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華南城

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2018	2017	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Contracted sales	**12,025,886**	8,635,650	**39.3**
Revenue	**9,405,370**	7,838,510	**20.0**
Among which, Recurring income	**2,019,976**	1,597,957	**26.4**
Gross profit margin	**43%**	45%	
Profit attributable to owners of the parent	**4,511,679**	4,322,626	**4.4**
Core net profit attributable to owners of the parent*	**1,608,548**	1,351,212	**19.0**
Earnings per share – Basic	**HK56.35 cents**	HK53.99 cents	**4.4**
Cash and bank balances**	**10,655,692**	10,490,909	
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, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes.

** Represents cash and cash equivalents and restricted cash.

*** Scrip dividend alternative at a price of HK$1.50 per Shares was provided.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

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 2018 ("FY2017/18" or the "Year") together with the comparative figures for the previous fiscal year (fiscal year ended 31 March 2017 ("FY2016/17")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

		For the year ended 31 March	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**9,405,370**	7,838,510
Cost of sales		**(5,336,191)**	(4,328,365)
Gross profit		**4,069,179**	3,510,145
Other income and gains/(losses)	*4*	**856,965**	726,027
Fair value gains on investment properties	*4*	**4,378,474**	4,549,509
Selling and distribution expenses		**(680,691)**	(624,629)
Administrative expenses		**(1,216,023)**	(1,146,292)
Other expenses		**(329,668)**	(147,028)
Finance costs	*6*	**(294,771)**	(275,478)
PROFIT BEFORE TAX	*5*	**6,783,465**	6,592,254
Income tax expenses	*7*	**(2,281,133)**	(2,269,292)
PROFIT FOR THE YEAR		**4,502,332**	4,322,962
Attributable to:			
Owners of the parent		**4,511,679**	4,322,626
Non-controlling interests		**(9,347)**	336
		4,502,332	4,322,962
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**HK56.35 cents**	HK53.99 cents
Diluted			
– for profit for the year		**HK56.19 cents**	HK53.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	For the year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**4,502,332**	4,322,962
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,776,276**	(1,853,190)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**3,776,276**	(1,853,190)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,278,608**	2,469,772
Attributable to:		
Owners of the parent	**8,271,536**	2,482,231
Non-controlling interests	**7,072**	(12,459)
	8,278,608	2,469,772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018

	Notes	31 March 2018 HK$'000	31 March 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,749,787**	1,454,909
Investment properties		**48,135,043**	42,191,542
Properties under development		**3,451,245**	4,493,810
Prepaid land lease payments		**1,449,228**	1,146,108
Goodwill		**34,128**	34,128
Investments in associates		**142,112**	82,497
Available-for-sale investments		**138**	175,512
Other long-term receivables		**15,684**	5,926
Deposits paid for purchase of land use rights and property		**1,149,909**	15,235
Deferred tax assets		**3,139,824**	2,289,999
Total non-current assets		**59,267,098**	51,889,666
CURRENT ASSETS			
Properties held for finance lease		**333,514**	305,240
Properties held for sale		**38,108,017**	23,847,433
Inventories		**177,095**	137,555
Trade receivables	*10*	**1,185,378**	1,238,228
Prepayments, deposits and other receivables		**1,613,206**	1,066,802
Held-for-trading investments at fair value through profit or loss		**205,966**	–
Cash and cash equivalents and restricted cash		**10,655,692**	10,490,909
Total current assets		**52,278,868**	37,086,167
CURRENT LIABILITIES			
Trade and other payables	*11*	**22,807,754**	16,763,218
Interest-bearing bank and other borrowings		**7,098,504**	7,042,625
Short-term notes		**625,100**	1,353,240
Medium-term notes		**2,622,149**	–
Corporate bonds		**1,978,294**	–
Domestic company bonds		**3,789,933**	–
Tax payables		**4,988,314**	4,442,096
Total current liabilities		**43,910,048**	29,601,179
NET CURRENT ASSETS		**8,368,820**	7,484,988
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,635,918**	59,374,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 March 2018

	31 March 2018 *HK$'000*	31 March 2017 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,999,701**	6,369,837
Senior notes	**9,230,272**	6,425,992
Medium-term notes	**2,629,495**	4,723,000
Corporate bonds	**–**	1,778,744
Domestic company bonds	**1,854,236**	5,079,429
Deferred tax liabilities	**8,521,460**	6,518,261
Total non-current liabilities	**31,235,164**	30,895,263
Net assets	**36,400,754**	28,479,391
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,060,973**	7,054,362
Other reserves	**29,157,371**	21,243,892
	36,218,344	28,298,254
Non-controlling interests	**182,410**	181,137
Total equity	**36,400,754**	28,479,391

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 2018 and the financial information relating to the year ended 31 March 2017 included in this preliminary announcement of annual results for the year ended 31 March 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2017, 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 2018 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 2017 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 2017. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities will be included in Group's financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilize 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiaries classified as a disposal group held for sale as at 31 March 2018.

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
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 described below.

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 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 will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment assessment of its financial assets.

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 recognized 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 adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized 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 recognizing 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 licenses 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 plans to adopt the transitional provisions in HKFRS 15 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During the year, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of property development, property investment, property management and E-commerce. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarized as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, for the sale of completed properties, the control of the property is transferred at a point in time, and revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and the Group has present rights to payment and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there would be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The transaction price is determined by discounting the amount of promised considerations. The Group uses the same discount rate that it would use if it were to enter into a separate financing transaction with the customer. The discount rate reflects the credit characteristics of the borrower in the arrangement. The Group has determined that when HKFRS 15 is adopted, there would be no significant impact on the amount of revenue from sale of completed properties.

Under HKFRS 15, incremental costs of obtaining a contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognized as an contract assets if they are recoverable and subsequently amortized on a systematic basis consistent with the pattern of transfer of the services to which the asset is related when the related revenue is recognized. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract). Upon the adoption of HKFRS 15, sale commissions that are directly related to sales achieved during a time period would represent incremental costs that would require capitalisation and amortized when the related revenue is recognized. The Group has determined that when HKFRS 15 is adopted, there would be no significant impact on the profit or loss of the Group.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements.

HKFRS 16, issued in May 2016, 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 recognize 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 recognize 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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 recognize 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 recognize 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The Group has assessed that the amendments would not have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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 2018						
Segment revenue:						
Sales to external customers	7,385,394	731,716	375,520	245,241	667,499	9,405,370
Intersegment sales	–	214,403	343,825	174,452	63,391	796,071
	7,385,394	946,119	719,345	419,693	730,890	10,201,441
Elimination of intersegment sales						(796,071)
Revenue						9,405,370
Segment results before increase in fair value of investment properties	3,301,780	532,524	145,143	243,293	305,615	4,528,355
Increase in fair value of investment properties	–	4,378,474	–	–	–	4,378,474
Segment results after increase in fair value of investment properties	3,301,780	4,910,998	145,143	243,293	305,615	8,906,829
Unallocated cost of sales						(459,176)
Interest income						77,945
Fair value losses on held-for-trading investments at fair value through profit or loss, net						(4,461)
Unallocated income and gains						783,481
Unallocated expenses						(2,226,382)
Finance costs						(294,771)
Profit before tax						6,783,465
Segment assets	40,436,305	56,423,392	167,412	76,789	1,553,674	98,657,572
Reconciliation:						
Investments in associates						142,112
Unallocated assets						12,746,282
Total assets						111,545,966
Segment liabilities	15,594,034	8,082,782	149,545	272,118	651,634	24,750,113
Reconciliation:						
Unallocated liabilities						50,395,099
Total liabilities						75,145,212
Other segment information:						
Depreciation	91,370	1,813	448	4,965	23,190	121,786
Corporate and other unallocated amounts						8,523
						130,309
Increase in fair value of investment properties	–	4,378,474	–	–	–	4,378,474
Capital expenditure*	11,411,922	316,592	399	9,019	54,718	11,792,650

	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
Fair value gains on held-for-trading investments at fair value through profit or loss, net						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

* 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	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of properties	**7,229,545**	5,794,215
Finance lease income	**155,849**	446,338
Rental income	**731,716**	699,716
Property management service income	**375,520**	288,822
E-commerce income	**245,241**	213,674
Other revenue*	**667,499**	395,745
	9,405,370	7,838,510
Other income		
Interest income	**77,945**	71,603
Government grants**	**783,912**	841,427
Others	**31,917**	50,978
	893,774	964,008
Gains/(losses)		
Gain on disposal of items of property, plant and equipment	**113**	–
Fair value (losses)/gains on held-for-trading investments at fair value through profit or loss, net	**(4,461)**	3,770
Loss on redemption of the 2012 Notes and 2014 Notes	**(89,876)**	(178,317)
Gain on purchase of the 2014 Notes	**–**	597
Gain on disposal of subsidiaries	**1,142**	–
Exchange gains/(losses), net	**56,273**	(64,031)
	(36,809)	(237,981)
	856,965	726,027
Fair value gains on investment properties	**4,378,474**	4,549,509

