FY2014/15: Nil).

Review of the Market and Operations

Unique business model benefits from the Central government's initiative to promote the development of a more efficient economy

After experiencing decades of strong economic growth, the Central government has adjusted its development strategy from the promotion of high economic growth towards a sustainable intermediate-to-high speed growth through greater efficiency and innovation. As a result, the domestic economy has started to shift towards the "New Normal" where it is growing at a relatively modest pace, while new economic drivers such as E-commerce and logistics are given greater opportunities.

In view of the inefficiency of the domestic logistics sector, China South City has spurred the development of its fourth-generation integrated logistics and trade centers, aiming to improve the efficiency in China's domestic trade by leveraging internet technology and nationwide modern logistic network. As a result, the Group's unique "Online + Physical + Logistics" business model continues to receive strong support from local governments and its customers, which has enabled the Company to benefit from the aforementioned macro-transition in the long run.

Growing recurring income, a key to stable and sustainable development

During the Period, the Group achieved robust growth in its recurring income across the board, with income from rental, property management services, logistics & warehousing services, outlet operations and E-commerce segments surging 36.6%, 82.7%, 163.6%, 46.6% and 401.3%, respectively. This has set a solid foundation for the Group's sustainable development in the long run, and strengthens its ability to withstand short-term cyclical fluctuations.

Strong demand was seen for the services and facilities at China South City's projects across the country. With more and more tenants relocating from traditional downtown wholesale markets, recurring income from rental and property management services rose to HK$334.0 million and HK$88.0 million respectively (1H FY2014/15: HK$244.5 million and HK$48.1 million respectively). In addition, progress was made in the Group's E-commerce development and outlet operations, which recorded revenue of HK$50.8 million and HK$59.6 million respectively (1H FY2014/15: HK$10.1 million and HK$40.7 million respectively).

The Group's logistics and warehousing business is a core initiative of its long-term strategy. During the Period, the Group's logistics and warehousing business maintained its remarkable growth, with total income reaching HK$65.8 million, up by 163.6% from HK$25.0 million as compared with the same period of the previous year. This result reflects the strong demand for logistic facilities and services from tenants. Meanwhile, the Group's Logistics Information Exchange Platform ("**LIEP**"), which helps cargo owners match their freight plans more effectively by utilizing otherwise empty truckloads of Heavy Goods Vehicles ("**HGVs**") on their return journeys, continued to enjoy strong demand, proving the immense popularity and recognition of its services.

Active measures to strengthen the Company's financial position

While the Company has full confidence in the soundness of its long-term business strategy and the future of its market environment, the Company understands the importance of prudent financial management and strives to maintain a healthy level of financial liquidity. During the Period, the Company exercised flexibility in its capital expenditure plans to strike a balance between development needs and financial health. Further, the Company also took an active approach to expand and diversify its funding channels. As a result, the Group's overall financial position remains sound with an increase in cash and cash equivalents, compared with the end of March 2015, despite lower Contracted Sales.

During the Period, the Central government took a series of actions to increase the domestic financial market's liquidity. In 2015 to date, the People's Bank of China has lowered benchmark loan and deposit interest rates and deposit reserve requirement ratio five times, providing a window of low interest rate in the domestic funding market. During the Period, the Group seized the opportunity by issuing RMB5.6 billion in short-to-medium-term notes and corporate bonds in the domestic market.

The Group also sought to unlock the latent value of its recurring business segments and develop their independent financing channels to support their development strategies. During the Period, the Group initiated the spinoff of Shenzhen HOBA Home Furnishing Chain Store Company Limited ("**HOBA Furnishing**") and submitted HOBA Furnishing's application for the potential quotation of its shares on the National Equities Exchange and Quotation System ("**NEEQ**", also known as the "**New Third Board**") in August 2015. The application was recently approved and quotation of HOBA Furnishing has commenced on 16 November 2015.

Prospects

Looking ahead the second half of the fiscal year, the Group's operating environment will remain challenging under the existing marco-factors. The Contracted Sale of the Group is expected to be under pressure. However, the Group will make every effort to withstand this challenging market environment. Meanwhile, as China is formulating its 13th Five-Year Plan, "Internet Plus" strategy and "One Belt, One Road" initiative have been given top priority. Embracing this great opportunity, the Group will continue to implement its long-term strategy and dedicate its resources and effort in the development of its integrated logistics and trade centers.

As new projects complete and commence operation, the recurring income are expected to maintain robust growth, which will support the Group's long-term business strategy. The Group will continue to enhance its "Online + Physical + Logistics" business eco-system to offer a better operating environment and convenience to its tenants, thereby continuing to drive the modernization of China's domestic trading and logistic business.

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

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 27 November 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2015, the Group's operating environment remained challenging. China's Central government shifted the focus of its economic policy from extensive industrial expansion to a sustainable, intermediate-to-high growth pace, with an emphasis on greater economic efficiency. As a result, the Chinese economy has shown signs of transition towards a "New Normal", where GDP growth continued to slow while the services sector contribution as percentage of GDP and domestic consumption saw record high. During this economic transformation to the "New Normal", the Group's earnings driver also shifted from Contracted Sales income to recurring income.

During the Period, the "New Normal" has created new growth drivers and economic conditions conducive to the development of the Group's fourth-generation integrated logistics and trade centers. As China continued to eliminate excessive capacity, the operating environment for SMEs within domestic trading business became increasingly challenging. On the other hand, the increasing competition prompted SMEs to pursue greater efficiency and lower operating costs. Further, urbanization continues to drive the relocation of traditional downtown wholesale markets towards peripheral areas. As a result, the Group recorded strong demand for rental and comprehensive online and offline value-added services offered at all of its operating projects. Of the Group's value-added services, E-commerce, logistics and warehousing services recorded the strongest growth.

On the other hand, SMEs' overall demand was adversely affected due to a muted business outlook arising from the continuing slowdown in China's GDP growth, coupled with a weaker export market. In addition, delays in relocation plans at project level, the volatility in the A-share market and the sudden devaluation of the Renminbi created short-term uncertainty which affected SMEs' investment decisions. Finally, under its unique business model, the Group's recurring business continues to grow. This has set a higher requirement on the Group's operation management, while its management performance during the Period saw room for further improvement. As a result, Contracted Sales for the Period were impacted, which affected the Group's overall revenue and profitability.

