华南城

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

(incorporated in Hong Kong with limited liability)

(Stock code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2017	2016	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Contracted sales	**8,635,650**	6,628,147	**30.3**
Revenue	**7,838,510**	6,136,262	**27.7**
Among which, Recurring income	**1,597,957**	1,420,559	**12.5**
Gross profit margin	**45%**	48%	
Profit attributable to owners of the parent	**4,322,626**	3,537,012	**22.2**
Core net profit attributable to owners of the parent*	**1,351,212**	1,205,782	**12.1**
Earnings per share – Basic	**HK53.99 cents**	HK44.22 cents	**22.1**
Cash and bank balances**	**10,490,909**	11,686,695	
Proposed final dividend per share	**HK5.0 cents**	HK5.0 cents	

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

** Represents cash and cash equivalents and restricted cash.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") announces herewith the consolidated annual results of the Group for the fiscal year ended 31 March 2017 ("FY2016/17" or the "Year") together with the comparative figures for the previous fiscal year (fiscal year ended 31 March 2016 ("FY2015/16")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

		For the year ended 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**7,838,510**	6,136,262
Cost of sales		**(4,328,365)**	(3,177,209)
Gross profit		**3,510,145**	2,959,053
Other income and gains/(losses)	*4*	**726,027**	1,066,242
Fair value gains on investment properties	*4*	**4,549,509**	3,232,699
Selling and distribution expenses		**(624,629)**	(864,670)
Administrative expenses		**(1,146,292)**	(1,177,180)
Other expenses		**(147,028)**	(152,525)
Finance costs	*6*	**(275,478)**	(159,386)
PROFIT BEFORE TAX	*5*	**6,592,254**	4,904,233
Income tax expenses	*7*	**(2,269,292)**	(1,370,457)
PROFIT FOR THE YEAR		**4,322,962**	3,533,776
Attributable to:			
Owners of the parent		**4,322,626**	3,537,012
Non-controlling interests		**336**	(3,236)
		4,322,962	3,533,776
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**HK53.99 cents**	HK44.22 cents
Diluted			
– for profit for the year		**HK53.96 cents**	HK44.05 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**4,322,962**	3,533,776
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,853,190)**	(1,092,050)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,853,190)**	(1,092,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,469,772**	2,441,726
Attributable to:		
Owners of the parent	**2,482,231**	2,453,167
Non-controlling interests	**(12,459)**	(11,441)
	2,469,772	2,441,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	**31 March 2017** *HK$'000*	31 March 2016 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,454,909**	1,507,155
Investment properties		**42,191,542**	34,814,188
Properties under development		**4,493,810**	4,252,854
Prepaid land lease payments		**1,146,108**	996,351
Goodwill		**34,128**	34,128
Investments in associates		**82,497**	60,310
Available-for-sale investments		**175,512**	175,512
Other long-term receivables		**5,926**	4,179
Deposits paid for purchase of land use rights		**15,235**	403,144
Deferred tax assets		**2,289,999**	2,145,347
Total non-current assets		**51,889,666**	44,393,168
CURRENT ASSETS			
Properties held for finance lease		**305,240**	168,524
Properties held for sale		**23,847,433**	25,179,046
Inventories		**137,555**	53,535
Trade receivables	*10*	**1,238,228**	1,149,273
Prepayments, deposits and other receivables		**1,066,802**	727,725
Held-for-trading investments at fair value through profit or loss		**–**	27,365
Cash and cash equivalents and restricted cash		**10,490,909**	11,686,695
Total current assets		**37,086,167**	38,992,163
CURRENT LIABILITIES			
Trade and other payables	*11*	**16,763,218**	13,269,724
Interest-bearing bank and other borrowings		**7,042,625**	7,656,878
Short-term notes		**1,353,240**	2,525,460
Tax payables		**4,442,096**	4,569,111
Total current liabilities		**29,601,179**	28,021,173
NET CURRENT ASSETS		**7,484,988**	10,970,990
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,374,654**	55,364,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 March 2017

	31 March 2017 *HK$'000*	31 March 2016 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**6,369,837**	8,965,863
Senior notes	**6,425,992**	4,113,363
Medium-term notes	**4,723,000**	5,026,696
Corporate bonds	**1,778,744**	1,891,219
Domestic company bonds	**5,079,429**	3,629,086
Deferred tax liabilities	**6,518,261**	5,369,466
Total non-current liabilities	**30,895,263**	28,995,693
Net assets	**28,479,391**	26,368,465
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,054,362**	7,043,784
Other reserves	**21,243,892**	19,134,733
	28,298,254	26,178,517
Non-controlling interests	**181,137**	189,948
Total equity	**28,479,391**	26,368,465

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the year ended 31 March 2017 and the financial information relating to the year ended 31 March 2016 included in this preliminary announcement of annual results for the year ended 31 March 2017 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2016, 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 is as follows:

The financial statements for the year ended 31 March 2017 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2016. 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

    (i) the materiality requirements in HKAS 1;

    (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

    (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

    (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

    Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

    • HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any non-current assets or disposal group held for sale during the year.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to HKFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	E-commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2017						
Segment revenue:						
Sales to external customers	**6,240,553**	**699,716**	**288,822**	**213,674**	**395,745**	**7,838,510**
Intersegment sales	**–**	**92,965**	**59,450**	**268,469**	**71,556**	**492,440**
	6,240,553	**792,681**	**348,272**	**482,143**	**467,301**	**8,330,950**
Elimination of intersegment sales						**(492,440)**
Revenue						**7,838,510**
Segment results before increase in fair value of investment properties	**2,925,144**	**484,560**	**15,622**	**213,276**	**228,499**	**3,867,101**
Increase in fair value of investment properties	**–**	**4,549,509**	**–**	**–**	**–**	**4,549,509**
Segment results after increase in fair value of investment properties	**2,925,144**	**5,034,069**	**15,622**	**213,276**	**228,499**	**8,416,610**
Unallocated cost of sales						**(356,956)**
Interest income						**71,603**
Gain on held-for-trading investments at fair value through profit or loss						**3,770**
Unallocated income and gains						**650,654**
Unallocated expenses						**(1,917,949)**
Finance costs						**(275,478)**
Profit before tax						**6,592,254**
Segment assets	**31,976,084**	**43,001,921**	**71,402**	**80,726**	**1,479,843**	**76,609,976**
Reconciliation:						
Investments in associates						**82,497**
Unallocated assets						**12,283,360**
Total assets						**88,975,833**
Segment liabilities	**10,158,100**	**4,945,321**	**68,785**	**310,860**	**382,242**	**15,865,308**
Reconciliation:						
Unallocated liabilities						**44,631,134**
Total liabilities						**60,496,442**
Other segment information:						
Depreciation	**98,238**	**1,529**	**376**	**5,243**	**17,651**	**123,037**
Corporate and other unallocated amounts						**14,280**
						137,317
Increase in fair value of investment properties	**–**	**4,549,509**	**–**	**–**	**–**	**4,549,509**
Capital expenditure*	**10,715,927**	**1,745**	**527**	**7,853**	**19,912**	**10,745,964**

	Property development HK$'000	Property investment HK$'000	Property management HK$'000	E-commerce HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2016						
Segment revenue:						
Sales to external customers	4,715,703	681,314	247,721	202,184	289,340	6,136,262
Intersegment sales	–	30,058	–	146,228	14,051	190,337
	4,715,703	711,372	247,721	348,412	303,391	6,326,599
Elimination of intersegment sales						(190,337)
Revenue						6,136,262
Segment results before increase in fair value of investment properties	2,488,203	493,656	(44,460)	202,169	181,566	3,321,134
Increase in fair value of investment properties	–	3,232,699	–	–	–	3,232,699
Segment results after increase in fair value of investment properties	2,488,203	3,726,355	(44,460)	202,169	181,566	6,553,833
Unallocated cost of sales						(362,081)
Interest income						85,947
Loss on held-for-trading investments at fair value through profit or loss, net						(5,525)
Unallocated income and gains						985,820
Unallocated expenses						(2,194,375)
Finance costs						(159,386)
Profit before tax						4,904,233
Segment assets	36,370,396	32,286,528	45,800	100,455	1,338,433	70,141,612
Reconciliation:						
Investments in associates						60,310
Unallocated assets						13,183,409
Total assets						83,385,331
Segment liabilities	5,610,040	5,164,724	56,657	544,419	288,382	11,664,222
Reconciliation:						
Unallocated liabilities						45,352,644
Total liabilities						57,016,866
Other segment information:						
Depreciation	98,266	1,495	403	3,242	14,445	117,851
Corporate and other unallocated amounts						33,034
						150,885
Increase in fair value of investment properties	–	3,232,699	–	–	–	3,232,699
Capital expenditure*	8,973,136	18,032	345	6,181	9,676	9,007,370

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

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

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

An analysis of revenue, other income and gains/(losses) is as follows:

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of properties	**5,794,215**	4,164,135
Finance lease income	**446,338**	551,568
Rental income	**699,716**	681,314
Property management service income	**288,822**	247,721
E-commerce income	**213,674**	202,184
Other revenue*	**395,745**	289,340
	7,838,510	6,136,262
Other income		
Bank interest income	**71,603**	85,947
Government grants**	**841,427**	1,001,128
Others	**50,978**	56,122
	964,008	1,143,197
Gains/(losses)		
Fair value gains/(losses) on held-for-trading investments at fair value through profit or loss, net	**3,770**	(5,525)
Loss on redemption of the 2012 Notes and 2014 Notes	**(178,317)**	–
Gain on purchase of the 2014 Notes	**597**	–
Exchange losses, net	**(64,031)**	(71,430)
	(237,981)	(76,955)
	726,027	1,066,242
Fair value gains on investment properties	**4,549,509**	3,232,699

* Other revenue includes amounts of HK$200,829,000 (2016: HK$136,944,000) related to income from outlet operations and HK$161,984,000 (2016: HK$143,433,000) 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 grants.

5. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Cost of properties sold	**3,107,738**	1,984,613
Cost of properties held for finance lease	**207,671**	242,887
Depreciation	**138,630**	152,182
Less: Depreciation capitalised in respect of properties under development	**(1,313)**	(1,297)
	137,317	150,885
Amortisation of prepaid land lease payments	**27,020**	23,618
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**10,008**	9,239
Auditor's remuneration	**4,100**	4,080
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**685,070**	718,348
Equity-settled share option expense	**30,612**	29,341
Pension scheme contributions	**100,761**	107,938
	816,443	855,627
Provision for impairment of trade receivables**	**73,885**	96,660
Loss on disposal of a joint venture**	**–**	4,959
Loss on disposal of subsidiaries**	**–**	444
Loss on disposal of items of property, plant and equipment**	**1,708**	61

* Included amounts of HK$89,885,000 for the years ended 31 March 2017 (2016: HK$176,313,000), which were capitalised under properties under development.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	**2,061,894**	2,049,155
Less: Interest capitalised	**(1,786,416)**	(1,889,769)
Total	**275,478**	159,386

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2016: 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 the statutory rate of 25% (2016: 25%) on their respective taxable income during the year.

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

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

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current — Mainland China	**535,734**	1,011,480
LAT in Mainland China	**499,504**	(23,865)
Deferred Mainland China corporate income tax	**1,234,054**	382,842
Total tax charged for the year	**2,269,292**	1,370,457

8. DIVIDEND

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Proposed final dividend — HK5.0 cents per ordinary share (2016: HK5.0 cents per ordinary share)	**400,316**	399,966

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,006,206,931 (2016: 7,999,399,905) in issue during the year.

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

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

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**4,322,626**	3,537,012

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,006,206,931**	7,999,399,905
Effect of dilution — weighted average number of ordinary shares:		
Share options	**4,562,237**	29,764,395
	8,010,769,168	8,029,164,300

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,534,478**	1,388,129
Impairment	**(296,250)**	(238,856)
	1,238,228	1,149,273

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

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**799,741**	550,292
1 to 2 months	**36,535**	108,926
2 to 3 months	**38,633**	39,340
Over 3 months	**363,319**	450,715
	1,238,228	1,149,273

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

	Note	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year		**238,856**	141,788
Provision for impairment of trade receivables	*5*	**73,885**	96,660
Exchange realignment		**(16,491)**	408
Carrying amount at end of year		**296,250**	238,856

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**719,415**	297,010
Less than 1 month past due	**80,326**	253,282
1 to 3 months past due	**75,168**	148,266
Over 3 months past due	**363,319**	450,715
	1,238,228	1,149,273

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

	Notes	2017 HK$'000	2016 HK$'000
Other payables and accruals		**2,069,844**	2,514,025
Notes payable	*(i)*	**604,917**	203,708
Deposits and receipts in advance		**8,099,540**	4,184,827
Construction fee and retention payables	*(ii)*	**5,988,917**	6,367,164
		16,763,218	13,269,724

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

	2017	2016
	HK$'000	*HK$'000*
1 to 3 months	**50,264**	72,625
Over 3 months	**554,653**	131,083
	604,917	203,708

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**5,595,795**	6,152,501
Over 1 year	**393,122**	214,663
	5,988,917	6,367,164

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 the Company, together with its subsidiaries, I am pleased to report the consolidated annual results of the Group for the fiscal year ended 31 March 2017.

Results and Dividend

The Year was again challenging in the face of constant changes in the operating environments, but China South City responded in an impeccable manner with considerable success. During the Year, the Central government has continued its structural reforms that are steering the economy positively towards a solid foundation for ensuring long-term growth and sustainability. China's economy remained relatively stable despite facing continued downward pressure and global market uncertainties. China's gross domestic product ("GDP") grew at 6.9% in the first quarter of 2017, slightly faster than the government's target of 6.5% in 2017, and China Manufacturing Purchasing Managers' Index ("PMI") has maintained at 51.2 in May 2017.

Despite the fluctuations in the overall economic environment, the Company continue to capitalize on its flexible business model to make steady progress, achieving growth in both contracted sales and revenue. As a number of projects gradually opening and scaling up, the Group has adjusted its product mix and accelerated the development of residential projects as well as ancillary facilities and services in order to cope with the shifting demand of the market. For the Year, the Group achieved a contracted sales growth of 30.3% to HK$8,635.7 million (FY2015/16: HK$6,628.1 million), while revenue increased by 27.7% from HK$6,136.3 million to HK$7,838.5 million, out of which recurring income grew by 12.5% to HK$1,598.0 million (FY2015/16: HK$1,420.6 million).

Net profit attributable to owners of the parent increased by 22.2% to HK$4,322.6 million (FY2015/16: HK$3,537.0 million) while core net profit attributable to owners of the parent (being net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects and loss on redemption of senior notes) increased by 12.1% to HK$1,351.2 million (FY2015/16: HK$1,205.8 million). Basic earnings per share increased to HK53.99 cents (FY2015/16: HK44.22 cents).

The Board proposed a final dividend of HK5 cents per share for FY2016/17 (FY2015/16: HK5 cents per share), subject to shareholders' approval at the Company's forthcoming Annual General Meeting ("AGM") to be held on 21 August 2017.

Review of the Market and Operations

Solid performance driven by flexible business model

China South City has a diversified and flexible business model with a portfolio of projects occupying a strategic footprint in major provincial capitals and municipality in China. Tenants are spread over multiple industries and the Group is able to tactically adjust its sales mix according to the stage of development of the project and market demand in different localities. This allows the Group to smooth-out income streams and mitigates the impacts of cyclical fluctuations in order to ensure long-term business sustainability. The successful replication of the Group's projects across geographies continues to demonstrate the merits of this business model.

During the Year, as business activities grew along with the gradual scaling up and improvement in infrastructure development of the Group's existing projects, the Group saw a strong increase in housing demand and thus strategically stepped up its sales of residential properties. In order to take advantage of this opportunity to augment the sales of our trade centers, the Group has selectively increased its residential land bank in some of our existing projects. The Group recorded a 194.4% increase in residential properties sales in FY2016/17, accounting for 79.0% of total contracted sales (35.0% of total contracted sales in FY2015/16).

Growing recurring income fosters greater stability

In order to build multiple sustainable earning drivers, the Group continued to implement its strategy of ramping up its recurring businesses including rental, property management, E-commerce, logistics and warehousing services and outlet operations.

Revenue generated from rental, property management, E-commerce, logistics and warehousing services and outlet operations for the Year was HK$699.7 million, HK$288.8 million, HK$213.7 million, HK$162.0 million and HK$200.8 million respectively (FY2015/16: HK$681.3 million, HK$247.7 million, HK$202.2 million, HK$143.4 million and HK$136.9 million respectively), with a growth of 12.5% of its recurring income when compared to last financial year.

In view of the outlet operations, the Group launched a new outlet chain named ATLANTIS which sells off-season affordable international luxuries and accessories items. During the Year, a total of three ATLANTIS shops were rolled out in Shenzhen, Nanchang and Harbin. As at 31 March 2017, the Group has seven existing outlet malls, together with three ATLANTIS shops, occupying a total operating Gross Floor Area ("GFA") of approximately 321,000 sq. m.. Riding on the success to date, more new outlet malls and ATLANTIS shops are expected to roll out in the coming year in selective locations.

"Internet Plus" remains a core strategy of China South City's fourth-generation integrated logistics and trading platform. As part of our online-offline initiative, the Group uses E-commerce not only to improve the business of the tenants of its projects, but also to induce online B2B businesses to open physical stores in the Group's projects. To strengthen the development of the Group's E-commerce services, a strategic cooperation agreement was signed during the Year with JD Group, an associate of Tencent Holdings Limited ("Tencent"). The cooperation aimed to foster a long-term and comprehensive partnership on

B2B E-commerce, logistics and warehousing services as well as supply chain financing by leveraging the strengths of the two companies.

China South City's logistics and warehousing services continued to contribute a stable revenue during the Year. The rapid development of E-commerce has changed delivery patterns which makes warehouse location critical, as transportation costs increase markedly when delivery distances increase. The Group's well located facilities in China are well positioned to benefit from this trend. The Group has started to ramp up and upgrade its logistics and warehousing facilities and services in selective locations and plans to expand its logistics and warehousing services through initiatives such as providing customized warehouses to leading third party logistics and E-commerce companies.

Striking a balance between business development and financial health

Besides traditional banking facilities, the Group consistently pursues a financial strategy by diversifying its funding channels with various onshore and offshore capital and inter-bank market instruments in order to optimize its capital structure and debt maturity profile. In addition, the Group proactively adjusts its business development strategies, the pace of land acquisition and other capital expenditure in concurrence with its cash flow from operating and financing activities, in order to preserve liquidity as well as to keep its growth momentum, in return for maximizing shareholder value in the long run by building a strong and stable capital base to sustain its future business development.

During the Year, the Group has improved its gearing ratios and maintained a strong liquidity position which was supported by its satisfactory contracted sales performance as well as its growing recurring businesses. Selling and distribution expenses and administrative expenses have reduced to 22.6% of revenue in FY2016/17 from 33.3% of revenue in FY2015/16 through various costs and expenses control and staff rationalization measures. The Group also reduced its average financing cost from 6.3% to 6.2% and maintained a relatively high cash balance during the Year in order to mitigate the effect of potential tightening measures in China. As at 31 March 2017, the Group's cash and cash equivalents and restricted cash amounted to HK$10,490.9 million (as at 31 March 2016: HK$11,686.7 million).