* Other revenue includes amounts of HK$354,885,000 (2017: HK$200,829,000) related to income from outlet operations and HK$218,066,000 (2017: HK$161,984,000) 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	
	2018	2017
	HK$'000	*HK$'000*
Cost of properties sold	**4,024,550**	3,107,738
Cost of properties held for finance lease	**59,064**	207,671
Depreciation	**131,147**	138,630
Less: Depreciation capitalized in respect of properties under development	**(838)**	(1,313)
	130,309	137,317
Amortization of prepaid land lease payments	**28,269**	27,020
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**11,732**	10,008
Auditor's remuneration	**4,220**	4,100
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**746,465**	711,042
Equity-settled share option expense	**42,065**	30,612
Pension scheme contributions	**106,144**	104,741
	894,674	846,395
Provision for impairment of trade receivables**	**112,134**	73,885
Provision for impairment loss of available-for-sale investments**	**175,500**	–
Gain on disposal of subsidiaries	**(1,142)**	–
(Gain)/loss on disposal of items of property, plant and equipment	**(113)**	1,708

* Included an amount of HK$71,569,000 for the year ended 31 March 2018 (2017: HK$89,885,000), which was capitalized 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	
	2018	2017
	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)	**2,209,896**	2,061,894
Less: Interest capitalized	**(1,915,125)**	(1,786,416)
Total	**294,771**	275,478

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 (2017: 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% (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Current — Mainland China	**920,093**	535,734
LAT in Mainland China	**687,487**	499,504
Deferred Mainland China corporate income tax	**673,553**	1,234,054
Total tax charged for the year	**2,281,133**	2,269,292

8. DIVIDEND

	For the year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Proposed final dividend (with scrip option) — HK5.0 cents per ordinary share (2017: HK5.0 cents per ordinary share)	**400,479**	400,316

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 8,007,198,026 (2017: 8,006,206,931) in issue during the year.

The calculation of the 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	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**4,511,679**	4,322,626

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,007,198,026**	8,006,206,931
Effect of dilution — weighted average number of ordinary shares:		
Share options	**22,635,257**	4,562,237
	8,029,833,283	8,010,769,168

10. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**1,598,286**	1,534,478
Impairment	**(412,908)**	(296,250)
	1,185,378	1,238,228

Trade receivables represent sales income, rental receivables 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 aging 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:

	2018 *HK$'000*	2017 *HK$'000*
Within 1 month	**716,256**	799,741
1 to 2 months	**37,059**	36,535
2 to 3 months	**28,940**	38,633
Over 3 months	**403,123**	363,319
	1,185,378	1,238,228

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

	2018 *HK$'000*	2017 *HK$'000*
Carrying amount at the beginning of year	**296,250**	238,856
Provision for impairment of trade receivables *(note 5)*	**112,134**	73,885
Write-off of trade receivables	**(16,102)**	–
Exchange realignment	**20,626**	(16,491)
Carrying amount at the end of year	**412,908**	296,250

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

	2018 *HK$'000*	2017 *HK$'000*
Neither past due nor impaired	**626,433**	719,415
Less than 1 month past due	**89,823**	80,326
1 to 3 months past due	**65,999**	75,168
Over 3 months past due	**403,123**	363,319
	1,185,378	1,238,228

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	2018 HK$'000	2017 HK$'000
Other payables and accruals		**3,973,463**	2,069,844
Notes payable	*(i)*	**607,291**	604,917
Deposits and receipts in advance		**13,102,175**	8,099,540
Construction fee and retention payables	*(ii)*	**5,124,825**	5,988,917
		22,807,754	16,763,218

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

	2018 HK$'000	2017 HK$'000
1 to 3 months	**–**	50,264
Over 3 months	**607,291**	554,653
	607,291	604,917

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

	2018 HK$'000	2017 HK$'000
Within 1 year	**4,147,578**	5,595,795
Over 1 year	**977,247**	393,122
	5,124,825	5,988,917

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 report herewith the consolidated annual results of the Group for the fiscal year ended 31 March 2018.

Results and Dividend

China's macro-economy grew steadily the past year. As the central government continued to press ahead with supply-side structural reform, the economic foundation for China's high-quality development took shape with stable growth the past few quarters and positive changes in structure and sources of growth. In the first quarter of 2018, China posted a better-than-expected 6.8% GDP growth. The growth rate has stayed within the 6.7–6.9 percent range for the 11th straight quarter. China's manufacturing Purchasing Manager's Index ("PMI") stood at 51.4% in April 2018, sitting well above the expansionary threshold of 50%. It also marked the 21st straight month of expanding business conditions in China.

Capitalizing on China's resilient economic growth, the local governments' accelerated efforts in promoting industry upgrade, as well as the Company's maturing projects, China South City strategically increased sales of its residential ancillary and enhanced its value-added ancillary services to tap the robust demand from the tenants for its integrated logistics and trade centers and, with the improvements in transportation and infrastructure in and around our projects, the demand from people in the cities and counties near the relevant projects. As a result, the Group achieved a strong contracted sales growth of 39.3% to HK$12,025.9 million (FY2016/17: HK$8,635.7 million) during the Year. Its revenue also surged by 20.0% to HK$9,405.4 million (FY2016/17: HK$7,838.5 million), out of which recurring income grew by 26.4% to HK$2,020.0 million (FY2016/17: HK$1,598.0 million).

Net profit attributable to owners of the parent increased 4.4% to HK$4,511.7 million (FY2016/17: HK$4,322.6 million) while core net profit attributable to owners of the parent – excluding fair value gains on investment properties and related tax effects, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes – increased by 19.0% to HK$1,608.5 million (FY2016/17: HK$1,351.2 million). Basic earnings per share increased to HK56.35 cents (FY2016/17: HK53.99 cents).

The Board recommend the payment of a final dividend of HK5.0 cents per share of the Company ("Share") for FY2017/18 (the "Final Dividend") (FY2016/17: HK5.0 cents per Share) to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 29 August 2018. Shareholders may elect to receive the Final Dividend in one of the following ways: (a) in cash; or (b) new fully paid Shares (the "New Shares") in lieu of cash, or (c) partly in cash and partly in New Shares in lieu of cash (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon (1) the approval of the proposed Final Dividend at the annual general meeting of the Company (the "AGM") to be held on 21 August 2018; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the New Shares to be issued under the Scrip Dividend Scheme.

Review of the Market and Operations

Set to Harvest and Reap Benefits from the Development of its Projects

As one of the leading developers and operators of large-scale integrated logistics and trade centers in China, China South City has developed a diversified and flexible business model to facilitate industry upgrade and transformation of the traditional economy and to support innovative and sustainable development. Its portfolio of projects, covering integrated logistics and trade centers, supported by commercial and residential ancillary facilities, occupy a strategic footprint in major provincial capitals and a municipality in China, through the success in replication of our business model, serving tenants from a wide range of industries and various business categories.

Leveraging the diversity of its properties and a wide variety of ancillary services offered to merchants and visitors, this unique business model enables the Group to tactically adjust its business focus according to the stage of development of the projects, and market demand in different localities. The offering of ancillary services also facilitates stable and recurring income streams for the Group to mitigate the impacts of cyclical fluctuations in order to ensure long-term business sustainability.

With more and more projects opening and scaling up after years of development, China South City has evolved into a new phase of development. In its early stage of development, significant investment was made in its core business to acquire land for construction of integrated logistics and trade centers. As its projects gradually came into operation with improved accessibility with increasingly elaborated infrastructure, there is robust market demand for residential ancillary of the Group during the Year. The Group has, therefore, strategically expedited the development and sales of its residential projects, especially in CSC Zhengzhou and CSC Chongqing. The Group recorded a 48.9% leap in residential properties sales in FY2017/18, accounting for 84.5% of total contracted sales (79.0% of total contracted sales in FY2016/17).

In addition, through the increase in residential support on our projects would increase on-site flow of people, and therefore attract more potential tenants, which promote the growth and prosperity of the logistics and trade centers, and subsequently complement the development path of "China South City Ecosystem".

Fostering Growth of Recurring Businesses and Stepping Up Development

For more than 15 years, China South City has had a strong market presence and established itself as a nationwide leading large-scale integrated logistics and trade center developer and operator in China. As the Group enters its next phase of development, it continues to leverage its success in trade center development and operation to step up the development of its recurring businesses which aim to stabilize its revenue stream and pursue sustainable growth.