During the Period, the Group recorded total revenue of HK$2,152.9 million (1H FY2014/15: HK$5,141.1 million), with its recurring income soaring by 63.3% year-on-year from HK$369.5 million in 1H FY2014/15 to HK$603.2 million, accounting for 28.0% of total revenue (1H FY2014/15: 7.2%). Contracted Sales amounted to HK$3,796.3 million (1H FY2014/15: HK$6,837.3 million). Net profit attributable to owners of the parent amounted to HK$755.8 million (1H FY2014/15: HK$1,303.2 million). Basic earnings per share amounted to HK9.45 cents (1H FY2014/15: HK17.87 cents).

Robust Growth in Recurring Income

As a leading operator of large-scale integrated logistics and trade centers in China, the Group leverages its physical assets as a platform to offer comprehensive value-added services to tenants, thereby generating multiple streams of recurring income. After many years of dedicated development, the Group has successfully built up a portfolio of eight projects, which are strategically located in two important logistic corridors of China. As at the end of September 2015, the projects in Shenzhen, Nanning, Nanchang, Xi'an and Zhengzhou were at various stages of operations.

In view of the Central government's efforts to pursue an urbanization strategy and increased operating expenses of the traditional downtown wholesale markets, more and more SMEs relocated to the Group's modern logistics and trade centers, driving the robust growth in the Group's rental income. During the Period, rental income grew by 36.6% year-on-year to HK$334.0 million.

Successful Operations of China South City Projects

China South City Shenzhen ("**CSC Shenzhen**"), the Group's flagship project, has maintained stable growth for more than a decade. As one of the largest industrial materials trade centers in China, it offers a comprehensive wholesale trading platform for SMEs in various industries, including textile & clothing, leather & accessories, electronics parts, printing & paper products, packaging materials, metals, chemicals and plastics materials. Since its incorporation, CSC Shenzhen has contributed stable rental income and healthy cash flow to the Group for more than a decade. Today, CSC Shenzhen has become a model case for the large-scale relocation of traditional downtown wholesale markets, serving as an example for all other China South City projects.

China South City Nanning ("**CSC Nanning**") is strategically located at the major gateway between China and member countries of the Association of Southeast Asian Nations ("**ASEAN**"). The geographical advantage allows it to capture tremendous opportunities arising from phenomenal growth in cross-border trade. During the Period, the 12th China-ASEAN Expo and Light Industrial Exhibition was successfully held in CSC Nanning for the sixth consecutive year. Moreover, the trial run of the LIEP in CSC Nanning made remarkable progress. The trial operations of CSC Nanning cover industries such as textile & clothing, small commodities, ASEAN products, household goods, tea & teaware, and building & decoration materials, etc.

China South City Nanchang ("**CSC Nanchang**") is located at the transportation hub for the Yangtze River Delta, the Pearl River Delta and Poyang Lake Ecological Economic Zone. As the first E-commerce Model Base in Jiangxi Province, CSC Nanchang received significant support from local and provincial governments. The trial operations of CSC Nanchang cover industries such as small commodities, textile & clothing, leather & accessories and health & green products, etc. Moreover, the Group held the Ground Breaking Ceremony of CSC Nanchang Modern Warehouse and Logistics Base recently. Upon completion, it will further enhance the project's online to offline ("**O2O**") services as well as its logistic capacity.

China South City Xi'an ("**CSC Xi'an**") is located in the starting point of the Silk Road Economic Belt, which helps it capture the immense opportunities arising from the growing economic interaction between China and the New Silk Road countries promoted by the Central government's "One Belt, One Road" initiative. The trial operations of CSC Xi'an project cover industries such as machinery & hardware, textile & clothing and leather & fur, etc.

China South City Zhengzhou ("**CSC Zhengzhou**") is located at the intersection of China's fast-growing highway and high-speed train network. It is also an important hub of China South City's nationwide logistic network. Being the provincial-level E-commerce Model Base in Henan, it has received the enthusiastic support from the local government and serves as a testbed for the Group's E-commerce services. The trial operations of CSC Zhengzhou cover industries such as building & decoration materials, small commodities, machinery & hardware and automobile & parts, etc.

Strong Growth in Property Management

To improve 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. The Group endeavors to differentiate its projects from other wholesale markets by stepping up efforts to strengthen standards in fire prevention, security, environmental stewardship, maintenance services and the management of transportation and parking lots at each of its project sites.

With the increasing gross floor area ("**GFA**") of China South City projects sold and rented, the Group's property management services income has sustained a stable and high growth over the past few years. In 1H FY2015/16, recurring revenue from property management reached HK$88.0 million, up 82.7% year-on-year, making this segment the second-largest contributor to the Group's total recurring income. As more projects complete and commence operation, the Group believes recurring revenue generated from property management services will continue to grow rapidly and generate stable cash inflows in the coming years.

E-Commerce Development

During the Period, the Group continued to reinforce its online platform and carry out integrated physical plus online wholesale businesses to help SMEs operating within China South City projects upgrade. Through its B2B platform – CSC86.com – the Group assists SMEs with their initial steps into E-commerce. Meanwhile, the trial operations of its online membership program in CSC Zhengzhou progressed smoothly and started generating income.

Leveraging the technical support and wealth of resources from internet giant Tencent Holdings Limited ("**Tencent**"), the Group successfully launched a Wi-Fi intelligent digital solution system in CSC Shenzhen Plaza 1 recently, which allows real-time tracking and analysis of visitors' shopping patterns and to proactively disseminate promotional messages to them. During the Period, the Group also enhanced its B2B platform by offering users online payment services and paved the way for the development of its internet finance services.