Strengthening of the senior management team

The sustainable development of China South City is based on the solid foundation of a visionary Board and an effective management team. As the business becomes more diversified and complex, the Group has been carefully rationalizing its staff structure as well as bringing in new members with relevant experience and successful track record, in order to strengthen its operational capabilities and efficiency.

The Group has promoted Mr. Fung Sing Hong Stephen as the Vice Chairman of the Group and Executive Director, and has appointed Mr. Song Chuan as the Executive Director and Chief Executive Officer of the Group, as well as Ms. Cheng Ka Man Carman as an Executive Director in May 2017. The Group has also appointed new management members for its various businesses. Under the leadership of the Group's Chairman, Vice Chairman and Chief Executive Officer, the management team with outstanding operational skills and expertise will be able to deliver the Group's development strategies more effectively and create value for shareholders.

Prospects

Looking ahead, the Group is still facing uncertainties in the short term due to the changing dynamics of the global economic and political environments as well as industrial transition in China. While adopting a prudent approach in the short term, the Group, taking into account of China's improving economic fundamentals and favorable Central government initiatives, retains its cautiously optimistic outlook in the medium to long term.

Among the government strategies articulated by the Central government in its 13th Five-Year Plan, including urbanization, "Internet Plus" and "Belt and Road", China South City discerns particular benefits accruing from these visionary initiatives, which provides additional impetus for the development of the Group's fourth-generation integrated logistics and trade centers. The Group will also continue to collaborate with local governments to accelerate the transformation of shantytown including the upgrade and relocation of wholesale markets, in order to capitalize on the Group's strategic locations in eight provincial capitals and municipality in China.

The contents of China South City's business are rich and diverse, with which, trade center has long been the backbone of the Group's business, equipped with asset-heavy facilities such as logistics and warehousing facilities, residential and commercial properties. Going forward, the Group will continue to leverage on the scale of its asset-heavy facilities to enhance its asset-light businesses such as outlets, E-commerce and property management. Along with the development of the projects and in accordance to local circumstances and market needs, the Group is going to enrich its business contents by providing financial services as well as facilities and services in relation to cultural tourism business. The Group strives to create a complete business and living ecosystem for the tenants of the projects.

In the coming year, the Group will continue to strike a balance between sustainable business development and efficient financial management. The management expects the Group to achieve an annual sales target of HK$10 billion to HK$12 billion for the fiscal year ended 31 March 2018 ("FY2017/18"). In relations to recurring business, the Group will strive to keep its growth momentum and develop a more diverse and stable revenue streams.

Finally, on behalf of the Board, I wish to express my deepest gratitude to the Group's valued shareholders, customers and business partners for their trust and continued support for the Group. I would also like to thank the management and staff for their dedication and wholehearted commitment, which have helped to make China South City grow from strength to strength.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 30 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business Model

China South City has a diversified portfolio of projects occupying a strategic footprint in eight provincial capitals and municipality in China. The Group aims to provide modern, integrated operating platforms with ancillary services to facilitate the business development of small and medium-sized enterprises ("SMEs"), through utilizing both online and offline channels, in order to provide a comfortable and affordable environment for its tenants to live and entertain in the same locality where they work.

Due to the scale of the Group's project, project development usually spans long economic cycles. Different projects at different stages of development tailor different industries and services according to the needs of local market. While the trade centers and logistics and warehousing are usually the first to be developed in a project, demand for residential housing steps up once the trade centers have gradually opened up and become more mature and accessible. Upon which, the Group develops residential facilities to house the demand in the projects. The Group may tactically adjusts its sales mix between residential properties and trade centers according to the stage of project development and local demand. The Group selectively retains a portion of its developments, including trade centers, commercial and other ancillary facilities, as investment properties to generate stable and long term revenue stream.

Contributions from outlets operations, E-commerce, trade fairs and exhibitions, as well as the financial services and cultural tourism business will gradually increases in accordance with the increasing activities in and around the projects. These multiple and stable recurring income streams contribute to the long term business sustainability by mitigating the impacts of cyclical fluctuations in the trade center and property markets, which in turn contribute to the long term development of China South City.

Business Review

Amid global market changes and uncertainties, it was a challenging year for businesses including China South City and the SMEs in the projects. Nonetheless, China's economy remained stable as the government's supply-side structural reforms continued with increased investment in infrastructure and other economic stimulus measures. Key market indicators in the first quarter of 2017 have shown positive trends for both GDP growth and manufacturing PMI. In the meantime, China's housing market strengthened further, lifting demand in residential properties.

Benefitting by the gradual scale-up and improved accessibility to the Group's projects, market demand shifted in favor of more residential properties during the Year. Taking advantage of this trend, the Group has strategically accelerated the development and sales of its residential ancillary which resulted in a strong performance in the Group's contracted sales growth.

While the Group generated more revenue from the sales of residential properties in the Year, trade centers are still the backbone of the Group's business. In response to the change in the market, efforts have been made to reposition certain portion of the Group's properties development portfolio to improve sales and attract new tenants.

Recurring income continued to increase in all income streams, among which, outlet operations revealed a strong growth of 46.7% while the growth in property management and logistics and warehousing business were satisfactory at 16.6% and 12.9% respectively. The growth of rental and E-commerce business were relatively moderate. The growth in all segments of recurring income reflected an increase in business activities in our projects. Since the Group's businesses are mostly denominated in Renminbi, the growth of recurring income could be more prominent and close to 20% instead of 12.5% if taken out the effect of depreciation of Renminbi.

During the Year, the Group recorded total revenue of HK$7,838.5 million (FY2015/16: HK$6,136.3 million), among which, its recurring income increased 12.5% from HK$1,420.6 million in FY2015/16 to HK$1,598.0 million, accounting for 20.4% of total revenue (FY2015/16: 23.2%). Gross profit margin was 45% (FY2015/16: 48%). Net profit attributable to owners of the parent was HK$4,322.6 million (FY2015/16: HK$3,537.0 million). Basic earnings per share amounted to HK53.99 cents (FY2015/16: HK44.22 cents).

Outlet Operations

Due to the changing consumer behavior, outlet business offering discounted branded products with quality shopping experience and after-sale services has become more popular and achieved rapid growth in recent years. Operating the Group's outlet business, Shenzhen Huasheng Commercial Development Company Limited, a wholly-owned subsidiary of the Group, continued to generate increasing recurring income and operating cash flow for the Group during the Year.

Since the inception of its first outlet mall in Shenzhen in 2011, the Group has successfully replicated this business to China South City Nanning ("CSC Nanning"), China South City Nanchang ("CSC Nanchang"), China South City Xi'an ("CSC Xi'an") and China South City Harbin ("CSC Harbin"), and extended its outlet operations to Zhengzhou and Dezhou during the Year. These operations have reported encouraging results, with growth recorded in both operating area and number of brand name tenants. The increased foot traffic brought about by visitors to the outlets has augmented the sales and market value of the Group's projects.

During the Year, the outlet operations achieved a gross mall sales turnover of approximately RMB1,072.1 million and generated a recurring income of HK$200.8 million, with the largest contribution from the outlet malls in China South City Shenzhen ("CSC Shenzhen"). The outlet mall in CSC Xi'an was the second-largest contributor in terms of sales turnover and number of brands. The Xi'an metro subway line 3 commenced trial operation from November 2016 and has been attracting increased visitor traffic that would be a boost to businesses for CSC Xi'an.

During the Year, the Group successfully launched ALTANTIS which is a brand-new outlet chain, and opened three ALTANTIS shops in Shenzhen, Nanchang and Harbin. ALTANTIS is based on the "Direct Overseas Sourcing" model, specializing in sourcing off-season affordable international luxury items from overseas, in order to meet the rising demand for affordable foreign luxury goods in China.

As at 31 March 2017, over 540 renowned domestic and international brands are drawn into the Group's outlets including ATLANTIS, occupying a total operating GFA of approximately 321,000 sq. m.

E-commerce Development

The empowerment of traditional industries by the integration of internet technology aligns with China's "Internet Plus" strategy, which is one of the key pillars of China South City's ancillary services that provide support to SMEs to raise their operational efficiency and competitiveness.

A key initiative of our Group is to develop its online-offline ecosystem, which leverages E-commerce to improve its tenants' businesses while providing brick-and-mortar space for online businesses to expand their offline presence in our wholesale and trade centers.

The Group's strategic alliances with leading internet firms is key to the successful development of its E-commerce services. In addition to its ongoing partnership with its strategic shareholder Tencent, China South City signed a strategic cooperation agreement with JD Group, an associate of Tencent during the Year.

Combining the strengths of the two companies, the cooperation aims to foster a long-term partnership on B2B E-commerce, logistics and warehousing services and supply chain financing. Under this agreement, a new online B2B industrial metal hardware procurement and trading platform is currently being developed using JD's cloud technology. The initial product will be focused on industrial metal hardware products. This business will provide a one-stop-shop industrial metal hardware procurement and trade service to enterprise clients by working closely with quality suppliers within the China South City's ecosystem.

Logistics & Warehousing Services

The provision of integrated logistics and warehousing services differentiates the Group's logistics and trade centers from the traditional wholesale markets. The Group's logistics and warehouse facilities, strategically located in major provincial capitals and municipality, are well connected to key domestic logistics nodes. The growing maturity of the Group's projects, coupled with China's E-commerce boom, has created a strong demand for its warehousing facilities and logistics services from projects' tenants as well as E-commerce companies and third party logistics providers. In accordance with the needs of project development, the Group has commenced to ramp up and upgrade its logistics and warehousing facilities and services in selective locations with an expectation to further expand this business.