The Group regards property management as a value-added service provided for its tenants to better address their needs. During the Year, the property management business of the Group became a stable revenue stream for the Group and registered an excellent growth attributable to the expanding scale and growing maturity of the projects. As the Group's property management arm, First Asia Pacific Group Company Limited ("First Asia Pacific") offers a wide range of quality and professional property management services for different types of residential and commercial properties of the Group, including trade centers, office buildings, hotels, residential ancillaries, etc. With the Group's existing projects continuously scaling up and maturing, this business segment is expected to maintain a visible growth in the coming years.

Outlet operations were again one of the strongest recurring revenue drivers for the Group during the Year. Driven by the rising middle class, growing consumption and urbanization in China, demand for value-for-money branded goods continued to grow. After years of development, the Group scaled up its operation by expanding its footprint as well as product offerings. As at 31 March 2018, the Group had set up a total of eight outlet malls in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, with a total GFA of 452,000 m^2 and over 570 different brands. The Group is also currently building a one-stop and integrated "B2C+O2O" branded outlet platform to meet the rising demand of its customers.

"Internet Plus" remains a core strategy of China South City's fourth generation integrated logistics and trading platform. The Group continues to utilize 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. During the Year, on the back of its existing E-commerce business, the Group jointly developed a new online B2B industrial metal hardware procurement and trading platform with JD Cloud to provide better one-stop solution to its clients. With a view to further strengthen the development of its E-commerce business, the Group will try to extend more co-operations with Tencent Holdings Limited ("Tencent") and its invested companies.

Regarding the logistics and warehousing business, the Group adopts an operation model of "Internet + Industry Parks", aiming to realize a seamless connection between the logistics-end, i.e. transportation, warehousing, distribution, etc., and the customer-end, i.e. manufacturing, sales, E-commerce, etc., so as to establish a China South City pan-logistics network. Riding the wave of digitalization in China's logistics industry, the Group aims to set up an influential supply chain and big data platform in China with innovative technology such as big data and artificial intelligence, to further strengthen its supply chain service capabilities and enhance its ability to provide quality services with variety.

Following the pace of the times, China South City is also constantly seeking new developments and breakthroughs. CSC Shenzhen, the first-ever project of the Group, acting as an experimental field, intends to have its business model upgraded, striving to become the global supply chain technology innovation center, state-level E-commerce demonstration base, and the core engine of manufacturing transformation and upgrade amongst Guangdong-Hong Kong-Macao Greater Bay Area, so as to realize industry-project integration and mutual development.

Stable and Balanced Financial Management

During the Year, the Group continued to exercise a balanced approach in addressing both financial health and needs of development strategies to ensure its long-term sustainable growth. As the Group is gradually entering the next phase of development, there will be more capital allocation to residential ancillary expansion to meet the increasing market demand especially the demand from on-site tenants. Nevertheless, the Group will also aim to strike an optimal balance between liquidity and profitability while considering any major capital investment. Meanwhile, adhering to a balanced financial strategy, the Group continues to diversify and broaden its financing channels, including both onshore and offshore, so as to manage financing costs and enhance cash flows of the Group. As at 31 March 2018, gearing ratios of the Group had decreased slightly while cash and cash equivalents and restricted cash increased slightly compared year-on-year, maintaining a strong liquidity.

Future Prospects

China will further deepen structural reforms and curb risks while maintaining steady economic growth in 2018. It is commonly believed that the economy this year is registering a stable performance with good momentum for growth and the business environment is continuing to improve. In the manufacturing sector, China is encouraging industry transformation and upgrade, and will establish national-level demonstration areas in cities and city clusters in the eastern, central and western regions, which are expected to boost the vitality of the manufacturing sector and in turn benefiting the Group's development.

Recurring businesses have long been part of the Group's key initiatives, contributing to its sustainable and long-term development. Forging ahead, the Group will further strengthen the development of its recurring businesses and accelerate their growth as the projects are scaling-up and maturing. In addition, China South City continuously reviews its strategic plans, including potential spin-off opportunities of its recurring businesses, as part of its long-term outlook to unlock greater value, and build a better, faster and stronger platform for their independent growth, along with developing their independent financing channels to support future development.

For FY2018/19, China South City will focus on strengthening its business operations, upgrading its service standards, and increasing the supply of various ancillary facilities, especially the commercial complexes featuring office buildings and apartments, are expected to attract more E-commerce or internet companies to move in. It will not only build up popularity, but also create a good business atmosphere for various ancillary services. At the same time, China South City will enhance the inputs on projects. Through industry upgrading, China South City would become a livable community also good for business and leisure.

The management expects the Group to achieve an annual sales target of HK$16 billion for the fiscal year ending 31 March 2019 ("FY2018/19"). Regarding recurring business, the Group will strive to keep its growth momentum and develop 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 of the Group. I would also like to thank the Management and staff for their dedication and wholehearted commitment, which have helped China South City grow from strength to strength.

Cheng Chung Hing
Chairman and Executive Director

Hong Kong, 28 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Entering a New Stage of Growth

During the Year, the economy in China generally maintained a stable growth path while showing positive signs of development. Economic vitality, momentum and potential were constantly released with remarkable growth in stability, coordination and sustainability. The GDP of China increased by 6.9% year-on-year in 2017, reaching medium-to-high growth. The housing market was the backbone of GDP growth due to strong demand nationwide. Meanwhile, as China's economic transition continued, consumption was key for stable economic growth, which brought new opportunities to the Group and the SMEs in the projects.

Building on a unique and proven business model, China South City has developed a strategic and diversified portfolio of projects in eight provincial capitals and municipality in China. It aims to develop a modern, integrated logistics and trade center platform with ancillary services to support the SMEs within China South City projects to upgrade and become integrated physical and online businesses. To that end, the Group has made necessary and significant investments in the initial stage of project development, including land purchase and establishment of an integrated logistics and trading platform. To generate a stable and long term revenue stream, the Group selectively retains as investment properties a portion of its developments, including trade centers, commercial and other ancillary facilities.

As more and more projects have commenced operations and become accessible, the Group saw robust demand for its ancillary facilities and services by the occupants and its employees within China South City projects. The Group, therefore, strategically deployed more resources to ramp up the development of residential facilities to unlock the growth potential of its projects. Aiming to achieve long term business sustainability, the Group stepped up the provision of ancillary services such as property management, warehouse and logistics services, outlets operations, E-commerce, trade fairs and exhibitions, as well as the financial services in accordance with the increasing activities in and around the projects. With the strategic expansion of the ancillary services, the Group has also successfully formed a unique "China South City Ecosystem" in its existing projects.

With an extensive land bank on-hand, the Group is able to adjust its strategy to generate a strong cash inflow from contracted sales of its residential facilities while driving a sustainable growth of its recurring income from investment properties and ancillary services. As ancillary services are businesses less capital intensive, the move is set to support the Group's development as it embarks on the next chapter of business growth.

In addition, as the first-ever and most mature project of the Group, CSC Shenzhen has been developed into the innovation base for pilot programs of transformation and upgrade. During the Year, the Group continued to replicate CSC Shenzhen's successful experience to other projects and delivered an outstanding performance in both contracted sales and recurring businesses.

During the Year, the Group's total revenue increased by 20.0% to HK$9,405.4 million (FY2016/17: HK$7,838.5 million). Its recurring income grew by 26.4% year-on-year to HK$2,020.0 million from HK$1,598.0 million in FY2016/17, accounting for 21.5% of the total revenue (FY2016/17: 20.4%). Gross profit margin was 43% (FY2016/17: 45%). Net profit attributable to owners of the parent was HK$4,511.7 million (FY2016/17: HK$4,322.6 million). Basic earnings per share amounted to HK56.35 cents (FY2016/17: HK53.99 cents).

Unlocking the Potential of the Ever-growing Recurring Businesses

Following years of projects development and expansion, China South City has gradually entered into phase of operation and started to see the fruits of rewards. During the Year, the Group recorded a growth in its total recurring income of HK$2,020.0 million (FY2016/17: HK$1,598.0 million), representing a significant increase of 26.4%. Revenue generated from rental, property management, E-commerce, logistics and warehousing services and outlet operations reached HK$731.7 million, HK$375.5 million, HK$245.2 million, HK$218.1 million and HK$354.9 million respectively (FY2016/17: HK$699.7 million, HK$288.8 million, HK$213.7 million, HK$162.0 million and HK$200.8 million respectively).

Property Management

The Group has always been striving to be a leading developer and operator of large-scale, integrated logistics and trade centers. In the past 15 years, in view of projects' growth and market demand, China South City has developed different types of properties, such as trade centers, residential premises, office towers, warehouses and other commercial complexes. All these properties, together with respective project spaces as a whole, are serviced by the Group's wholly-owned subsidiary, First Asia Pacific. The business scale and diversified industries contained in China South City model give First Asia Pacific its edge over its property management counterparts. First Asia Pacific is one of the very few capable of managing both trade center premises as well as residential properties, and has become a state-level First-Class qualification property management company in China for its 15 years of development. It has also been awarded "2018 China Top 100 Property Management Companies" and "2018 China Leading Property Management Companies in terms of Characteristic Service" by China Index Academy.