Outlet Operations

While China's offline retailers have been facing challenges in recent years, the Group's outlet business continued to thrive. Building on its successful outlet mall operations in CSC Shenzhen, the Group implemented trial runs of outlet malls at its projects in Nanning, Nanchang, Xi'an and Harbin and achieved satisfactory results during the Period. The outlet segment generated recurring income of HK$59.6 million in 1H FY2015/16, up 46.6% year-on-year. As at 30 September 2015, more than 330 renowned international and domestic brands were drawn to these outlets, occupying an operating GFA of approximately 167,600 sq. m..

The outlet business of CSC Shenzhen maintained steady growth with an increase in operating GFA and more brands moving in. It is noteworthy that the outlet mall in CSC Xi'an, which commenced trial operations last year, grew rapidly during the Period and became the second-largest contributor among the Group's outlet malls in terms of revenue and the number of operating brands. The outlet malls at Zhengzhou and Hefei projects are slated to come on stream in the coming years, and are set to generate more recurring income for the Group.

Logistics & Warehousing Services

In the face of the "New Normal", the Central government launched various measures to create a modern logistics system in China to improve the operating efficiency of domestic trade. Underpinned by the Central government's supportive measures and strong demand in the market, the logistics industry is set to boom in the coming years. During the Period, the Group achieved robust growth in its logistics and warehousing services, with revenue from this segment reaching HK$65.8 million, up by 163.6% year-on-year.

Leveraging on its nationwide network, the Group developed its LIEP to help cargo owners match their freight plans more efficiently and cut logistics costs by utilizing otherwise empty truckloads of HGVs on their return journeys. Significant achievements were made in trial operation of LIEP in CSC Shenzhen and CSC Nanning. As of today, a large number of drivers and corporate carriers registered to gain access to this platform. It demonstrates the tremendous demand for the Group's LIEP services. The Group plans to expand its LIEP to all other China South City projects and other locations outside China South City projects going forward, thereby increasing its coverage and operating efficiency.

HOBA Furnishing

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

The trial operation of HOBA Furnishing's store in CSC Nanning performed smoothly during the Period. Meanwhile, HOBA Furnishing's store in CSC Shenzhen is expected to commence trial operations by the end of 2015.

Trade Fairs

Leveraging its large-scale trade platforms located in major provincial capitals and a municipality in China, together with its extensive experience in co-organizing trade fairs with local governments, the Group arranged a number of trade exhibitions and conventions at its projects. These events received an overwhelming response from many international and local exhibitors, which not only boosted visitor and business traffic to these projects, but also created more business opportunities for its trade centers and further increased market recognition of the China South City brand.

Events at a Glance

Ethnic and Cultural Festival cum Trade Fair

The Ethnic and Cultural Festival cum Trade Fair was held in CSC Nanning in April 2015. The 16-day event attracted a large number of participants to the project. Meanwhile, the 8th (Guangxi) Nanning Spring Tea Festival and the 1st International Automobile Exhibition were also held in CSC Nanning. These activities significantly boosted the sales of tenants selling tea and teaware, as well as those automobile exhibitors, and created business opportunities for other tenants in CSC Nanning.

ITFCEWC cum the Silk Road International Expo

The 19th Investment & Trade Forum for Cooperation between East & West China ("**ITFCEWC**") cum the Silk Road International Expo were held in Xi'an in May 2015. During the event, a thematic program known as the "Silk Road Commodity Trade Fair" was undertaken by CSC Xi'an to exhibit numerous commodities produced by the countries along the Silk Road. Leveraging its convention and exhibition facilities and easily accessible logistic network, CSC Xi'an draws visitors to the project and raises its brand awareness on the one hand, while contributing efforts to integrate the resources of the countries along the Silk Road and promote their full cooperation on the other, driving trade and logistics development in Xi'an.

China (Harbin) International Lifestyle, Cultural and Tourism Expo

The 2015 China (Harbin) International Lifestyle, Cultural and Tourism Expo kicked off in China South City Harbin ("**CSC Harbin**") in June 2015. Hosted by the Harbin Municipal People's Government and co-hosted by the Council for Promotion of Trade in Heilongjiang province, it was organized by the Council for Promotion of Trade in Harbin, the People's Government of the Daowai District in Harbin and CSC Harbin, respectively. The four-day event not only brought visitors and business opportunities to CSC Harbin, but also highlighted the growing role of CSC Harbin as a powerful platform to promote international economic and trade cooperation in Northeast Asia, thereby boosting the brand power of China South City in the region.

China-ASEAN Expo and Light Industrial Exhibition

The 12th China-ASEAN Expo and Light Industrial Exhibition, co-organized by the Ministry of Commerce of China, its ASEAN counterparts and the China-ASEAN Expo Secretariat, respectively, and undertaken by the Government of the Guangxi Zhuang Autonomous Region, took place in CSC Nanning in September 2015 for the sixth consecutive year. This has firmly established CSC Nanning as a hub for light industrial products trading between China and the ASEAN countries, which has strengthened the trade links and cultural exchanges between both sides, and increased the Group's brand recognition in the region and even among ASEAN countries.

Hefei Stylish Products Expo and Eastern China Machinery and Hardware Trade Fair

The Hefei Stylish Products Expo and Eastern China Machinery and Hardware Trade Fair was held in China South City Hefei ("**CSC Hefei**") in October 2015. The four-day event was hosted by the Hefei Municipal People's Government, the Bureau of Commerce of Anhui Province and the Anhui Chamber of Commerce, respectively, and undertaken by the People's Government of Feixi County and CSC Hefei. It attracted many visitors comprising professional buyers and distributors in the hardware and spare parts, lighting and security system industries throughout the country. The event gave a strong boost to CSC Hefei's operations and visitor flow, laying a solid foundation for the future development of the project.

Financial Management

During the Period, the Group exercised flexibility in capital expenditure and maintained a healthy cash position to address short-term cyclical fluctuations. Moreover, it made vigorous efforts to prepare for the spinoff of HOBA Furnishing to unlock its value and to make it a fund-raising platform for future expansion. Meanwhile, the Group took advantage of the low-interest rate environment in China's capital market to secure funding at lower financing costs. As at the end of September 2015, the Group recorded a weighted average financing cost of 6.5% compared with 6.8% at the end of March 2015.

China's domestic corporate-bond market has rallied on the Central government's monetary easing policy. The Group seized these opportunities to expand its funding channels by leveraging the domestic capital market during the Period.