During the Year, revenue from this segment recorded HK$162.0 million (FY2015/16: HK$143.4 million), up by 12.9% year-on-year.

Property Management

All of the Group's projects are managed by its wholly-owned subsidiary, Shenzhen First Asia Pacific Management Company Limited ("First Asia Pacific") and its corporate partners. First Asia Pacific is one of the very few property management companies that are capable of managing both trade and logistic centers as well as residential properties. The Group intends to position First Asia Pacific as one of the leading property management companies in the future and has embarked on a new plan to gradually lifting its servicing standards and facilities which may include using mobile applications with a range of property management functions.

The Group has continued to register growth in recurring income and steady cash inflows provided by this segment. During the Year, recurring income from property management increased 16.6% year-on-year to HK$288.8 million.

HOBA Furnishing

The Group engages in the operation of middle-to-high-end quality home furnishing malls through its 75% owned subsidiary, Shenzhen HOBA Home Furnishing Chain Store Co., Ltd. ("HOBA Furnishing") which is listed on the National Equities Exchange and Quotations System, (also known as the "New Third Board") in China.

As at 31 March 2017, HOBA Furnishing operated ten stores, which included two mega stores opened in CSC Shenzhen and CSC Nanning, contributing stable recurring income and operating cash flow to the Group.

Trade Fairs

Many of the Group's projects has been selected to host important trade fairs and exhibitions organized by various local governments. These events were well received by international and local exhibitors as well as visitors. The success of these events considerably raised the profile of the Group's projects, boosted visitor and business traffic as well as created more business opportunities for the tenants of its trade centers.

Events at a Glance

ITFCEWC cum the Silk Road International Expo

The 20th Investment & Trade Forum for Cooperation between East & West China ("ITFCEWC") cum 2016 Silk Road International Expo were held in Xi'an in May 2016. During the event, 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 not only integrated the resources of countries along the Silk Road but also promoted full cooperation, driving trade and logistics development in Xi'an.

China-ASEAN Expo and Light Industrial Exhibition

The 13th China-ASEAN Expo and Light Industrial Exhibition, co-hosted by China and the Economic and Trade Departments of ten ASEAN counterparts and the China-ASEAN Expo Secretariat, and organized by the Government of the Guangxi Zhuang Autonomous Region, took place in CSC Nanning in September 2016 for the 7th consecutive year. This has firmly established CSC Nanning as a hub for light industrial products trading between China and ASEAN countries, strengthening the trade links and cultural exchanges between both sides, and increased the Group's brand recognition in the region and among ASEAN countries.

The 1st China Commercial Vehicles Fair

The 1st China Commercial Vehicles Fair was held in China South City Chongqing ("CSC Chongqing") in October 2016. This event is a nation-wide trade fair for commercial vehicles, and also the first large-scale international exhibition at CSC Chongqing after its trial operation. With the success of the event, it has not only enhanced the collaboration of commercial vehicles industries with other industries, but also boosted the commercial vehicles development in Chongqing, bringing a steady flow of trade, logistics, capital and information, as well as business opportunities to CSC Chongqing.

Central China Commodities Trade Expo cum CSC Zhengzhou International Food Exhibition

The 2nd Central China Commodities Trade Expo cum China South City Zhengzhou ("CSC Zhengzhou") International Food Exhibition was held in CSC Zhengzhou in December 2016. This exhibition attracted numerous domestic and overseas exhibitors. Besides, the exhibition successfully demonstrated an operating model of "Wholesale market plus Exhibition", aiming to provide a seamless trading platform for domestic and overseas suppliers and buyers.

Nanning CSJ Automobile Expo cum Nanning South China International Automobile Exhibition

The 9th Nanning CSJ Automobile Expo cum the 17th Nanning South China International Automobile Exhibition was also held in CSC Nanning in January 2017. The event attracted numerous exhibitors from China and overseas famous automobile brands, which considerably boosted the sales of exhibitors and also created business opportunities for other tenants in CSC Nanning.

Ethnic and Cultural Festival cum Trade Fairs

The Ethnic and Cultural Festival cum Trade Fair was held in CSC Nanning in the end of March 2017 for the 3rd consecutive year. This event attracted a large number of participants to the project annually. This 12-day event not only significantly boosted the turnover of tenants, but also enhanced the traffic flow and business opportunities, generating an ample cultural brand power of China South City in the region.

Financial Management

The main objective of the Group's financial management is to maximize shareholders' value in the long run by building a strong and stable capital base to sustain the Group's future business development. To achieve this, the Group actively manages its financing structure through different onshore and offshore bank loans as well as inter-bank and capital market instruments in order to achieve an optimal capital structure and maturity profile.

The Group proactively adjusted its business development strategies, the pace of land acquisition and other capital expenditure in concurrence with its cash flows from operating and financing activities, in order to preserve liquidity as well as to keep its growth momentum.

During the Year, the Group has improved its gearing ratios and maintained a strong liquidity position which was supported by its satisfactory contracted sales performance as well as its growing recurring businesses. Selling and distribution expenses and administrative expenses have reduced to 22.6% of revenue in FY2016/17 from 33.3% of revenue in FY2015/16 through various cost and staff rationalization measures.

Through proactive liability management, the Group has reduced its average financing cost from 6.3% to 6.2% and maintained a relatively high cash balance during the Year to mitigate the effect of potential tightening measures in China. As at 31 March 2017, the Group's cash and cash equivalents and restricted cash amounted to HK$10,490.9 million (as at 31 March 2016: HK$11,686.7 million).

In the offshore financing market, the Group completed the issuances of an aggregate of US$350 million senior notes due 2021 with an annual coupon rate of 6.75% in September and October 2016. Thereafter, the Group issued a US$300 million senior notes due 2020 with an annual coupon rate of 5.75% in March 2017. The coupon rates of both issuances were considerably lower than those of the senior notes issued in previous years. During the Year, the Group also announced to redeem the senior notes issued in 2012 ("2012 Notes") and the senior notes issued in 2014 ("2014 Notes"), the coupon rates of which were 13.5% and 8.25% per annum respectively, with an aggregate redeemed principal of US$525 million. These market exercises helped the Group to lower the average financing cost.

In the onshore financing market, China South International Industrial Material City (Shenzhen) Company Limited ("China South International"), a wholly-owned subsidiary of the Group, issued its second tranche of domestic company bonds of 2016 in May 2016, for RMB1.4 billion with a term of three years and an annual coupon rate of 6.85%. Besides, China South International completed the issuance of its first tranche of short-term notes of 2016 in the national inter-bank market of China in September 2016, for RMB1.2 billion with a maturity period of 365 days and an annual coupon rate of 4.9%.

The successful multi-channel financings reflected the recognition of the Group's credit profile amongst investors and banks both onshore and offshore. To date, China South City remains a constituent of the Hang Seng Composite MidCap Index and MSCI China Index, which affirms the Group's proven business model and leading position in the market.

Strengthening of the Senior Management Team

To ensure China South City has the optimum mix of executive management resources and operational capabilities to deliver its business strategies in an increasingly complex environment, the Group continues to strengthen its management team during the Year.

During the Year, former Chief Executive Officer Mr. Fung Sing Hong Stephen has been promoted to Vice Chairman of the Group and Executive Director. In his new role, Mr. Fung will assist the Chairman with the overall development planning and strategies of the Group, and will be responsible for formulating capital market financing, merger and acquisition strategies, as well as strategic alliances in operations of the Group, including extending the co-operations with the fellow companies of Tencent.

The Group has also appointed Mr. Song Chuan as the Executive Director and Chief Executive Officer of the Group. Mr. Song has extensive experiences in large-scale enterprise operations, property development and urban operations and is expected to lead the Group to further develop its businesses. In addition, the Group has also appointed Ms. Cheng Ka Man Carman as an Executive Director.

Under the guidance of the Board, the strengthened senior management team is expected to create additional value for shareholders.

Land Bank

With the Group's unique and flexible business model, the Group intends to retain the commercial properties like logistics and warehousing facilities and hotels, as well as not less than 50% of the trade center units for self-use or long-term leasing purposes, while the remaining 50% of the trade center units and the residential properties will be sold progressively to generate cash flow for further development.

In view of the continuous trend of outstanding performance of CSC Zhengzhou, in order to support its growth momentum and the Group's revenue base, the Group acquired more than a million square meters of land for CSC Zhengzhou during the Year. In addition, the Group also acquired certain lands for other projects, of which were substantially for residential and logistics and warehousing purpose. During the Year, the Group acquired 2.11 million sq.m. land at an aggregate consideration of RMB2,611.6 million, among which, CSC Zhengzhou accounted for 1.02 million sq.m. at a consideration of approximately RMB1,702.8 million.