First Asia Pacific currently provides comprehensive property management services to the Group's projects, as well as bespoke services, such as event management and security, concierge service, on-site multimedia management, insurance agency, etc. In addition to China South City's projects, First Asia Pacific has started to expand its business outside the Group, further enhancing its core competitiveness in the industry. Following the technology trend, First Asia Pacific gradually has its service upgraded, going digitalised and mobile, including computerized management system and staff-end mobile App, as well as client-end WeChat public account, so as to improve effectiveness, reduce management costs and automate business procedures. In future, aiming to be a leading property management enterprise, First Asia Pacific will keep growing with the business environment, providing different and more client-oriented services to its clients.

During the Year, revenue generated from property management reached HK$375.5 million (FY2016/17: HK$288.8 million), an increase of 30.0% year-on-year. With more projects commencing operations, the Group believes that recurring income will continue to increase, bringing a stable cash flow to the Group.

Logistics & Warehousing Services

The Group's logistics and warehousing facilities in general are being developed along the projects of China South City, which are strategically located in major provincial capitals and municipality, and well connected to key domestic logistics nodes in the PRC. During the Year, revenue generated from logistics and warehousing services amounted to HK$218.1 million (FY2016/17: HK$162.0 million), an increase of 34.6% year-on-year.

With the growing maturity of the Group's projects, coupled with China's E-commerce boom, there is a strong demand on warehousing facilities and logistics services from on-site tenants, E-commerce companies and third-party logistics providers. In view of this, the Group, apart from its continuous betterment on facilities and service quality, intends to strengthen its nationwide warehousing network at several core locations, so as to create platforms that combine on-site logistics operation, warehousing, and forwarder distribution. These platforms aim to support diversified distribution channels that caters high-end enterprises. The Group also plans to provide logistics and inventory management services to its strategic clients in order to further enhance its scope of services and increase customer loyalty.

Outlet Operations

As the country shifts from an export-driven economy to a more consumption- and service-driven model, retail sales have contributed significantly to China's economic growth. Consumption contributed 58.8% of China's economic expansion in 2017 and will continue to play an integral role in boosting China's economic development. Furthermore, China's disposable income per capita surged 9% year on year in 2017. A consumption-driven economy together with greater disposable income is creating more opportunities for the Group's outlet business.

The outlet business generated strong recurring income for the Group during the Year. It continuously delivered value-for-money branded products and high-quality shopping experiences to customers. On the back of the well-established project portfolio and improved accessibility, the outlet business continued to record sustained growth and supported the Group's projects by driving a steady visitor flow. Its future development will be responsive to market changes and consumer demand and the Group will explore and select more brands suitable for the needs of the market.

Over the years, the Group has achieved a better-than-expected performance in its outlet operations and successively delivered satisfactory results. As at 31 March 2018, the Group operated eight outlet malls housed over 570 renowned domestic and international brands with total operating GFA of approximately 452,000 sq. m. in its existing projects. The new outlet projects located in CSC Zhengzhou, CSC Hefei and CSC Chongqing commenced operation with a steady rise in performance during the Year. Recognizing the inherent opportunity in China's strong domestic demand for affordable foreign luxury goods, the Group continued to operate its own luxury goods outlet chain shops based on the "direct oversea sourcing" model. Being well-received by the market and the luxury goods outlet chain business has expanded to Nanchang and Chongqing projects during the Year.

During the Year, the Group's outlet operation recorded a gross mall sales turnover of approximately RMB1,690.7 million (FY2016/17: RMB1,072.1 million), representing a year-on-year increase of approximately 57.7% and generated a recurring income of HK$354.9 million (FY2016/17: HK$200.8 million), which was a year-on-year increase of approximately 76.7%. In terms of sales turnover, CSC Shenzhen remained the largest contributor.

E-commerce Development

With worldwide largest number of Internet users, the importance to implement "Internet Plus" strategy to enhance national economy and industries becomes indisputable. At the 19th CPC National Congress, General Secretary Xi Jinping proposed to speed up the transition to influential advanced manufacturing country. China will promote and intensify the integration of Internet, big data, artificial intelligence together with real economy. As "Internet Plus" remains a core strategy for China South City's fourth-generation integrated trade logistics and trading platform, the Group will strive to grasp the opportunities brought about by relevant policies.

A key initiative of the Group is to develop its online-offline ecosystem, while on one hand its E-commerce platform could be leveraged to optimize business of our on-site tenants, on the other its logistics and trade centers also provide brick-and-mortar space to online business to expand their offline presence.

In March 2018, the Group has launched its Maintenance, Repair and Operations ("MRO") e-commerce Mall (www.buy5j.com), a one-stop procurement platform for industrial products. The MRO Mall was jointly developed by www.csc86.com (華南城網), an e-commerce platform of the Group, and JD Cloud. Through the integration abundant offline resources of the Group and JD Cloud's advanced cloud technology, the MRO Mall is enabled to provide one-stop quality B2B industrial hardware procurement services for both enterprise clients and retailers.

With a focus on MRO purchasing, the newly established platform covers industrial products including machinery hardware and consumables, industrial automation and security system, civil engineering equipment, etc. The Group is continuously optimizing and integrating various supply chain resources and aim to develop an efficient, effective and safe one-stop procurement solution for all industrial procurement enterprises.

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

Ethnic and Cultural Festival cum Trade Fairs

The 4th Ethnic and Cultural Festival cum Trade Fairs was held in CSC Nanning in mid-April 2018. The festival has been successfully held for four consecutive years and attracts a large number of tourists to the project every year. The nine-day event has significantly boosted the sales of the tenants, generated tremendous visitor flow and business opportunities, and raised brand awareness of China South City within the region.

Central China Commodities Trade Fair cum CSC Zhengzhou Spring Festival Fair 2018

The 3rd Central China Commodity Trade Fair cum CSC Zhengzhou Spring Festival Fair 2018 was held in CSC Zhengzhou in January 2018. The event has been successfully held for three consecutive years. Meanwhile, the event which aims to provide a seamless connection for suppliers and purchasers, both local and overseas, has also become a successful demonstration of China South City's operation model of "Trade Center + Trade Fair".

China-ASEAN Expo and Light Industrial Exhibition

The 14th China-ASEAN Expo, co-hosted by Ministry of Commerce of the PRC, the Economic and Trade Departments of the ten ASEAN counterparts and the China-ASEAN Expo Secretariat, and organized by the Government of the Guanxi Zhuang Autonomous Region, took place in CSC Nanning in September 2017. The four-day event attracted exhibitors from 68 countries and regions and heavy visitor flow. During the event, China ASEAN Expo and Light Industrial Exhibition was hosted by CSC Nanning for the 8th consecutive year, which has firmly established CSC Nanning as a hub for light industrial products trading between China and ASEAN countries, strengthened trade links and cultural exchanges between both sides, and increased the Group's brand recognition in the region and among ASEAN countries.

China Commercial Vehicles Fair

The 2nd China Commercial Vehicles Fair was held in CSC Chongqing in September 2017. As a leading international fair for commercial vehicle industry, the event attracted a number of renowned international and local automobile brand exhibitors and significantly boosted their sales. The event not only promoted the development of the commercial vehicle industry in Chongqing, but also brought continuous flow of business, logistics, capital and information to CSC Chongqing, thus generating more business opportunities for on-site tenants.

China-Russia Expo and Harbin International Economic and Trade Fair

The 4th China-Russia Expo and the 28th Harbin International Economic and Trade Fair – China South City sub-venue kicked off in CSC Harbin in June 2017. Harbin International Economic and Trade Fair has become the window of China to the world, laying the platform for the economic and trade cooperation with Northeast Asia and the world. It has been regarded as a leading exhibition for Sino-Russia on economic, trade and technology cooperation and received great attention from governments at all levels. Enterprises and institutions from both domestic and overseas participated actively in the exhibition, which brought tremendous visitors and business opportunities to CSC Harbin, and enhanced the status of CSC Harbin in Northeast Asia Economic Zone.

ITFCEWC cum the Silk Road International Expo

The 21st Investment and Trade Forum for Cooperation between East & West China ("ITFCEWC") cum 2017 Silk Road International Expo was held in Xi'an in June 2017. The five-day event included the exhibition of electronic machinery and hardware products in the five northwestern provinces, International Food Festival, Silk Road Culture and Arts Festival, etc. During the event, the "Silk Road Commodity Trade Fair" hosted by CSC Xi'an exhibited numerous commodities produced by countries and regions along 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.