In April 2015, China South International Industrial Materials City (Shenzhen) Company Limited ("**China South International**"), a wholly-owned subsidiary of the Company, completed the issuance of RMB1.5 billion corporate bonds with a term of a maximum of six years and a coupon rate of 7% per annum. In July 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 in the national inter-bank market of the PRC ("**2015 First Tranche MTN**") in the total principal amount of RMB2 billion, with a maturity period of three years at an interest rate of 7% per annum. Furthermore, in September 2015, China South International completed the issuance of the first tranche of short-term notes of 2015 in the PRC national inter-bank market ("**2015 First Tranche STN**") in the total principal amount of RMB2.1 billion, with a maturity period of 366 days at an interest rate of 4.3% per annum.

As assessed by Pengyuan Credit Rating Co., Ltd. (鵬元資信評級有限公司) ("**Pengyuan Credit**"), China South International and corporate bonds were given "AA" and "AA+" rating respectively. As assessed by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) ("**Dagong Global**"), the 2015 First Tranche MTN and China South International were given 'AA' ratings and the 2015 First Tranche STN was given an 'A-1' rating. The successful issuance of corporate bonds and short-and-medium-term notes further broadens the Group's financing channels.

It is also noteworthy that the Group has received the approval for the application for the quotation of shares of HOBA Furnishing on the NEEQ in the PRC. The quotation of shares of HOBA Furnishing commenced on 16 November 2015. This spinoff will help unlock the value of HOBA Furnishing and provide it an independent fund-raising platform with respect to its own operations and future expansion. Additionally, the Group will continue to seek opportunities to spin off other subsidiaries of the Group for listing to realize the potential value of these businesses, further expand the Group's fund-raising platform and enhance its financial position.

Land Bank

With the Group's unique business model of "One Body with Two Wings", the Group intends to retain the commercial properties like logistics and warehousing facilities and offices and not less than 50% of the trade center units for self-use or long-term rental purposes, while for the remaining 50% of the trade center units and the residential properties, the Group will dispose them according to its needs to generate cash flow for the development of the Group. During the Period, the Group acquired attributable GFA of approximately 1.73 million sq. m. in CSC Nanchang and China South City Chongqing ("**CSC Chongqing**") at an average cost of RMB300/sq. m.. The enlarged land bank allows the Group to drive sustainable growth in the future.

Details of the land bank as of 30 September 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	735,100	1,272,500	569,100	307,000	67,300	2,644,000	2,644,000	100%
CSC Nanchang	779,600	758,700	214,000	–	2,912,900	7,297,000	4,665,200	64%
CSC Nanning	297,000	870,600	777,500	219,000	534,900	4,880,000	2,480,000	51%
CSC Xi'an	525,500	665,700	458,200	67,300	2,506,600	17,500,000	4,156,000	24%
CSC Harbin	228,200	568,200	1,288,800	–	2,662,800	12,000,000	4,748,000	40%
CSC Zhengzhou	966,800	1,108,600	1,644,100	342,300	1,450,500	12,000,000	5,170,000	43%
CSC Hefei	695,400	336,200	1,736,400	490,700	2,433,000	12,000,000	5,201,000	43%
CSC Chongqing	80,300	654,600	401,300	401,300	4,468,900	13,500,000	5,605,100	42%
Total	4,307,900	6,235,100	7,089,400	1,827,600	17,036,900	81,821,000	34,669,300	42%

China South City Shenzhen

CSC Shenzhen, the Group's first project, is strategically located at 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.. According to Shenzhen Metro Planning, the subway line 10, which was expected to commence construction works by the end of December 2015 and start trial operations by June 2020, will pass through CSC Shenzhen. Upon completion, this subway line will further improve accessibility of the project.

As at 30 September 2015, trade centers and ancillary facilities at phase I, phase II and part of phase III with a total GFA of approximately 2.01 million sq. m. were in operation. CSC Shenzhen is currently in phase III development. As at 30 September 2015, construction of GFA of approximately 569,100 sq. m. is underway, among which approximately 307,000 sq. m. are expected to be completed in the current fiscal year.

In 1H FY2015/16, CSC Shenzhen recorded total Contracted Sales of HK$492.7 million (1H FY2014/15: HK$305.7 million), including a GFA of 4,200 sq. m. of trade centers (mall style) at an average selling price ("**ASP**") of HK$21,900/sq. m. (1H FY2014/15: 4,500 sq. m. at HK$20,400/sq. m.), a GFA of 35,500 sq. m. of office units at an ASP of HK$11,200/sq. m. (1H FY2014/15: 6,700 sq. m. at HK$13,000/sq. m.) and a GFA of 200 sq. m. of residential ancillary at an ASP of HK$9,800/sq. m. (1H FY2014/15: 11,500 sq. m. at HK$11,000/sq. m.).

For 1H FY2015/16, CSC Shenzhen maintained steady occupancy rates and rental rates. As at 30 September 2015, the total occupancy rate of the launched rentable GFA of phase I, phase II and phase III trade centers and shops were 94%, 76% and 62% respectively (as at 30 September 2014: 95%, 70% and 56% respectively) while their respective rental rates were HK$56/sq. m., HK$38/sq. m. and HK$47/sq. m. (as at 30 September 2014: HK$53/sq. m., HK$39/sq. m. and HK$47/sq. m. respectively).

China South City Nanchang

Located in Nanchang, the capital 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 total planned site area of approximately 2.81 million sq. m. and a total planned GFA of approximately 7.30 million sq. m.. As at 30 September 2015, CSC Nanchang, which is partially in trial operations, has a total GFA of approximately 1.54 million sq. m. at phase I completed, including approximately 900,000 sq. m. of trade centers, approximately 594,000 sq. m. of residential ancillary and approximately 44,500 sq. m. of warehousing facilities. Construction of phase II of CSC Nanchang has commenced. As at 30 September 2015, construction spanning a GFA of approximately 214,000 sq. m. is underway.