Details of the land bank as at 31 March 2017 are as follows:

Project	Completed Properties[1]		Properties under Development	Properties to be Completed by FY2017/18	Properties Planned for Future Development on GFA Acquired[4]	Total Planned GFA[2]	Total Planned GFA for Acquired land[3] (% to Total Planned GFA)	
(sq.m.)	*Sold*	*Unsold*		*Estimated*	*Estimated*	*Estimated*		%
CSC Shenzhen	809,800	1,582,500	185,000	–	66,700	2,644,000	2,644,000	100%
CSC Nanchang	1,037,900	826,800	536,100	536,100	2,229,900	7,297,000	4,630,700	63%
CSC Nanning	477,700	1,076,400	398,900	398,900	527,000	4,880,000	2,480,000	51%
CSC Xi'an	670,900	894,700	228,500	228,500	2,882,500	17,500,000	4,676,600	27%
CSC Harbin	419,300	749,900	904,200	659,500	2,666,000	12,000,000	4,739,400	39%
CSC Zhengzhou	1,099,000	1,542,100	1,570,400	308,600	4,471,200	12,000,000	8,682,700	72%
CSC Hefei	978,600	507,300	1,739,500	638,800	1,779,200	12,000,000	5,004,600	42%
CSC Chongqing	227,500	1,210,700	385,200	–	4,166,900	13,500,000	5,990,300	44%
Total	5,720,700	8,390,400	5,947,800	2,770,400	18,789,400	81,821,000	38,848,300	47%

(1) Represent the GFA for which the construction of all constituent buildings had been completed and it included properties held for sales, warehouse and trade centers properties held for rental purpose as well as self-use properties.

(2) Represent the GFA planned upon establishment of the projects. The actual land and GFA to be acquired or built are subject to different factors and may vary subsequently which include but not limited to increase or reduce such GFA.

(3) Represent the planned GFA for the land acquired including completed properties and properties under development. The actual GFA to be built may vary subsequently according to needs of the Group which include but not limited to increase or reduce such GFA.

(4) Represent the remaining GFA after deducting the completed properties and properties under development from the total planned GFA for acquired land.

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. The project is situated at the Pinghu Logistics Park in Longgang District of Shenzhen, occupying an area of approximately 1.06 million sq. m. and comprising a total planned GFA of approximately 2.64 million sq. m..

With the local government further advancing the development of Longgang District as an innovation center in the east of Shenzhen, the district's ancillary facilities such as logistics, health care and education will continue to improve and bring more convenience to occupants of China South City. In addition, transportation facilities around the project have been improving. According to Shenzhen Metro Planning, the subway line 10 which will pass through CSC Shenzhen has commenced construction in 2015 and is expected to be open for traffic by 2020. Upon completion, this subway line will further improve accessibility, generate more business opportunities and uplift visitor traffic for the project. At present, operations of CSC Shenzhen cover industries such as textile & clothing, leather & accessories, electronic parts, printing, paper products & packaging, metals and chemicals, hotel supplies, tea & teaware, cross-border products, E-commerce, outlets and home furnishing etc. During the

Year, the Group's new outlet chain, ATLANTIS commenced operation in CSC Shenzhen, which is expected to further enrich the business ecosystem, increase visitor's traffic and business opportunities of the project.

As at 31 March 2017, trade centers and ancillary facilities at phase I, phase II and part of phase III with a total GFA of approximately 2.39 million sq. m. were in operation. The project is currently in phase III development. During the Year, construction of GFA of approximately 77,200 sq. m. of office units was completed. As at 31 March 2017, construction of GFA of approximately 185,000 sq. m. is underway.

In FY2016/17, CSC Shenzhen recorded total Contracted Sales of approximately HK$645.9 million (FY2015/16: HK$695.9 million), including a GFA of 300 sq. m. of trade center (mall style) at an average selling price ("ASP") of HK$29,000/sq. m. (FY2015/16: 4,900 sq. m. at an ASP of HK$24,600/sq. m.), a GFA of 52,200 sq. m. of office units at an ASP of HK$12,200/sq. m. (FY2015/16: 49,400 sq. m. at an ASP of HK$11,600/sq. m.) and there is no sale of residential ancillaries (FY2015/16: 200 sq. m. at an ASP of HK$10,400/sq. m.).

In FY2016/17, CSC Shenzhen maintained steady occupancy rates and rental rates. As at 31 March 2017, the total occupancy rate of the launched rentable GFA of phase I, phase II, phase III trade center and shops ranged from 76% to 96% (as at 31 March 2016: 58% to 92%), while the average rent rate ranged from HK$37/sq. m. to HK$53/sq. m. (as at 31 March 2016: HK$35/sq. m. to HK$55/sq. m. respectively).

China South City Nanchang

CSC Nanchang is located at the transportation hub for the Yangtze River Delta and the Pearl River Delta Economic Zone. Situated in Honggutan New District of Nanchang, the capital of Jiangxi Province, the project 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. As a new business center of Nanchang, Honggutan New District's administrative, commercial and cultural functions are becoming more apparent by the day. In addition, the gradual completion of daily-supporting amenities within the new district is driving visitor traffic and generating business opportunities, laying a solid foundation for the development of CSC Nanchang. During the Year, University Students' E-commerce Business Incubator in CSC Nanchang has been upgraded to state level from provincial level, symbolizing the state recognition on the success of CSC Nanchang in nurturing E-commerce start-ups and assisting SMEs to transform and upgrade their business.

CSC Nanchang has a total planned land area of approximately 2.81 million sq. m. and a total planned GFA of approximately 7.30 million sq. m.. The trial operations of CSC Nanchang cover industries such as building & decoration materials, small commodities, textile & clothing, leather & accessories, healthy & green products and outlets, etc. During the Year, coping with the market demand, CSC Nanchang speeded up the development of ancillary facilities, among which the residential ancillary has been met with strong demands, contributing to a significant increase in the contracted sales. During the Year, the Group's new outlet chain, ATLANTIS commenced operation in CSC Nanchang, which is expected to further enrich the business ecosystem, increase visitor's traffic and business opportunities of the project.

As at 31 March 2017, CSC Nanchang has a total GFA of approximately 1.86 million sq. m. completed, including approximately 1.07 million sq. m. of trade centers, approximately 746,800 sq. m. of residential ancillary and approximately 44,300 sq. m. of warehousing facilities. The construction of CSC Nanchang is still underway during the Year, construction of a GFA of approximately 173,000 sq. m. of trade centers and approximately 161,000 sq. m. of residential ancillary facilities were completed. As at 31 March 2017, construction of a GFA of approximately 536,100 sq. m. is underway and are expected to be completed in FY2017/18.

In FY2016/17, CSC Nanchang recorded total Contracted Sales of HK$2,948.6 million (FY2015/16: HK$905.3 million), including a GFA of 200 sq. m. of trade center (mall style) at an ASP of HK$9,200/sq. m. (FY2015/16: 700 sq. m. at an ASP of HK$22,400/sq. m.), a GFA of 30,900 sq. m. of trade center (detached style) at an ASP of HK$9,000/sq. m. (FY2015/16: 6,800 sq. m. at an ASP of HK$10,400/sq. m.) and a GFA of 304,800 sq. m. of residential ancillary at an ASP of HK$8,800/sq. m. (FY2015/16: 101,300 sq. m. at an ASP of HK$8,100/sq. m.).

China South City Nanning

CSC Nanning is located at Nanning, the capital of the Guangxi Zhuang Autonomous Region and a critical 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 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 was conferred as “China-ASEAN Plaza” in 2011, aiming to forge a regional trade and logistics hub. CSC Nanning was awarded as “National AAA Class Tourist Attraction” as well. The project is under trial operations and it covers industries such as textile & clothing, small commodities, ASEAN products, home furnishing, tea & teaware, E-commerce, integrated foodstuff and outlets, etc. Through organizing a series of exhibitions, such as the China-ASEAN Expo and Light Industrial Exhibition, International Automobile Exhibition and Spring Tea Festival, traffic flow to the project as well as regional brand recognition of the project were enhanced. As the Group’s nationwide project network maturing, together with further improvement of the ancillary facilities and services, CSC Nanning also proactively adopted measures to enrich tenant mix. During the Year, CSC Nanning also launched residential properties to accommodate the housing demand in and around the project. To assist SMEs in resolving business loan difficulties, CSC Nanning launched, on a trial basis, a micro-credit service for SMEs in the project, providing them strong financial support for the development of businesses during the Year.

The construction of CSC Nanning is still underway and has a total GFA of approximately 1.55 million sq. m. completed, including approximately 896,600 sq. m. of trade centers, approximately 620,700 sq. m. of residential ancillary and approximately 36,800 sq. m. of warehousing facilities. During the Year, construction of a GFA of approximately 159,600 sq. m. of residential ancillary facility was completed. As at 31 March 2017, construction of a GFA of approximately 398,900 million sq. m. is underway and expected to be completed in FY2017/18.

In FY2016/17, CSC Nanning recorded total Contracted Sales of HK$923.4 million (FY2015/16: HK$642.8 million), including a GFA of 500 sq. m. of trade center (mall style) at an ASP of HK$15,700/sq. m. (FY2015/16: 2,100 sq. m. at an ASP of HK$28,200/sq. m.), a GFA of 130,300 sq. m. of residential ancillary at an ASP of HK$7,000/sq. m. (FY2015/16: 87,100 sq. m. at an ASP of HK$6,700/sq. m.), and a GFA of 800 sq. m. of office units at an ASP of HK$9,200/sq. m. (FY2015/16: 400 sq. m. at an ASP of HK$9,100/sq. m.).

China South City Xi'an

CSC Xi'an is located at the Xi'an International Trade and Logistics Park in Shaanxi Province, built as a key project by the local government, the park is an open economic pilot zone and a core function area for modern service industry, aiming to become the largest international transit hub port and logistics distribution center along the Silk Road Economic Belt and to act as an important strategic platform for the "Belt and Road" initiative. Xi'an International Trade and Logistics Park was brought into and classified as one of the three largest area of the China (Shaanxi) Pilot Free Trade Zone during the Year, which will further promote the economic development of the park.

The project is highly accessible and enjoys geographical advantages via the Xi'an City Expressway and Beijing-Kunming Expressway, Lianyungang-Khorgos Expressway, Shaanxi-Shanghai Expressway, Baotou-Maoming Expressway and other national highways, forming an intricate spider network which opens to all directions.