Financial Management

The main objective of the Group's financial management is to ensure its long-run sustainable growth with a strong and stable capital base while addressing financial health at the same time. 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, together with the pace of land acquisition and other capital expenditures 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. As at 31 March 2018, the Group's cash and cash equivalents and restricted cash amounted to HK$10,655.7 million (as at 31 March 2017: HK$10,490.9 million). In addition, selling and distribution expenses and administrative expenses have reduced to 20.2% of revenue in FY2017/18 from 22.6% of revenue in FY2016/17 through various cost and staff rationalization measures.

Since the second half of the Year, China South City has grasped the chance to issue an aggregate of US$800 million senior notes with a weighted average coupon rate of 8.38%, prepared for the tightening onshore financing resulting from factors like China's leverage reduction and US Federal Reserve's balance sheet reduction, to face up to capital market uncertainties with a safeguard. During the Year, the Group had offshore note arrangement as follows: the Group completed the issuance of US$300 million senior notes due 2022 with an annual coupon rate of 7.25% in November 2017. In January 2018, the Group issued a US$250 million senior notes due 2021 with an annual coupon rate of 7.25%. Thereafter, the Group completed the issuances of an aggregate of US$250 million senior notes due 2020 with an annual coupon rate of 10.875% in May and June 2018.

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, which affirms the Group's proven business model and leading position in the market.

Strengthening of the Senior Management Team

To cope with the pace of development and the increasingly complex environment, China South City continues to strengthen its management team to ensure an optimum mix of management resources and operational capabilities to deliver its business strategies.

During the Year, Mr. Cheng Chung Hing, one of the founders of the Group, was re-designated as Chairman from Co-Chairman, continuing to formulate the overall development planning and strategies of the Group. Former Chief Executive Officer, Mr. Fung Sing Hong Stephen, was promoted to Group Vice Chairman and Executive Director, responsible for formulating capital market financing, merger and acquisition strategies, as well as strategic alliances in operations of the Group, including extending cooperations with the fellow companies of Tencent.

During the Year, Mr. Song Chuan was appointed as Chief Executive Officer and Executive Director. Mr. Song, as former Chairman of CITIC Urban Development and Operation Company Limited and former Chief Executive Officer of CITIC Real Estate Company Limited, 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 Executive Director. Ms. Cheng, former Executive Director of Man Sheng International Limited (SEHK: 938), primarily responsible for administration and operation of the Group.

The Group has also appointed Mr. Hui Chun Yip as Chief Financial Officer, responsible for the overall financial management, establishing and maintaining investor relations, as well as execution of the Group's capital market exercises. Mr. Hui was former Chief Financial Officer and Company Secretary of Yuzhou Properties Company Limited (SEHK: 1628), having over 16 years of experience in financial management.

Under the guidance of the Board, the strengthened senior management team will continue leading the Group to create additional value for shareholders.

Land Bank

With its 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 trade center units and residential properties will be sold progressively to generate cash flow for further development.

In order to support the Group's growth momentum and revenue base, the Group acquired new plots of land with GFA of approximately 2.31 million sq. m. at a consideration of approximately RMB4,792 million for projects in Hefei, Chongqing, Zhengzhou, Nanchang and Harbin during the Year. Most of these acquired lands were for residential purpose.

Details of the land bank as at 31 March 2018 are as follows:

Project	Completed Properties [1]		Properties under Development	Properties to be Completed by FY2018/19	Properties Planned for Future Development on GFA Acquired [2]	Total Planned GFA [3]	Total Planned GFA for Acquired Land [4] (% to Total Planned GFA)	
(sq. m.)	*Sold*	*Unsold*		*Estimated*	*Estimated*	*Estimated*		%
CSC Shenzhen	821,000	1,571,300	185,000	–	66,700	2,644,000	2,644,000	100%
CSC Nanchang	1,395,200	1,005,700	263,800	–	2,129,700	6,866,000	4,794,400	70%
CSC Nanning	605,900	1,347,200	–	–	526,900	4,880,000	2,480,000	51%
CSC Xi'an	720,600	845,000	499,800	228,500	2,611,200	17,500,000	4,676,600	27%
CSC Harbin	523,000	1,004,200	546,200	301,500	2,966,500	12,000,000	5,039,900	42%
CSC Zhengzhou	1,201,500	1,661,000	1,811,900	463,400	4,230,100	12,000,000	8,904,500	74%
CSC Hefei	1,086,200	983,600	1,640,800	572,100	2,282,400	12,000,000	5,993,000	50%
CSC Chongqing	248,600	1,190,200	552,700	552,700	4,634,500	13,100,000	6,626,000	51%
Total	6,602,000	9,608,200	5,500,200	2,118,200	19,448,000	80,990,000	41,158,400	51%

Notes:

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

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

(3) Represents 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.

(4) Represents 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.

China South City Shenzhen

CSC Shenzhen, the Group's first project, is strategically located at the heart of the Guangdong-Hong Kong-Macao Big Bay Area amid an extensive transportation network. The project is situated at 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, its social and economic infrastructure such as logistics, health care and education will continue to improve, bringing more convenience to occupants of CSC Shenzhen. In addition, transportation around the project have been improving. According to Shenzhen Metro Planning, the subway line 10, passing through CSC Shenzhen, commenced construction in 2015 and is expected to be open for traffic by 2020. Upon completion, the accessibility to CSC Shenzhen will be further improved, which in turn, generate more business opportunities and uplift visitor traffic for the project. At present, operations of CSC Shenzhen cover industries such as textile and clothing, leather and accessories, electronic parts, printing, paper products and packaging, metals and chemicals, plastic materials, hotel supplies, tea and teaware, cross-border products, E-commerce, home furnishing outlets, produce and flower market, etc. During the Year, CSC Shenzhen provided micro-credit service for on-site tenants, assisting them in resolving financing difficulties for business development.

As at 31 March 2018, 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. As at 31 March 2018, construction of GFA of approximately 185,000 sq. m. was underway.

In FY2017/18, CSC Shenzhen recorded total contracted sales of approximately HK$1.9 million (FY2016/17: HK$645.9 million), including a GFA of 100 sq. m. of residential ancillaries at an average selling price ("ASP") of HK$19,400/sq. m.. There are no contracted sales in trade centers (FY2016/17: 300 sq. m. at an ASP of HK$29,000/sq. m.) and office units (FY2016/17: 52,200 sq. m. at an ASP of HK$12,000/sq. m.).

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 is becoming more influential in administrative, commercial and cultural aspects by the day. In addition, the gradual completion of local amenities is driving visitor traffic and generating business opportunities, laying a solid foundation for the development of CSC Nanchang. There is a state-level University Students' E-commerce Business Incubator in CSC Nanchang indicating the achievement 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 2.61 million sq. m. and a total planned GFA of approximately 6.87 million sq. m.. Industries in operation in CSC Nanchang include building and decoration materials, small commodities, textile and clothing, leather and accessories, healthy and green products, outlets, etc. During the Year, coping with the market demand, CSC Nanchang speed up the development of ancillary facilities, among which the residential ancillary met with strong demands, contributing to a significant increase in the contracted sales.

As at 31 March 2018, CSC Nanchang has a total GFA of approximately 2.4 million sq. m. completed, including approximately 1.07 million sq. m. of trade centers, approximately 1.28 million sq. m. of residential ancillary and approximately 44,300 sq. m. of warehousing facilities. During the Year, construction of a GFA of approximately 536,200 sq. m. of residential ancillary facilities was completed. As at 31 March 2018, construction of a GFA of approximately 263,800 sq. m. was underway.

In FY2017/18, CSC Nanchang recorded total contracted sales of HK$2,123.9 million (FY2016/17: HK$2,948.6 million), including a GFA of 1,500 sq. m. of trade center (detached style) at an ASP of HK$10,100/sq. m. (FY2016/17: 30,900 sq. m. at an ASP of HK$9,000/sq. m.) and a GFA of 202,500 sq. m. of residential ancillary at an ASP of HK$10,400/sq. m. (FY2016/17: 304,800 sq. m. at an ASP of HK$8,800/sq. m.). There are no contracted sales in trade center (mall style) (FY2016/17: 200 sq. m. at an ASP of HK$9,200/sq. m.) during the Year.

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. The project 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 in operation and covers industries such as textile and clothing, small commodities, ASEAN products, home furnishing, tea and teaware, E-commerce, groceries, automobiles, eSports, logistics, 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, as well as regional brand recognition of the project were enhanced. With the Group’s nationwide project network becoming more mature, together with the further improvement of ancillary facilities and services, CSC Nanning has proactively enriched its tenant mix. During the Year, CSC Nanning further launched residential properties to accommodate the housing demand in and around the project. In addition, CSC Nanning provided micro-credit services for on-site SMEs, assisting them in resolving financing difficulties for business development during the Year.