In 1H FY2015/16, CSC Nanchang recorded total Contracted Sales of HK$283.2 million (1H FY2014/15: HK$901.0 million), including a GFA of 300 sq. m. of trade center (mall style) at an ASP of HK$20,000/sq. m. (1H FY2014/15: 15,200 sq. m. at HK$19,200/sq. m.) and a GFA of 35,000 sq. m. of residential ancillary at an ASP of HK$7,900/sq. m. (1H FY2014/15: 67,800 sq. m. at HK$9,000/sq. m.).

China South City Nanning

CSC Nanning is located at Nanning, the capital of the Guangxi Zhuang Autonomous Region and a crucial gateway between China and ASEAN countries. It is easily accessible by 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 under phase I construction and has a total GFA of approximately 1.17 million sq. m. completed, including approximately 674,700 sq. m. of trade centers, approximately 456,400 sq. m. of residential ancillary and approximately 36,500 sq. m. of warehousing facilities. During the Period, construction of a GFA of approximately 346,900 sq. m. of trade centers was completed. As at 30 September 2015, construction of a GFA of approximately 777,500 sq. m. is underway, of which approximately 219,000 sq. m. are expected to be completed in the current fiscal year. CSC Nanning is under trial operations.

In 1H FY2015/16, CSC Nanning recorded total Contracted Sales of HK$191.5 million (1H FY2014/15: HK$470.6 million), including trade center (mall style) with a GFA of 1,800 sq. m. at an ASP of HK$19,900/sq. m. (1H FY2014/15: 6,100 sq. m. at HK$20,000/sq. m.) and residential ancillary with a GFA of 21,800 sq. m. at an ASP of HK$7,100/sq. m. (1H FY2014/15: 45,500 sq. m. at HK$7,700/sq. m.).

China South City Xi'an

CSC Xi'an is strategically located at 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. According to Xi'an Metro Planning, the subway line 3, which is expected to commence trial operations by the end of 2016, will pass through CSC Xi'an. Upon completion, this subway line will further enhance the value of the project.

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 operations, is under phase I construction and has a total GFA of approximately 1.19 million sq. m. completed, including approximately 1.11 million sq. m. of trade centers, approximately 55,800 sq. m. of warehousing facilities and approximately 23,300 sq. m. of ancillary facilities. As at 30 September 2015, construction of a GFA of approximately 458,200 sq. m. is underway, of which approximately 67,300 sq. m. are expected to be completed in the current fiscal year.

In 1H FY2015/16, CSC Xi'an recorded total Contracted Sales of HK$212.1 million (1H FY2014/15: HK$878.1 million), including a GFA of 4,400 sq. m. of trade center (mall style) at an ASP of HK$13,700/sq. m. (1H FY2014/15: 12,000 sq. m. at HK$12,700/sq. m.) and a GFA of 23,900 sq. m. of trade center (detached style) at an ASP of HK$6,300/sq. m. (1H FY2014/15: 84,200 sq. m. at HK$8,600/sq. m.).

China South City Harbin

Located at the Daowai district of Harbin, the capital of Heilongjiang Province, CSC Harbin fully taps its advantageous location in northeast China, a premier hub for cross-border trade with countries in northeast Asia. 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 currently under Phase I construction and has a total GFA of approximately 796,400 sq. m. completed, including approximately 773,100 sq. m. of trade centers and approximately 23,300 sq. m. of ancillary facilities. As at 30 September 2015, construction of a GFA of approximately 1.29 million sq. m. is underway.

In 1H FY2015/16, CSC Harbin recorded total Contracted Sales of HK$146.0 million (1H FY2014/15: HK$804.7 million), including a GFA of 11,500 sq. m. of trade center (detached style) at an ASP of HK$9,200/sq. m. (1H FY2014/15: 96,100 sq. m. at HK$8,400/sq. m.) and a GFA of 7,900 sq. m. of residential ancillary at an ASP of HK$5,100/sq. m. (1H FY2014/15: Nil).

China South City Zhengzhou

CSC Zhengzhou is located at Zhengzhou, the capital of Henan Province, which is highly accessible and enjoys extensive transportation links – 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. According to Zhengzhou Metro Planning, the south extension of subway line 2, which commenced construction in 2014 and is expected to complete construction in 2016, will pass through CSC Zhengzhou. Upon completion, this subway line will generate more business opportunities and visitor traffic for the project.

CSC Zhengzhou has a total planned net land area of approximately 7.0 million sq. m. and a total planned GFA of approximately 12.0 million sq. m.. CSC Zhengzhou, which has partially started trial operations, is in phase I development and has a total GFA of approximately 2.07 million sq. m. completed, including approximately 1.95 million sq. m. of trade centers, approximately 100,300 sq. m. of warehousing facilities and approximately 21,000 sq. m. of ancillary facilities. During the Period, construction of a GFA of approximately 163,000 sq. m. of trade centers was completed. As at 30 September 2015, construction of a GFA of approximately 1.64 million sq. m. is underway, of which approximately 342,300 sq. m. are expected to be completed in the current fiscal year.

In 1H FY2015/16, CSC Zhengzhou recorded total Contracted Sales of HK$1,862.2 million (1H FY2014/15: HK$2,782.1 million) from trade center (mall style) with a GFA of 116,000 sq. m. at an ASP of HK$12,600/sq. m. (1H FY2014/15: 97,300 sq. m. at HK$12,400/sq. m.) and trade center (detached style) with a GFA of 48,300 sq. m. at an ASP of HK$8,400 sq. m. (1H FY2014/15: 184,900 sq. m. at HK$8,500/sq. m.).

China South City Hefei

CSC Hefei is located at Hefei, the capital 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 a planned transportation system which 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 approximately 12.0 million sq. m.. CSC Hefei is under phase I construction and has a total GFA of approximately 1.03 million sq. m. completed, including approximately 1.01 million sq. m. of trade centers and approximately 20,800 sq. m. of ancillary facilities. As at 30 September 2015, construction of a GFA of approximately 1.74 million sq. m. is underway, of which approximately 490,700 sq. m. are expected to be completed in the current fiscal year.