Leveraging the strategic location of Xi'an International Trade and Logistics Park, CSC Xi'an enjoys access to an extensive transportation network connected to a railway container terminal and the largest bonded area in the north western region of China, along with two planned subway lines that cross the project site. The subway line 3, which passes through CSC Xi'an has commenced trial operations from November 2016. In addition, a new stadium is slated to be built at the International Trade and Logistics Park to host the 14th National Games of the People's Republic of China in 2021, which is expected to greatly boost visitor traffic in the region. This subway line and the new stadium will generate more business opportunities and visitor traffic for the Xi'an International Trade and Logistics Park and further enhance the value of CSC Xi'an.

The trial operations of CSC Xi'an cover industries such as machinery & hardware, textile & clothing, leather & fur, automobile & parts, building & decoration materials and cross-border E-commerce, Central Asia & ASEAN product exhibition center, etc. Leveraging its geographical advantage in the starting point of the Silk Road Economic Belt, CSC Xi'an is actively poised to capture the immense opportunities arising from the "Belt and Road" initiative.

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.. The project is currently under construction with a total GFA of approximately 1.57 million sq. m. completed, including approximately 1.49 million sq. m. of trade centers, approximately 55,800 sq. m. of warehousing facilities and approximately 23,300 sq. m. of ancillary facilities. During the Year, construction of a

GFA of approximately 209,600 sq. m. of trade centers was completed. As at 31 March 2017, construction of a GFA of approximately 228,500 sq. m. is underway and are expected to be completed in FY2017/18.

In FY2016/17, CSC Xi'an recorded total Contracted Sales of HK$508.5 million (FY2015/16: HK$380.0 million), including a GFA of 300 sq. m. of trade center (mall style) at an ASP of HK$15,900/sq. m. (FY2015/16: 5,000 sq. m. at an ASP of HK$13,200/sq. m.) and a GFA of 79,200 sq. m. of trade center (detached style) at an ASP of HK$6,400/sq. m. (FY2015/16: 50,200 sq. m. at an ASP of HK$6,300/sq. m.).

China South City Harbin

Located at the Daowai District of Harbin, the capital of Heilongjiang Province, CSC Harbin fully utilises 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 the region. Leveraging the opportunities arising from the area's development potential, CSC Harbin endeavors to become the largest integrated logistics and trade center in Northeast China. The project has a planned land area of approximately 10.0 million sq. m. and a total planned GFA of approximately 12.0 million sq. m..

Leveraging its own geographical location and local industries advantages, CSC Harbin actively promotes the development of regional economy and trade. During the Year, CSC Harbin intensified the co-operation with Russia Khabarovsk City and other merchants, actively building as the core hub for Northeast Asia green food exhibition and trade. Currently, the planned operations of CSC Harbin cover industries such as hardware & construction materials, green food, small commodities, hotel supplies, leather & fur and outlets etc. During the Year, the Group's new outlet chain, ATLANTIS commenced operation in CSC Harbin, which is expected to further enrich the business ecosystem, increase visitor's traffic and business opportunities of the project.

CSC Harbin is currently under construction and has a total GFA of approximately 1.17 million sq. m. completed, including approximately 769,800 sq. m. of trade centers, approximately 317,700 sq. m. of residential ancillary, approximately 59,200 sq. m. of warehousing facilities and approximately 22,500 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 317,700 sq. m. of residential ancillary facilities was completed. As at 31 March 2017, construction of a GFA of approximately 904,200 sq. m. is underway, of which approximately 659,500 sq. m. are expected to be completed in FY2017/18.

In FY2016/17, CSC Harbin recorded total Contracted Sales of HK$602.8 million (FY2015/16: HK$365.7 million), including a GFA of 300 sq. m. of trade center (mall style) at an ASP of HK$11,200/sq. m. (FY2015/16: 500 sq. m. at an ASP of HK$15,600/sq. m.), a GFA of 3,500 sq. m. of trade center (detached style) at an ASP of HK$8,700/sq. m. (FY2015/16: 14,100 sq. m. at an ASP of HK$9,500/sq. m.) and a GFA of 109,000 sq. m. of residential ancillary at an ASP of HK$5,200/sq. m. (FY2015/16: 48,800 sq. m. at an ASP of HK$4,600/sq. m.).

China South City Zhengzhou

CSC Zhengzhou is located at the Airport Economic Zone ("AEZ") of Zhengzhou, the capital of Henan Province. The experimental zone is the only state-level AEZ with a complete network which includes an international airport, high-speed train, intercity train, metro and highway and acts as an integrated transport hub providing seamless connectivity. The project 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 kilometres away from the Beijing-Guangzhou Railway Freight Station and the Beijing-Hong Kong-Macao Highway. The south extension of subway line 2 which connects the downtown area to the AEZ of Zhengzhou and passes through CSC Zhengzhou with three stops, has commenced trial operation. 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 continued to expand the logistics and warehousing facilities to meet the local demands. In addition, during the Year, outlet mall in CSC Zhengzhou has commenced operation and is expected to enrich the business diversity of the project. The operations of CSC Zhengzhou cover industries such as building & decoration materials, small commodities, machinery & hardware, automobile & parts, non-staple food and E-commerce, etc.

CSC Zhengzhou is currently under development and has a total GFA of approximately 2.64 million sq. m. completed, including approximately 2.35 million sq. m. of trade centers, approximately 264,100 sq. m. of warehousing facilities and approximately 22,100 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 141,800 sq. m. of trade centers and warehousing facilities were completed. As at 31 March 2017, construction of a GFA of approximately 1.57 million sq. m. is underway, of which approximately 308,600 sq. m. are expected to be completed in FY2017/18.

In FY2016/17, CSC Zhengzhou recorded total Contracted Sales of HK$120.9 million (FY2015/16: HK$2,171.8 million), including a GFA of 4,200 sq. m. of trade center (mall style) at an ASP of HK$12,500/sq. m. (FY2015/16: 121,900 sq. m. at an ASP of HK$12,500/sq. m.) and a GFA of 8,500 sq. m. of trade center (detached style) at an ASP of HK$8,100/sq. m. (FY2015/16: 77,500 sq. m. at an ASP of HK$8,300/sq. m.).

China South City Hefei ("CSC 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 transportation across China. CSC Hefei has a total planned net land area of approximately 10.0 million sq. m. and a total planned GFA of approximately 12.0 million sq. m..

During the Year, coping with the market demand, CSC Hefei speeded up the development of ancillary facilities, among which the residential ancillary has been met with strong demands, contributing to a significant increase in the contracted sales. During the Year, CSC Hefei continues to strengthen its logistics and warehousing business development to meet the demand of logistics and warehousing services at and around the project. At the same time, the construction of outlet mall is underway and in good progress. Currently, the planned operations of CSC Hefei cover industries such as automobile & parts, hardware, building & decoration materials, textile & clothing, small commodities, non-staple food, etc.

CSC Hefei is currently under construction and has a total GFA of approximately 1.49 million sq. m. completed, including approximately 1.14 million sq. m. of trade centers, approximately 322,000 sq. m. of residential ancillary and approximately 20,800 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 252,000 sq. m. of trade centers and residential ancillary were completed. As at 31 March 2017, construction of a GFA of approximately 1.74 million sq. m. is underway, of which approximately 638,800 sq. m. are expected to be completed in FY2017/18.

In FY2016/17, CSC Hefei recorded total Contracted Sales of HK$2,711.1 million (FY2015/16: HK$819.6 million), including a GFA of 3,600 sq. m. of trade center (detached style) at an ASP of HK$8,700/sq. m. (FY2015/16: 15,600 sq. m. at an ASP of HK$8,100/sq. m.) and a GFA of 332,800 sq. m. of residential ancillary at an ASP of HK$8,100/sq. m. (FY2015/16: 115,300 sq. m. at an ASP of HK$6,000/sq. m.).

China South City Chongqing

CSC Chongqing is strategically located at the Banan District of Chongqing Municipality, the first of the Group's municipal projects. The project 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.

The transportation network around the project has been developed rapidly, coupled with the growing maturity of business circles in Banan district, laying a good foundation for the future transportation convenience and commercial environment of the project. The planned operations of CSC Chongqing cover planned operations such as small commodities, hardware & machinery, hotel supplies, building & decoration materials, textiles & clothing and automobile & parts, cultural tourism and outlets, etc.

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.. The construction of CSC Chongqing is underway with a total GFA of approximately 1.44 million sq. m. completed, including approximately 1.26 million sq. m. of trade centers and approximately 34,000 sq. m. of ancillary facilities and approximately 145,200 sq. m. of warehousing facilities. During the Year, construction of a GFA of approximately 317,400 sq. m. of warehousing facilities and outlet town were completed. As at 31 March 2017, construction of a GFA of approximately 385,200 sq. m. is underway.

In FY2016/17, CSC Chongqing recorded total Contracted Sales of HK$174.5 million (FY2015/16: HK$647.0 million), including a GFA of 21,900 sq. m. of trade center (detached style) at an ASP of HK$8,000/sq. m. (FY2015/16: 82,700 sq. m. at an ASP of HK$7,800/sq. m.).

FINANCIAL REVIEW

For FY2016/17, the Group reported an increase in revenue of 27.7% to HK$7,838.5 million (FY2015/16: HK$6,136.3 million), and net profit attributable to owners of the parent increased by 22.2% to HK$4,322.6 million (FY2015/16: HK$3,537.0 million). Excluding the effects of fair value gains on investment properties and related tax effects and loss on redemption of senior notes, core net profit attributable to owners of the parent for the Year as adjusted increased by 12.1% to HK$1,351.2 million (FY2015/16: HK$1,205.8 million). Basic earnings per share increased to HK53.99 cents (FY2015/16: HK44.22 cents).