The construction of CSC Nanning is still underway and has a total GFA of approximately 1.95 million sq. m. completed, including approximately 896,600 sq. m. of trade centers, approximately 814,100 sq. m. of residential ancillary, approximately 205,600 sq. m. of office facilities and approximately 36,800 sq. m. of warehousing facilities. During the Year, construction of a GFA of approximately 193,400 sq. m. of residential ancillary facility and approximately 205,600 sq. m. of office facilities were completed.

In FY2017/18, CSC Nanning recorded total contracted sales of HK$1,058.2 million (FY2016/17: HK$923.4 million), including a GFA of 1,000 sq. m. of trade center (mall style) at an ASP of HK$9,800/sq. m. (FY2016/17: 500 sq. m. at an ASP of HK$15,700/sq. m.), a GFA of 103,000 sq. m. of residential ancillary at an ASP of HK$9,600/sq. m. (FY2016/17: 130,300 sq. m. at an ASP of HK$7,000/sq. m.), and a GFA of 6,200 sq. m. of office units at an ASP of HK$10,100/sq. m. (FY2016/17: 800 sq. m. at an ASP of HK$9,200/sq. m.).

China South City Xi'an

CSC Xi'an is located at the Xi'an International Trade and Logistics Park ("the Park") in Shaanxi Province. As a local key project, the Park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution center along the Silk Road Economic Belt and an important strategic platform for the "Belt and Road" initiative. In addition, the Park is one of the three largest clusters of China (Shaanxi) Pilot Free Trade Zone.

Benefitting from geographic advantage of the Park, CSC Xi'an is highly accessible via the Xi'an City Expressway and Beijing-Kunming Expressway, LianyungangKhorgos Expressway, Shaanxi-Shanghai Expressway, Baotou-Maoming Expressway and other national highways, forming an intricate spider network which opens to all directions.

Besides, the strategic location of CSC Xi'an 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. According to Xi'an subway planning subway line 3, which passes through CSC Xi'an, has commenced operation. In addition, that a new stadium is slated to be built at the Park to host the 14th National Games of the People's Republic of China in 2021, together with the subway line connected to the venue have launched for development, it is expected to boost visitor traffic in the region. This subway line and the new stadium will generate more business opportunities and visitor traffic for the Park and thus further enhance value of CSC Xi'an.

The industries CSC Xi'an in operation cover machinery and hardware, curtains and fabrics, textile and clothing, leather and fur, automobiles and parts, building and decoration materials and cross-border E-commerce, Central Asia and 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. As at 31 March 2018, construction of a GFA of approximately 499,800 sq. m. is underway, of which approximately 228,500 sq.m. are expected to be completed in FY2018/19.

In FY2017/18, CSC Xi'an recorded total contracted sales of HK$544.1 million (FY2016/17: HK$508.5 million), including a GFA of 79,900 sq. m. of trade center (detached style) at an ASP of HK$6,800/sq. m. (FY2016/17: 79,200 sq. m. at an ASP of HK$6,400/sq. m.) and no contracted sales in trade centers (mall style) (FY2016/17: 300 sq. m. at an ASP of HK$15,900/sq. m.).

China South City Harbin

Located at the Daowai District of Harbin, the capital of Heilongjiang Province, CSC Harbin fully utilizes 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 total 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 advantages of local industries, CSC Harbin actively promotes the development of regional economy and trade, for example, the co-operation with Khabarovsk Russia, for the active building of Northeast Asian green food exhibition and trading hub. Currently, the trial operations of CSC Harbin cover industries such as hardware and construction materials, green food, small commodities, hotel supplies, leather and fur, building and decoration materials, seed market, E-commerce, cultural tourism, outlets etc.

CSC Harbin is currently under construction and has a total GFA of approximately 1.53 million sq. m. completed, including approximately 1.13 million sq. m. of trade centers, approximately 317,700 sq. m. of residential ancillary, approximately 59,200 sq. m. of logistics and warehousing facilities and approximately 22,500 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 358,000 sq. m. was completed. As at 31 March 2018, construction of a GFA of approximately 546,200 sq. m. is underway, of which approximately 301,500 sq. m. are expected to be completed in FY2018/19.

In FY2017/18, CSC Harbin recorded total contracted sales of HK$301.3 million (FY2016/17: HK$602.8 million), including a GFA of 5,700 sq. m. of trade center (detached style) at an ASP of HK$8,800/sq. m. (FY2016/17: 3,500 sq. m. at an ASP of HK$8,700/sq. m.) and a GFA of 48,800 sq. m. of residential ancillary at an ASP of HK$5,100/sq. m. (FY2016/17: 109,000 sq. m. at an ASP of HK$5,200/sq. m.) and no contracted sales in trade center (mall style) (FY2016/17: 300 sq. m. at an ASP of HK$11,200/sq. m.).

China South City Zhengzhou

CSC Zhengzhou is located in the capital of Henan Province, adjacent to the Airport Economy Zone ("AEZ") of Zhengzhou, which the only state-level AEZ with a complete network of international airport, high-speed train, intercity train, metro and highway to realize seamless connectivity within the transportation hub. The project is highly accessible with extensive transportation links – a mere 16 km away from Zhengzhou Xinzheng International Airport and only a couple of kilometers away from the Beijing-Guangzhou Railway Freight Station and the Beijing-Hong Kong-Macao Highway. The south extension of subway line 2, connecting downtown area to the airport and passing through CSC Zhengzhou with three stations, commenced operation, which 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. The industries of CSC Zhengzhou in operation cover building and decoration materials, small commodities, machinery and hardware, automobiles and parts, nonstaple food, clothing, E-commerce, outlets, etc.

CSC Zhengzhou is currently under development and has a total GFA of approximately 2.86 million sq. m. completed, including approximately 2.58 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 221,400 sq. m. of trade centers was completed. As at 31 March 2018, construction of a GFA of approximately 1.81 million sq. m. is underway, of which approximately 463,400 sq. m. are expected to be completed in FY2018/19.

In FY2017/18, CSC Zhengzhou recorded total contracted sales of HK$2,748.3 million (FY2016/17: HK$120.9 million), including a GFA of 13,100 sq. m. of trade center (mall style) at an ASP of HK$10,100/sq. m. (FY2016/17: 4,200 sq. m. at an ASP of HK$12,500/sq. m.), a GFA of 104,800 sq. m. of trade center (detached style) at an ASP of HK$7,600/sq. m. (FY2016/17: 8,500 sq. m. at an ASP of HK$8,100/sq. m.) and a GFA of 169,600 sq. m. of residential ancillary at an ASP of HK$10,700/sq. m. (FY2016/17: no contracted sales in residential ancillaries).

China South City Hefei

CSC Hefei is located at Hefei, the capital of Anhui Province, a transport and economic hub at the heart of Eastern China. CSC Hefei benefits from its strategic location in the Hefei Taohua Industrial Park, which is equipped with well-developed infrastructure, together with a planned transportation system of 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, CSC Hefei sped up the development of ancillary facilities, especially residential one, to cope with the strong demand, contributing to a significant increase in contracted sales. CSC Hefei also continues to strengthen its logistics and warehousing services to meet the demand in and around the project. During the Year, the outlet mall commenced operations. Currently, the planned operations of CSC Hefei cover industries such as automobiles and parts, hardware, building and decoration materials, textile and clothing, small commodities, non-staple food, outlets, etc.

CSC Hefei is currently under construction and has a total GFA of approximately 2.07 million sq. m. completed, including approximately 1.60 million sq. m. of trade centers, approximately 450,700 sq. m. of residential ancillary and approximately 20,800 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 583,900 sq. m. of trade centers and residential ancillary were completed. As at 31 March 2018, construction of a GFA of approximately 1.64 million sq. m. is underway, of which approximately 572,100 sq. m. are expected to be completed in FY2018/19.

In FY2017/18, CSC Hefei recorded total contracted sales of HK$3,182.1 million (FY2016/17: HK$2,711.1 million), including a GFA of 8,400 sq. m. of trade center (detached style) at an ASP of HK$6,600/sq. m. (FY2016/17: 3,600 sq. m. at an ASP of HK$8,700/sq. m.) and a GFA of 295,700 sq. m. of residential ancillary at an ASP of HK$10,600/sq. m. (FY2016/17: 332,800 sq. m. at an ASP of HK$8,100/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. Following Chongqing governments announcement that the development of South New District, where CSC Chongqing is located, it is expected the regional growth potential will on the rise.

The planned operations of CSC Chongqing cover industries such as small commodities, hardware and machinery, hotel supplies, building and decoration materials, textiles and clothing and automobiles and parts, lightings and lamps, metals, cultural tourism, etc. Outlets commenced trial operation in September 2017.

CSC Chongqing has a total planned net land area of approximately 5.94 million sq. m. and a total planned GFA of approximately 13.10 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 145,600 sq. m of warehousing facilities. During the Year, construction of a GFA of approximately 600 sq. m. of ancillary and warehousing facilities were completed. As at 31 March 2018, construction of a GFA of approximately 552,700 sq. m. is underway and expected to be completed in FY2018/19.