In 1H FY2015/16, CSC Hefei recorded total Contracted Sales of HK$197.0 million (1H FY2014/15: HK$695.1 million), including a GFA of 13,000 sq. m. of trade center (detached style) at an ASP of HK$8,000/sq. m. (1H FY2014/15: 89,000 sq. m. at HK$7,800/sq. m.) and a GFA of 15,800 sq. m. of residential ancillary at an ASP of HK$5,900/sq. m. (1H FY2014/15: Nil).

China South City Chongqing

CSC Chongqing is located at the Banan District of Chongqing Municipality, the first municipality where the Group has entered into. 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.

CSC Chongqing has a total planned net land area of approximately 6.3 million sq. m. and a total planned GFA of approximately 13.5 million sq. m.. CSC Chongqing is under phase I development with a total GFA of approximately 734,900 sq. m. completed, including approximately 720,200 sq. m. of trade centers and approximately 14,700 sq. m. of ancillary facilities. As at 30 September 2015, construction of a GFA of approximately 401,300 sq. m. is underway, and is expected to be completed in the current fiscal year.

In 1H FY2015/16, CSC Chongqing recorded total Contracted Sales of HK$411.6 million (1H FY2014/15: Nil), including a GFA of 53,700 sq. m. of trade center (detached style) at an ASP of HK$7,700/sq. m. (1H FY2014/15: Nil).

Financial Review

For the Period, the Group reported a decrease in revenue of 58.1% to HK$2,152.9 million (six months ended 30 September 2014: HK$5,141.1 million), and net profit attributable to owners of the parent for the Period decreased 42.0% to HK$755.8 million (six months ended 30 September 2014: HK$1,303.2 million). Excluding the effects of fair value gains on investment properties and related tax effects and fair value gain on derivative financial instrument, core net profit attributable to owners of the parent for the Period as adjusted decreased by 77.7% to HK$197.7 million (six months ended 30 September 2014: HK$887.4 million). Basic earnings per share decreased to HK9.45 cents (six months ended 30 September 2014: HK17.87 cents).

Revenue

Revenue decreased by 58.1% to HK$2,152.9 million (six months ended 30 September 2014: HK$5,141.1 million). The decrease was mainly attributable to slow down in general economy and decrease in Contracted Sales and delivery of completed properties during the Period.

	For the six months ended 30 September		
	2015	2014	Change
	HK$'000	*HK$'000*	%
Sales of properties and finance lease income	**1,549,639**	4,771,655	-67.5%
Sales of trade center units	***1,119,183***	*4,335,626*	*-74.2%*
Sales of residential properties	***311,225***	*257,314*	*21.0%*
Finance lease income	***119,231***	*178,715*	*-33.3%*
Recurring income	**603,215**	369,480	63.3%
Rental income	***333,951***	*244,455*	*36.6%*
Property management service income	***87,980***	*48,144*	*82.7%*
E-commerce income	***50,797***	*10,133*	*401.3%*
Other fee income	***130,487***	*66,748*	*95.5%*
	2,152,854	5,141,135	-58.1%

Sales of Properties and Finance Lease income

Revenue from sales of properties decreased by 68.9% to HK$1,430.4 million (six months ended 30 September 2014: HK$4,592.9 million). The decrease was mainly due to slow down in general economy and decrease in Contracted Sales and delivery of completed properties during the Period. 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
CSC Shenzhen	**21,900**	19,600	**4,200**	4,100	**92.6**	80.7	**87.5**	76.2
CSC Nanchang								
– Trade center units	**21,600**	16,500	**100**	48,500	**3.1**	798.6	**2.9**	753.7
– Residential properties	**8,000**	11,000	**21,800**	400	**174.9**	3.9	**165.2**	3.7
CSC Nanning								
– Trade center units	**19,900**	19,300	**1,800**	5,000	**36.6**	96.3	**34.5**	90.7
– Residential properties	**7,100**	7,600	**21,800**	35,400	**154.9**	269.7	**146.1**	253.6
CSC Xi'an	**8,400**	10,000	**18,300**	4,000	**153.1**	40.3	**144.6**	37.5
CSC Harbin	**11,100**	7,700	**2,700**	148,600	**30.3**	1,143.9	**28.6**	1,079.9
CSC Zhengzhou	**9,400**	8,100	**64,300**	285,100	**604.6**	2,303.5	**571.4**	2,174.5
CSC Hefei	**7,100**	9,000	**4,300**	14,500	**30.6**	130.3	**28.9**	123.1
CSC Chongqing	**7,500**	–	**31,100**	–	**233.9**	–	**220.7**	–
Total	**N/A**	N/A	**170,400**	545,600	**1,514.6**	4,867.2	**1,430.4**	4,592.9

Finance lease income, derived from the leasing of office towers and residential properties in CSC Shenzhen, decreased by approximately 33.3% to HK$119.2 million (six months ended 30 September 2014: HK$178.7 million). The decrease was primarily attributable to the decrease in saleable areas due to most of the completed properties under finance lease are sold in prior years and the new properties are under construction.

During the Period, the Group entered into finance lease arrangements with tenants for approximately 10,400 sq. m. (six months ended 30 September 2014: 16,000 sq. m.) at an average price of HK$12,300/sq. m. (six months ended 30 September 2014: HK$11,800/sq. m.).

Rental Income

Rental income increased by 36.6% to HK$334.0 million (six months ended 30 September 2014: HK$244.5 million). The increase was mainly attributable to the continuous increase in rental income of trade center units of CSC Shenzhen, the contribution from HOBA Furnishing and the trial operation of projects other than CSC Shenzhen.

During the Period, the occupancy of CSC Shenzhen in general maintained good performance. As at 30 September 2015, the total occupancy rate of the launched rentable GFA of phase I, phase II and phase III trade centers and shops were 94%, 76% and 62% respectively (as at 30 September 2014: 95%, 70% and 56% respectively) while their respective rental rates were HK$56/sq. m., HK$38/sq. m. and HK$47/sq. m. (as at 30 September 2014: HK$53/sq. m., HK$39/sq. m. and HK$47/sq. m. respectively).