Revenue

Revenue for the Year increased by 27.7% to HK$7,838.5 million (FY2015/16: HK$6,136.3 million). The increase was mainly attributable to more properties were sold and delivered in Nanning, Nanchang and Hefei during the Year and the growing recurring revenue.

	FY2016/17 ***HK$'000***	FY2015/16 *HK$'000*	Change *%*
Sales of properties and finance lease income	**6,240,553**	4,715,703	32.3
Sales of trade center units	***2,006,196***	*2,998,814*	*-33.1*
Sales of residential properties	***3,788,019***	*1,165,321*	*225.1*
Finance lease income	***446,338***	*551,568*	*-19.1*
Recurring income	**1,597,957**	1,420,559	12.5
Rental income	***699,716***	*681,314*	*2.7*
Property management service income	***288,822***	*247,721*	*16.6*
E-commerce income	***213,674***	*202,184*	*5.7*
Other revenue	***395,745***	*289,340*	*36.8*
	7,838,510	6,136,262	27.7

Sales of Properties and Finance Lease income

Revenue from sales of properties increased by 39.1% to HK$5,794.2 million (FY2015/16: HK$4,164.1 million). The increase was mainly attributable to the sales and delivery of properties in Nanning, Nanchang and Hefei projects during the Year. Sales for each project are as follows:

	Average selling price (before deduction of sales tax*) *(HK$/sq. m.)*		GFA sold *(sq. m.)*		Sales revenue (before deduction of sales tax*) *HK$ million*		Sales revenue (net of sales tax*) *HK$ million*	
	FY2016/17	FY2015/16	**FY2016/17**	FY2015/16	**FY2016/17**	FY2015/16	**FY2016/17**	FY2015/16
CSC Shenzhen	**32,400**	24,600	**200**	4,900	**8.1**	120.6	**7.6**	113.8
CSC Nanchang								
– Trade center units	**8,000**	21,600	**79,300**	100	**632.7**	3.1	**582.5**	2.9
– Residential properties	**8,100**	8,000	**174,500**	26,500	**1,411.3**	209.3	**1,336.0**	197.4
CSC Nanning								
– Trade center units	**18,000**	24,300	**300**	1,800	**6.0**	36.6	**4.1**	34.5
– Residential properties	**6,700**	6,800	**142,700**	57,200	**956.5**	386.8	**905.9**	364.8
CSC Xi'an	**5,700**	6,400	**69,000**	94,600	**392.0**	602.0	**356.3**	568.3
CSC Harbin								
– Trade center units	**9,300**	10,600	**6,200**	4,900	**57.5**	52.2	**53.3**	49.3
– Residential properties	**4,400**	–	**182,800**	–	**805.7**	–	**763.1**	–
CSC Zhengzhou	**10,800**	9,400	**65,000**	131,400	**700.7**	1,236.2	**663.3**	1,168.3
CSC Hefei								
– Trade center units	**8,900**	6,500	**24,000**	7,600	**214.1**	50.0	**195.2**	47.2
– Residential properties	**5,700**	5,600	**142,700**	113,300	**819.0**	638.2	**783.0**	603.1
CSC Chongqing	**7,200**	6,800	**21,100**	157,100	**152.0**	1,074.7	**143.9**	1,014.5
Total	**N/A**	N/A	**907,800**	599,400	**6,155.6**	4,409.7	**5,794.2**	4,164.1

* Sales tax represents business tax and surcharges on or before 30 April 2016 and valued-added-tax ("VAT") and surcharges after 30 April 2016.

Finance lease income derived from the leasing of office towers decreased by 19.1% to HK$446.3 million (FY2015/16: HK$551.6 million). The decrease was primarily attributable to the low inventory level of office at CSC Shenzhen.

During the Year, the Group entered into finance lease arrangements with tenants for approximately 38,800 sq. m. (FY2015/16: 49,400 sq. m.) at an average price of HK$12,100/sq. m. (FY2015/16: HK$11,800/sq. m.).

Rental Income

In the long run, the Group intends to retain not less than 50% of the trade center units for self-use or rental purposes and rental income will therefore be an important component of the recurring income. CSC Shenzhen, being the Group's most matured project in its portfolio, contributed substantial part of the rental income. Along with the gradual extension of the trial operations in other projects, these projects will gradually start to contribute rental income. For the HOBA Furnishing megastores opened in CSC Nanning and CSC Shenzhen has now been in its trial operations which helped to enrich the business industries in the projects. During the Year, rental income increased by 2.7% to HK$699.7 million (FY2015/16: HK$681.3 million).

As at 31 March 2017, the total occupancy rate of the launched rentable GFA of phase I, phase II and phase III trade centers and shops of CSC Shenzhen were ranged from 76% to 96% (as at 31 March 2016: 58% to 92%), while the average rental rate ranged from HK$37/sq. m. to HK$53/sq. m. (as at 31 March 2016: HK$35/sq. m. to HK$55/sq. m.).

Property Management Service Income

Income from property management services increased by 16.6% to HK$288.8 million (FY2015/16: HK$247.7 million). The increase in property management service income was mainly attributable to the increasing GFA of trade center shops and residential properties delivered and put into use bring along the increase in during the Year.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to the Group's customers, increased by 5.7% to HK$213.7 million (FY2015/16: HK$202.2 million). The online membership programme of the Group were widely appreciated by customers. By joining the programme, the occupants will enjoy a wide range of E-commerce service offered by the Group's E-commerce platform, CSC86.com.

Other Revenue

Other revenue rose by 36.8% to HK$395.7 million (FY2015/16: HK$289.3 million). The increase was mainly attributable to the continuous growth of the outlet operations and logistics and warehousing services, with revenue from outlet operations increased 46.7% to HK$200.8 million (FY2015/16: HK$136.9 million) while that of logistics and warehousing services increased 12.9% to HK$162.0 million (FY2015/16: HK$143.4 million) respectively during the Year.

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

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and rental expenses. During the Year, cost of sales increased by 36.2% to HK$4,328.4 million (FY2015/16: HK$3,177.2 million). The increase in cost of sales was basically in line with the increase of GFA of properties sold during the Year.

Gross Profit

Gross profit increased by 18.6% to HK$3,510.1 million (FY 2015/16: HK$2,959.1 million). During the Year, gross profit margin decreased to 45% (FY2015/16: 48%) which was mainly due to the change in product mix of sales with a higher portion of residential properties which had a relatively lower profit margin when compared to which of trade center shops.

Other Income and Gains/(Losses)

Other income and gains decreased by 31.9% to HK$726.0 million (FY2015/16: HK$1,066.2 million), mainly attributable to the decrease in government grants (FY2016/17: HK$841.4 million while FY 2015/16: HK$1,001.1 million) and the loss of redemption of 2012 Notes and 2014 Notes of HK$178.3 million, whereas such item did not exist last fiscal year.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 40.7% to HK$4,549.5 million (FY2015/16: HK$3,232.7 million). The increase was mainly contributed by the addition of new investment properties at the existing projects.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 27.8% to HK$624.6 million (FY2015/16: HK$864.7 million). The decrease was mainly attributable to the effective cost control measures taken as to marketing activities for promoting the sales of properties during the Year.

Administrative Expenses

Administrative expenses decreased by 2.6% to HK$1,146.3 million (FY2015/16: HK$1,177.2 million). The decrease was primarily due to the Group's optimisation of human resources and the effective control of administrative costs. Besides, during the Year, the Group granted 70,500,000 share options to certain employees. Together with the share options granted in prior years, share options expenses of HK$30.6 million (FY 2015/16: HK$29.3 million) were recorded.

Finance Costs

Finance costs increased by 72.8% to HK$275.5 million (FY2015/16: HK$159.4 million). The increase was mainly attributable to less amount of interest expenses being capitalized during the Year. As at 31 March 2017, the Group's weighted average financing cost was 6.2%, as compared with 6.3% at the end of March 2016.

Tax

Tax expenses recorded an increase of 65.6% to HK$2,269.3 million (FY2015/16: HK$1,370.5 million). The increase in tax expenses was basically in line with the increase of revenue and fair value increment of investment properties during the Year.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 46.6% to HK$1,066.8 million (31 March 2016: HK$727.7 million), which was mainly due to the combined effect of (i) increase in deposits paid for construction of new projects, and (ii) increase in VAT receivable as a result of business tax to VAT reform in PRC during the Year.

Trade and Other Payables

Trade and other payables increased by 26.3% to HK$16,763.2 million (31 March 2016: HK$13,269.7 million). The increase was mainly due to the increase in deposits and receipts in advance during the Year. As at 31 March 2017, the balance of construction fees and retention payable and deposits received and receipts in advance were HK$5,988.9 million and HK$8,099.5 million, respectively.

Liquidity and Financial Resources

The Group finances its development and operations primarily through internally generated funds, bank and other borrowings, and the issuance of different notes on-shore and off-shore, which includes but not limited to senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds.

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2017, the Group had HK$10,490.9 million cash and cash equivalents and restricted cash (31 March 2016: HK$11,686.7 million), among which non-restricted cash and cash equivalents amounted to HK$8,022.0 million (31 March 2016: HK$9,327.8 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2017, the total interest bearing debts of the Group was HK$32,772.9 million (31 March 2016: HK$33,808.6 million) which included interest-bearing bank and other borrowings, senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds.