In FY2017/18, CSC Chongqing recorded total contracted sales of HK$2,066.1 million (FY2016/17: HK$174.5 million), including a GFA of 21,000 sq. m. of trade center (detached style) at an ASP of HK$9,100/sq. m. (FY2016/17: 21,900 sq. m. at an ASP of HK$8,000/sq. m.) and a GFA of 256,900 sq. m. of residential ancillary at an ASP of HK$7,300/sq. m. (FY2016/17: no contracted sales in residential ancillary).

FINANCIAL REVIEW

For FY2017/18, the Group reported an increase in revenue of 20.0% to HK$9,405.4 million (FY2016/17: HK$7,838.5 million), and net profit attributable to owners of the parent increased by 4.4% to HK$4,511.7 million (FY2016/17: HK$4,322.6 million). Excluding the effects of fair value gains on investment properties and related tax effects, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes, core net profit attributable to owners of the parent for the Year as adjusted increased by 19.0% to HK$1,608.5 million (FY2016/17: HK$1,351.2 million). Basic earnings per share increased to HK56.35 cents (FY2016/17: HK53.99 cents).

Revenue

Revenue for the Year increased by 20.0% to HK$9,405.4 million (FY2016/17: HK$7,838.5 million). The increase was mainly attributable to more properties were sold and delivered in CSC Nanning and CSC Nanchang during the Year and growing recurring income.

	FY2017/18	FY2016/17	Change
	HK$'000	*HK$'000*	*%*
Sales of properties and finance lease income	**7,385,394**	6,240,553	18.3
Sales of trade center units	***1,949,598***	*2,006,196*	*–2.8*
Sales of residential properties	***5,213,890***	*3,788,019*	*37.6*
Sales of office units	***66,057***	*–*	*N/A*
Finance lease income	***155,849***	*446,338*	*–65.1*
Recurring income	**2,019,976**	1,597,957	26.4
Rental income	***731,716***	*699,716*	*4.6*
Property management service income	***375,520***	*288,822*	*30.0*
E-commerce income	***245,241***	*213,674*	*14.8*
Other revenue	***667,499***	*395,745*	*68.7*
	9,405,370	7,838,510	20.0

Sales of Properties and Finance Lease income

Revenue from sales of properties increased by 24.8% to HK$7,229.5 million (FY2016/17: HK$5,794.2 million). The increase was mainly attributable to the sales and delivery of properties in CSC Nanning and CSC Nanchang 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*	
	FY2017/18	FY2016/17	**FY2017/18**	FY2016/17	**FY2017/18**	FY2016/17	**FY2017/18**	FY2016/17
CSC Shenzhen	**–**	32,400	**–**	200	**–**	8.1	**–**	7.6
CSC Nanchang								
– Trade center units	**19,900**	8,000	**7,100**	79,300	**142.0**	632.7	**135.0**	582.5
– Residential properties	**10,000**	8,100	**349,900**	174,500	**3,514.6**	1,411.3	**3,326.8**	1,336.0
CSC Nanning								
– Trade center units	**10,700**	18,000	**1,800**	300	**18.9**	6.0	**18.1**	4.1
– Residential properties	**8,500**	6,700	**127,100**	142,700	**1,074.3**	956.5	**1,010.2**	905.9
– Office units	**9,200**	–	**7,300**	–	**67.3**	–	**66.1**	–
CSC Xi'an	**6,100**	5,700	**50,800**	69,000	**312.1**	392.0	**284.8**	356.3
CSC Harbin								
– Trade center units	**7,600**	9,300	**52,900**	6,200	**402.0**	57.5	**383.6**	53.3
– Residential properties	**5,100**	4,400	**50,800**	182,800	**258.4**	805.7	**241.9**	763.1
CSC Zhengzhou	**11,100**	10,800	**84,600**	65,000	**936.5**	700.7	**864.2**	663.3
CSC Hefei								
– Trade center units	**8,700**	8,900	**13,100**	24,000	**114.4**	214.1	**103.6**	195.2
– Residential properties	**7,400**	5,700	**94,500**	142,700	**696.4**	819.0	**635.0**	783.0
CSC Chongqing	**7,900**	7,200	**21,000**	21,100	**165.5**	152.0	**160.2**	143.9
Total	**N/A**	N/A	**860,900**	907,800	**7,702.4**	6,155.6	**7,229.5**	5,794.2

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

Finance lease income derived from the leasing of office towers decreased by 65.1% to HK$155.8 million (FY2016/17: HK$446.3 million). The decrease was primarily attributable to lower inventory level of office tower at CSC Shenzhen.

During the Year, the Group entered into finance lease arrangements with tenants for approximately 10,300 sq. m. (FY2016/17: 38,800 sq. m.) at an average price of HK$16,000/sq. m. (FY2016/17: HK$12,100/sq. m.).

Rental Income

The Group intends to retain not less than 50% of the trade center units for self-use or rental purposes. Therefore, rental income will continue to 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. As at 31 March 2018, the total occupancy rate of the launched rentable GFA of different phases of CSC Shenzhen's trade centers and shops were approximately 83% to 98% (As at 31 March 2017: 76% to 96%). Along with the gradual extension of operations in other projects, these projects, start to contribute rental income and resulted in satisfactory growth in rental income. During the Year, rental income of the Group slightly increased by 4.6% to HK$731.7 million (FY2016/17: HK$699.7 million). However, due to expiry of tenancy, government demolition and business condition, HOBA Furnishing closed five stores during the Year. This resulted in perceptive drop in its revenue and affected the growth rate of the Groups revenue income. If rental income of HOBA excluded, rental income significantly increased by 24.2% to HK$531.7 million (FY2016/17: HK$428.1 million).

Property Management Service Income

Income from property management services increased by 30.0% to HK$375.5 million (FY2016/17: HK$288.8 million). The increase in property management service income was mainly attributable to the increasing GFA of trade centers, shops and residential properties delivered and put into use during the Year.

E-commerce Income

E-commerce income as derived from the E-commerce services provided to the Group's customers increased by 14.8% to HK$245.2 million (FY2016/17: HK$213.7 million) during the Year. The online membership program of the Group were well received by customers. By joining the program, the customers can enjoy a wide range of E-commerce services offered by the Group's E-commerce platform, CSC86.com.

Other Revenue

Other revenue increase by 68.7% to HK$667.5 million (FY2016/17: HK$395.7 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 76.7% to HK$354.9 million (FY2016/17: HK$200.8 million) while that of logistics and warehousing services increased 34.6% to HK$218.1 million (FY2016/17: HK$162.0 million) during the Year.

Increase in income from outlet operations was mainly due to the growth of outlet business and the increase in operating areas in the established outlets during the Year. During the Year, the gross mall sales turnover from the Group's outlet business increased by 57.7% to RMB1,690.7 million (FY2016/17: RMB1,072.1 million). 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 operating costs for rental income. During the Year, cost of sales increased by 23.3% to HK$5,336.2 million (FY2016/17: HK$4,328.4 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 15.9% to HK$4,069.2 million (FY 2016/17: HK$3,510.1 million). During the Year, gross profit margin decreased to 43% (FY2016/17: 45%) which was mainly due to a higher portion of residential properties in our product mix of sales, which had a relatively lower profit margin when compared to that of trade centers.

Other Income and Gains/(Losses)

Other income and gains/(losses) increased by 18.0% to HK$857.0 million (FY2016/17: HK$726.0 million), mainly attributable to the increase in exchanges gains (FY2017/18: HK$56.3 million while FY2016/17: losses of HK$64.0 million), decrease in loss on redemption of senior notes (FY2017/18: HK$89.9 million while FY2016/17: HK$178.3 million) and offset by the decrease in government grants (FY2017/18: HK$783.9 million while FY 2016/17: HK$841.4 million).

Fair value Gains on Investment Properties

The fair value gains on investment properties decreased by 3.8% to HK$4,378.5 million (FY2016/17: HK$4,549.5 million). For each of interim and annual financial reporting date, the Group appoints an independent professional qualified valuer to determine the fair value of our investment properties. The change in fair value of our investment properties has been, and will be, significantly affected by a variety of internal and external factors, such as rental rate, rental area, the market prices of comparable properties.

Based on our business model, the Group may have new additions of investment properties every year and generate fair value gains. The fair value gains may fluctuate with time due to the addition of the investment properties, the changing market conditions and different construction phrases of our projects. During the Year, the fair value gains was mainly contributed by the addition of new investment properties at the existing projects. However due to our projects are in different construction phrases and the new addition of investment properties will fluctuate year by year, the amount of fair value gains will also fluctuate accordingly.