Property Management Service Income

Income from property management services rose by 82.7% to HK$88.0 million (six months ended 30 September 2014: HK$48.1 million). The increase in income was mainly attributable to, on top of the increasing operating areas of CSC Shenzhen, along with the trial operations in CSC Nanning, CSC Nanchang, CSC Harbin and CSC Zhengzhou, the increasing operating areas of these projects bring along the increase in property management service income during the Period.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to the Group's customers, rose by 401.3% to HK$50.8 million (six months ended 30 September 2014: HK$10.1 million) during the Period. The Group has launched an online membership programme in CSC Zhengzhou. By joining the programme, the occupants of CSC Zhengzhou will enjoy the full range of E-commerce service offered by the Group's E-commerce platform, CSC86.com.

Other Fee Income

The other fee income rose by 95.5% to HK$130.5 million (six months ended 30 September 2014: HK$66.7 million). The increase was mainly attributable to the growth of outlet operations and logistics and warehousing services which contributed HK$59.6 million (six months ended 30 September 2014: HK$40.7 million) and HK$65.8 million (six months ended 30 September 2014: HK$25.0 million) respectively during the Period.

Increase in income from outlet operations was mainly due to the growth of outlet center business and the increase in operating areas in both the established outlet center as well as the newly established outlet centers during the Period. 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 Period.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and rental expenses. Cost of sales decreased by 61.4% to HK$1,048.7 million (six months ended 30 September 2014: HK$2,715.8 million). The decrease in cost of sales was in line with the decrease of gross floor area of properties sold and properties entered into under finance lease contracts during the Period.

Gross Profit

Gross profit decreased by 54.5% to HK$1,104.2 million (six months ended 30 September 2014: HK$2,425.4 million). Gross profit margin increased to 51% during the Period (six months ended 30 September 2014: 47%) which was mainly due to the change in product mix, the recurring income accounted for a higher portion in the revenue and the receipt of government development grants in certain projects.

Other Income and Gains/(Losses)

Other income and gains/(losses) increased by 86.8% to HK$504.1 million (six months ended 30 September 2014: HK$269.9 million). The other income and gains/(losses) during the Period was mainly due to the government grants of HK$542.7 million whereas that for the six months ended 30 September 2014 was mainly due to the fair value gain of the option granted to Tencent to subscribe the shares of the Company, which was treated as a derivative financial instrument, amounting to HK$151.9 million.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 106.9% to HK$797.3 million (six months ended 30 September 2014: HK$385.5 million). The increase was mainly attributable to the newly completed properties and the stable growth in value of existing properties.

Selling and Distribution Expenses

Selling and distribution expenses increased by 39.5% to HK$417.7 million (six months ended 30 September 2014: HK$299.5 million). The increase was mainly attributable to the implementation of various measures in marketing activities to promote the sales of properties, and the growth of the outlet operations and HOBA Furnishing. In addition, change of the incentive package of sales and marketing team also led to the increase in selling and distribution expenses during the Period.

Administrative Expenses

Administrative expenses increased by 24.2% to HK$604.5 million (six months ended 30 September 2014: HK$486.7 million). The increase was primarily due to more operation activities as a result of trial operations in various projects during the Period.

Finance Costs

Finance costs were up by 3.8% to HK$91.6 million (six months ended 30 September 2014: HK$88.3 million). The rise was mainly attributable to an increase in new bank and other borrowings for general business purposes with interest expenses recorded in the statement of profit or loss. As at the end of September 2015, the Group’s weighted average financing cost was 6.5%, as compared with 6.8% at the end of March 2015.

Tax

Tax expenses recorded a decrease of 41.7% to HK$518.9 million (six months ended 30 September 2014: HK$890.2 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 Period, offsetted by the increase in tax related to fair value gain on investment properties.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 18.5% to HK$774.5 million (31 March 2015: HK$653.8 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 China South City projects, and (iii) a decrease in consideration receivable from the disposal of subsidiaries in the previous year. As at 30 September 2015, the consideration receivable from the disposal of subsidiaries was fully settled.

Trade and Other Payables

Trade and other payables increased by 9.3% to HK$14,792.8 million (31 March 2015: HK$13,534.7 million). The increase was mainly due to increase in other payables and accruals, increase in receipts in advance but not yet recognised as sales revenue, and net off the decrease in construction fees and retention payables. As at 30 September 2015, the balance of construction fees and retention payable and deposits received and receipts in advance were HK$8,308.6 million and HK$4,184.5 million, respectively.

Liquidity and Financial Resources

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

Cash and Cash Equivalents and Restricted Cash

As at 30 September 2015, the Group had HK$11,547.8 million in cash and cash equivalents and restricted cash (31 March 2015: HK$8,672.7 million), among which non-restricted cash and cash equivalents amounted to approximately HK$9,747.2 million (31 March 2015: HK$7,253.5 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowings and Charges on the Group's Assets

As at 30 September 2015, the Group had approximately HK$32,122.0 million (31 March 2015: HK$25,003.3 million) in interest-bearing bank and other borrowings, senior notes, medium-term notes, short-term notes and corporate bond with a weighted average tenor of 3.39 years (31 March 2015: 2.35 years).

Interest-bearing bank and other borrowings

The Group had aggregated interest-bearing bank and other borrowings of approximately HK$16,032.0 million as at 30 September 2015 (31 March 2015: HK$15,465.3 million), of which HK$6,899.5 million will be repayable within one year or on demand, approximately HK$3,828.9 million will be repayable in the second year, approximately HK$4,558.9 million will be repayable in the third to fifth year and approximately HK$744.8 million will be repayable after five years. As at 30 September 2015, the Group's interest-bearing bank and other borrowings of approximately HK$13,046.8 million were secured by certain buildings, investment properties, properties under development, properties held for sales and leasehold land with a total carrying value of approximately HK$24,726.3 million.

Except for the bank loan equivalent to HK$850 million, which is denominated in HK dollars and bear interest of HIBOR+2.65% to HIBOR+2.75% (31 March 2015: HIBOR+2.65% to 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 4.2% to 8.0% (31 March 2015: 5.5% to 8.0%) per annum. Furthermore, as at 30 September 2015, the Group had unused banking facilities of approximately HK$6,493.7 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

Senior Notes

The Company has the following outstanding senior notes in issue as at 30 September 2015. 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.