Interest-bearing bank and other borrowings

The Group had aggregated interest-bearing bank and other borrowings of HK$13,412.5 million as at 31 March 2017 (31 March 2016: HK$16,622.7 million), of which HK$7,042.6 million will be repayable within one year or on demand, HK$3,571.8 million will be repayable in the second year, HK$2,545.2 million will be repayable in the third to fifth years and HK$252.8 million will be repayable after five years. As at 31 March 2017, the Group's interest-bearing bank and other borrowings of approximately HK$10,579.7 million were secured by certain buildings, investment properties, properties under development, properties held for sales and bank deposits with a total carrying value of approximately HK$25,624.6 million.

Except for a bank loan with balance of HK$300 million denominated in HK dollars and bears interest at floating rates of HIBOR+2.65% as at 31 March 2016, all interest-bearing bank and other borrowings of the Group were denominated in Renminbi with interest rates range from 4.4% to 6.2% (31 March 2016: 3.3% to 7.5%) per annum. Furthermore, as at 31 March 2017, the Group had unused banking facilities of approximately HK$5,376.5 million. The Group will deploy these banking facilities as appropriate, depending on project development needs and working capital status.

Issuance of Notes

Senior Notes

In October 2012, the Company issued the 2012 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 April 2016, the Company has fully early redeemed this senior notes at premium in accordance to the terms and conditions of this notes.

In January 2014, the Company issued the 2014 Notes due in January 2019 with a nominal value of US$400 million (equivalents to 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. In February 2017 and April 2017, the Company has early redeemed each of US$200 million of this senior notes respectively, in a total of US$400 million, at premium in accordance to the terms and conditions of this notes.

In September and October 2016, the Company issued senior notes due in September 2021 with a nominal value of US$200 million (equivalents to approximately HK$1,560 million) and US$150 million (equivalents to approximately HK$1,170 million) respectively, in a total of US$350 million (equivalents to approximately HK$2,730 million) at a coupon rate of 6.75% per annum for the purpose of refinancing existing indebtedness and for general corporate purposes.

In March 2017, the Company issued senior notes due in March 2020 with a nominal value of US$300 million (equivalents to approximately HK$2,340 million) at a coupon rate of 5.75% per annum for the purpose of refinancing existing indebtedness and for general corporate purposes.

As at 31 March 2017, the carrying value of senior notes were HK$6,426.0 million. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of share of certain subsidiaries.

Short-Term Notes

In September 2014, China South International obtained the relevant approval for issuing the short-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4.3 billion. In September 2015, China South International issued the first tranche of the short-term notes of 2015 ("2015 First Tranche STN") with a 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 were to be used for replacement of bank borrowings of the Group. The 2015 First Tranche STN have been repaid in September 2016. In September 2016, China South International issued the first tranche of the short-term notes of 2016 with a total principal amount of RMB1.2 billion with a maturity period of 1 year and at an interest rate of 4.9% per annum. The proceeds thereof were to be used for general corporate purpose and repaying part of the bank loans of the Group.

Medium-Term Notes

In April 2014, China South International obtained the relevant approval for the issuing the medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4 billion. In May 2014, China South International issued the first tranche of the medium-term notes of 2014 with a 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 were to be used for repaying part of short-term bank loans of the Group. In September 2014, China South International issued the second tranche of the medium-term notes of 2014 with a 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 were to be used for repaying part of bank loans of the Group. In July 2015, China South International issued the first tranche of the medium-term notes of 2015 with a 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 were to be used for replacement of bank loans of the Group and the construction of CSC Nanning project.

Corporate Bonds

In March 2015, China South International obtained the relevant approval for issuing the corporate bonds in a maximum principal amount of RMB1.5 billion in the PRC. In April 2015, China South International issued the corporate bonds with a 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 were to be used for funding the development of CSC Zhengzhou project.

Domestic Company Bonds

In December 2015, China South International obtained the relevant approval for issuing the domestic company bonds in a maximum principal amount of RMB4.4 billion in the PRC. In January 2016, China South International issued the first tranche of the domestic company bonds of 2016 with a total principal amount of RMB3.0 billion with a term of 3 years and at an interest rate of 5.98% per annum. The proceeds thereof were to be used for repaying part of bank loans of the Group and for general working capital. In May 2016, China South International issued the second tranche of the domestic company bonds of 2016 with a total principal amount of RMB1.4 billion with a term of 3 years and at an interest rate of 6.85% per annum. The proceeds thereof were to be used for repaying part of bank loans of the Group and for general working capital.

As at 31 March 2017, the carrying value of China South International's short-term notes were HK$1,353.2 million, medium-term notes were HK$4,723.0 million, corporate bonds were HK$1,778.7 million and domestic company bonds were HK$5,079.4 million respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 78.2% as at 31 March 2017 and 83.9% as at 31 March 2016. The total liabilities over total assets ratio was 68.0% as at 31 March 2017 (31 March 2016: 68.4%).

Net Current Assets and Current Ratio

As at 31 March 2017, the Group had net current assets of HK$7,485.0 million (31 March 2016: HK$10,971.0 million) at a current ratio of 1.25 (31 March 2016: 1.39).

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. The guarantees granted to purchasers of trade centers and residential properties 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 when the lessees repaid the loan. As at 31 March 2017, the guarantees amounted to HK$9,396.3 million (31 March 2016: HK$5,805.4 million).

Commitments

As at 31 March 2017, the Group had future capital expenditure contracted but not yet provided for in the amount of HK$8,787.7 million (31 March 2016: HK$7,350.5 million).

Acquisition and Disposal of Subsidiary and Associated Companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the Year.

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. As at 31 March 2017, among the Group's total interest bearing debts of HK$32,772.9 million, approximately HK$6,426.0 million were denominated in US dollars and the rest were in Renminbi. The Group does not have material exposure to foreign exchange risk and no foreign currency hedging was done during the Year. The Group will monitor its foreign currency exposure and consider hedging arrangement if such need arise.

Economic, Commercial and Other Risks

The Group may be 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 will be set out in note to the financial statements.

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 long term 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, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may agree to adjust the details of these agreements to align with the actual needs of project developments.

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 and documents, some of the land acquired by the Group may have sales restrictions on properties built on it. These include the saleable area of trade centers of CSC Shenzhen is limited to 30% of the total buildable GFA of properties built on the relevant parcels of land. The saleable area of trade centers and warehousing 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 trade centers of phase I and future phases of CSC Zhengzhou are limited to 60% and 50% respectively of its relevant total buildable GFA. 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 "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. Pursuant to such 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 680,300,000 shares of the Company at a price of HK$2.20 per share ("Subscription Shares") on 23 January 2014 with a total consideration of approximately HK$1,500 million. In addition, the Company has granted an option to THL to subscribe for a further 244,800,000 shares at the price of HK$3.50 per share (subject to adjustments (if any)) ("Option"). On 23 September 2014, THL noticed the Company to exercise the 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) and the Company issued and allotted such shares to THL accordingly. Details of the Agreement are set out in the announcements dated 15 January 2014, 23 January 2014, 23 September 2014 and 29 September 2014 respectively.

The net proceeds from the Subscription Shares and the exercise of Option were in an aggregate of approximately HK$2,319.2 million. As at 31 March 2017, the net proceeds thereof have been fully utilized on business related to E-commerce, logistics and general corporate purposes.

Human Resources

As at 31 March 2017, the Group had a workforce of approximately 6,420 people. The number of the Group's staff decreased by approximately 7.4% from 6,930 people as at 31 March 2016. The Group aims to recruit, retain and develop competent individuals who are committed to the Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group. During the Year, the Company granted 70,500,000 share options to the certain employees of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

As at 31 March 2017, the Board comprises twelve Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors.

Other non-compliances with the Listing Rules

On 4 May 2017, Mr. Leung Moon Lam was re-designated as a Non-Executive Director of the Company and ceased to be an Executive Director of the Company. At the same time, the Company appointed Mr. Song Chuan as an Executive Director of the Company and the Chief Executive Officer of the Group, as well as appointed Ms. Cheng Ka Man Carman as an Executive Director of the Company. Upon which, the Board comprises of fourteen Directors, including four Executive Directors, six Non-Executive Directors and four Independent Non-Executive Directors. As a result, the number of Independent Non-Executive Directors is less than one-third of the Board as required under Rule 3.10A of the Listing Rules.

The Company will use its best endeavours to meet the relevant requirement under Rule 3.10A of the Listing Rules within three months from 4 May 2017 by, inter alia, identifying a suitable candidate in terms of his professionals, experiences, skills and qualifications to be appointed as an additional Independent Non-Executive Director of the Company. Further announcement will be made by the Company in accordance to the requirements of the Listing Rules when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the Year in relation to the securities dealings, if any.

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 March 2017. It has also reviewed the said consolidated financial statements.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the fiscal year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

In April 2016, the Company has early fully redeemed the 2012 Notes at the redemption price equal to 106.750% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the redemption date. Upon such redemption, such fully redeemed 2012 Notes were cancelled and delisted from the Singapore Exchange accordingly.

In addition, the Group purchased US$20 million of the 2014 Notes from the open market during the Year and in February and April 2017, the Company has early redeemed the 2014 Notes with an aggregate amount of US$400 million at the redemption price equal to 104.1250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the redemption date. In April 2017, such fully redeemed 2014 Notes were cancelled and delisted from the Singapore Exchange accordingly.

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 August 2017 to 29 August 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. The ex-dividend date will be on 23 August 2017. In order to be qualified for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 August 2017. The proposed final dividend, subject to the approval of the shareholders of the Company at the AGM, will be distributed on or about 11 September 2017 to shareholders of the Company whose names appear on the Register of Members on 29 August 2017.

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

Hong Kong, 30 June 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Chung Hing, Mr. Fung Sing Hong Stephen, Mr. Song Chuan and Ms. Cheng Ka Man Carman; 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, Mr. Leung Moon Lam 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 Year 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.