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 of 2014 in the national inter-bank market in the PRC ("**2014 First Tranche MTN**") 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 borrowings of the Group.

In September 2014, China South International completed the issuance of the second tranche of the medium-term notes of 2014 in the national interbank market in the PRC ("**2014 Second Tranche MTN**") 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 borrowings of the Group.

In July 2015, China South International completed the issuance of the 2015 First Tranche MTN with the total principal amount of RMB2 billion with a maturity period of 3 years and at an interest rate of 7.0% per annum. The proceeds thereof are intended to be used for replacement of bank loans of the Group and the construction of CSC Nanning project.

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 of 2014 in the national interbank market in the PRC ("**2014 First Tranche STN**") 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. The 2014 First Tranche STN have been repaid in October 2015.

In September 2015, China South International completed the issuance of the 2015 First Tranche STN with the total principal amount of RMB2.1 billion with a maturity period of 1 year and at an interest rate of 4.3% per annum. The proceeds thereof are intended to be used for replacement of bank borrowings of the Group.

Corporate Bond

In March 2015, China South International obtained the relevant approval for the proposed issue of the corporate bond in a maximum principal amount of RMB1.5 billion with a term of up to six years in maximum from the date of issue in the PRC. In April 2015, China South International completed the issuance of the corporate bond 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 development of CSC Zhengzhou project.

As at 30 September 2015, the carrying value of China South International's medium-term notes were HK$4,902.5 million, short-term notes were HK$5,240.8 million and corporate bond was HK$1,849.0 million.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 85.7% as at 30 September 2015 and 65.3% as at 31 March 2015. The total liabilities over total assets ratio was 70.1% as at 30 September 2015 (31 March 2015: 65.8%).

Net Current Assets and Current Ratio

As at 30 September 2015, the Group had net current assets of HK$6,579.3 million (31 March 2015: HK$5,918.3 million) at a current ratio of 1.21 (31 March 2015: 1.21).

Contingent Liabilities

The Group has provided guarantees with respect to banking facilities granted by certain banks in connection with mortgage loans entered into by purchasers of the Group's trade centers and residential properties and bank loans entered into by lessees of the Group's residential and commercial properties. As at 30 September 2015, the guarantees amounted to HK$5,506.4 million (31 March 2015: HK$6,049.3 million). The guarantees granted to purchasers will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly along with the repayment of loan principals by the lessees.

Commitments

As at 30 September 2015, the Group had future capital expenditure contracted but not yet provided in the amount of HK$10,502.1 million (31 March 2015: HK$9,253.9 million).

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. As at 30 September 2015, among the Group's total interest bearing debts of HK$32,122.0 million, approximately HK$4,947.5 million were denominated in US dollars or HK dollars. The Group does not have material exposure to foreign exchange risk and no foreign currency hedging was done during the Period. The Group will monitor its foreign currency exposure and consider hedging arrangement if such need arise.

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, rent rates and occupancy rates of properties, 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 complete. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided by the Group. The Group may also be 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 can be read in conjunction with the note 46 to the Group's annual financial statements for the year ended 31 March 2015.

Acquisition and Disposal of Subsidiary and Associated Company

Except for the update on the acquisition of HOBA Furnishing in July 2015, the Group has no material acquisition and disposals of subsidiaries and associated companies during the Period.

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. These agreements generally set out the size and use of lands and the related development plans. However, the actual acquisition of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements and the results of the relevant public tender, auction and listing.

The progress of the land acquisition and project development depend on the progress of the Group's planning, as well as the procedural formalities as determined by the local government departments. As the procedures and requirements set by different local governments vary, the Group may adjust the development of each project according to relevant conditions. In view of its substantial land bank and flexibility in project planning, the Group believes such circumstances will not have material impact on its development as a whole.

Pursuant to certain project and land related contracts signed by the subsidiaries of the Group and the local governments, as well as pursuant to the requirements of the local governments and the authorized bodies related to the relevant public tender, auction and listing, some of the land acquired may have sales restrictions on properties built on it. This include the saleable area of CSC Shenzhen is limited to 30% of the total buildable GFA of properties built on these parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by CSC Nanchang and CSC Nanning in 2010 are limited to 60% of the relevant total buildable GFA. The saleable area of trade centers built by CSC Hefei and CSC Chongqing are limited to 50% of their relevant total buildable GFA. The saleable area of phase I and future phases trade centers of CSC Zhengzhou are limited to 60% and 50% respectively of its relevant total buildable GFA. Except for the restrictions mentioned herein, there is no sales restriction on other land acquired by the Group. According to the Group's business model, the Group intends to hold not less than 50% of trade centers and commercial facilities for leasing and self-use, the related sales restrictions will not have significant impact to the Group.

General Mandate Issue

Update on Use of Proceeds

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 30 September 2015, the Company has utilized approximately HK$1,445.0 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.

Human Resources

As at 30 September 2015, the Group had a workforce of approximately 7,370 people, including approximately 7,330 people directly employed by the Group and approximately 40 people employed by our associate or joint venture. The number of the Group's staff decreased by 3.0% from 7,600 people as at 31 March 2015. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings of the Company. During the Period, one non-executive Director and one independent non-executive Director were unable to attend the last annual general meeting of the Company held on 21 August 2015 as they had other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2015.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2015 have been reviewed by the Audit Committee and Ernst & Young, the Company's independent auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased a total of 6,000,000 shares of the Company at prices ranging from HK$1.80 to HK$2.00 per share on the Hong Kong Stock Exchange during the Period. Details of the repurchases of such shares were as follows:

Date of the repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (excluding expenses)
		HK$	*HK$*	*HK$*
8 July 2015	5,000,000	1.98	1.80	9,602,100
9 July 2015	1,000,000	2.00	2.00	2,000,000
	6,000,000			11,602,100

All 6,000,000 shares repurchased were cancelled on 9 October 2015. The Company believes that the repurchases of shares will lead to an enhancement of the net value of the Group and its assets and its earnings per share.

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

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

Hong Kong, 27 November 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.

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