Selling and Distribution Expenses

Selling and distribution expenses increased by 9.0% to HK$680.7 million (FY2016/17: HK$624.6 million). The increase was mainly attributable to the marketing activities for promoting sales of properties during the Year.

Administrative Expenses

Administrative expenses increased by 6.1% to HK$1,216.0 million (FY2016/17: HK$1,146.3 million). The increase was primarily due to the increase in operating expenses resulting from our business growth and development. Besides, during the Year, the Group granted in aggregate 120,000,000 share options to two executive directors. Together with the share options granted in prior years, share options expenses of HK$42.1 million (FY2016/17: HK$30.6 million) were recorded.

Other Expenses

Other expenses increased by 124.2% to HK$329.7 million (FY2016/17: HK$147.0 million). The increase in other expenses is mainly attributable to the provision for impairment loss on investment in Makepolo Inc. in the amount of HK$175.5 million. Considering Makepolo Inc. may have difficulties to continue its operation due to unsatisfactory financial performance, the Group decided to make provision against its investment during the Year.

Finance Costs

Finance costs increased by 7.0% to HK$294.8 million (FY2016/17: HK$275.5 million). It was due to more interest expensed incurred for increased borrowings during the year. As at 31 March 2018, the Group's weighted average financing cost was 6.68%, as compared with 6.16% at the end of March 2017.

Tax

Tax expenses recorded an increase of 0.5% to HK$2,281.1 million (FY2016/17: HK$2,269.3 million). The increase in tax expenses was basically in line with the increase of revenue and fair value increment on investment properties during the Year.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by 51.2% to HK$1,613.2 million (31 March 2017: HK$1,066.8 million), which was mainly due to the increase in deposits paid for construction of new projects and value-added-tax receivable.

Trade and Other Payables

Trade and other payables increased by 36.1% to HK$22,807.8 million (31 March 2017: HK$16,763.2 million). The increase was mainly due to the growth in contracted sales and hence increase in deposits and receipts in advance during the Year. As at 31 March 2018, the balances of construction fees and retention payable and deposits and receipts in advance were HK$5,124.8 million and HK$13,102.2 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. The Group will continue to explore different financing means and to extend its financing channels.

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2018, the Group had HK$10,655.7 million cash and cash equivalents and restricted cash (31 March 2017: HK$10,490.9 million), among which non-restricted cash and cash equivalents amounted to HK$8,204.3 million (31 March 2017: HK$8,022.0 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2018, the total interest bearing debts of the Group was HK$38,827.7 million (31 March 2017: HK$32,772.9 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$16,098.2 million as at 31 March 2018 (31 March 2017: HK$13,412.5 million), of which HK$7,098.5 million will be repayable within one year or on demand, HK$3,702.7 million will be repayable in the second year, HK$4,505.7 million will be repayable in the third to fifth years and HK$791.3 million will be repayable after five years. As at 31 March 2018, the Group's interest-bearing bank and other borrowings of approximately HK$14,785.3 million were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$32,032.7 million.

Except for a bank loan with balance of HK$400 million (31 March 2017: nil) denominated in HK dollars and bearing interest at floating rates of HIBOR+2.5%, all interest-bearing bank and other borrowings of the Group were denominated in Renminbi with interest rates ranging from 4.1% to 9.0% (31 March 2017: 4.4% to 6.2%) per annum. Furthermore, as at 31 March 2018, the Group had unused banking facilities of approximately HK$9,906.5 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 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). These notes were consolidated and form a single series of "2016 Notes" at a coupon rate of 6.75% per annum. The net proceed of the issue was mainly 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. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness and for general corporate purposes.

In November 2017, the Company issued senior notes due in November 2022 with a nominal value of US$300 million (equivalents to approximately HK$2,340 million) at a coupon rate of 7.25% per annum. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes.

In January 2018, the Company issued senior notes due in January 2021 with a nominal value of US$250 million (equivalents to approximately HK$1,950 million) at a coupon rate of 7.25% per annum. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes.

In May and June 2018, the Company issued senior notes due in August 2020 with a nominal value of US$150 million (equivalents to approximately HK$1,170 million) and US$100 million (equivalents to approximately HK$780 million) respectively, in a total of US$250 million (equivalents to approximately HK$1,950 million). These notes were consolidated and form a single series of "2018 May Notes" at a coupon rate of 10.875% per annum. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes.

As at 31 March 2018, the carrying value of senior notes were HK$9,230.3 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 2016, China South International issued the first tranche of the short-term notes of 2016 ("2016 First Tranche STN") 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 for general corporate purpose and repaying part of the bank loans of the Group. The 2016 First Tranche STN have been repaid in September 2017.

In October 2016, China South International obtained another approval for issuing the short-term notes with a maximum principal amount of RMB6.0 billion. In June and August 2017, China South International issued the first tranche and the second tranche of the short-term notes of 2017 with a total principal amount of RMB500 million with a maturity period of 270 days and at an interest rate of 6.5% per annum for each tranche, respectively. The proceeds thereof were to be used for general corporate purpose and repaying part of the bank loans of the Group. The first tranche and second tranche short-term notes have been repaid in March and May 2018, respectively.

Medium-Term Notes

In April 2014, China South International obtained the relevant approval for issuing the medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4.0 billion. In May 2014, China South International issued the first tranche of the medium-term notes of 2014 with a total principal amount of RMB1.0 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 RMB1.0 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 RMB2.0 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. In April 2017, China South International obtained another approval for issuing the medium-term notes with a maximum principal amount of RMB3.0 billion. China South International may issue new medium-term notes when appropriate.

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. In April 2018, China South International redeemed approximately RMB1.499 billion of corporate bonds, the remaining portion of RMB482,000 will be matured at April 2021 at an interest rate of 8.05% per annum.

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 2018, the carrying value of China South International's short-term notes were HK$625.1 million, medium-term notes were HK$5,251.6 million, corporate bonds were HK$1,978.3 million and domestic company bonds were HK$5,644.2 million respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 77.4% as at 31 March 2018 and 78.2% as at 31 March 2017. The total liabilities over total assets ratio was 67.4% as at 31 March 2018 (31 March 2017: 68.0%).

Net Current Assets and Current Ratio

As at 31 March 2018, the Group had net current assets of HK$8,368.8 million (31 March 2017: HK$7,485.0 million) at a current ratio of 1.19 (31 March 2017: 1.25).

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 2018, the guarantees amounted to HK$12,574.5 million (31 March 2017: HK$9,396.3 million).

Commitments

As at 31 March 2018, the Group had future capital expenditure contracted but not yet provided for in the amount of HK$10,725.3 million (31 March 2017: HK$8,787.7 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. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material exposure to foreign exchange risk and no foreign currency hedging was done during the Year. To mitigate foreign exchange exposure for the purpose of minimizing adverse effect on the operation of the Group, the Group continues to adopt a proactive approach to closely monitor the foreign currency market, as well as explore the domestic capital market for financing opportunities 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 and selling prices of the properties, rental 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 the notes 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 depends 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 or commercial properties built by CSC Hefei and CSC Chongqing are limited to 50% of their relevant total buildable GFA. The saleable area of trade centers or commercial properties 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.

Human Resources

As at 31 March 2018, the Group had a workforce of approximately 5,640 people. The number of the Group's staff decreased by approximately 12.1% from 6,420 people as at 31 March 2017. 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 in aggregate 120,000,000 share options to two executive directors 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:

Code provision A.6.7

Code Provision A.6.7 provides that independent Non-Executive Directors and other Non-Executive Directors, and equal board members, should attend general meetings of the Company. During the Year, a non-executive Director of the Company was unable to attend the last annual meeting of the Company held on 21 August 2017 as he had other prior business engagement.

Other non-compliances with the Listing Rules

Pursuant to Rule 3.10A of the Listing Rules, the independent Non-Executive Directors of a listed issuer must represent at least one-third of the board of directors of such listed issuer. Upon the appointment of Mr. Song Chuan and Ms. Cheng Ka Man Carman as Executive Directors on 4 May 2017, the number of independent Non-Executive Directors was less than one-third of the Board as required under Rule 3.10A of the Listing Rules during the period from 4 May 2017 to 24 July 2017. Mr. Sun Kai Lit Cliff, Dr. Ma Wai Mo and Mr. Leung Moon Lam resigned as Non-Executive Directors of the Company and were appointed as Honorable Advisers of the Group on 25 July 2017, Since then, the Company is in compliance with Rule 3.10A.

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 2018. It has also received the said consolidation 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 2018 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

The Company has early redeemed the 2014 Notes in April 2017. Subsequently, the 2014 Notes were canceled and delisted from the official list of the Singapore Exchange Securities Trading Limited 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.

SCRIP DIVIDEND SCHEME DETAILS AND CLOSURE OF REGISTER OF MEMBERS

Subject to the approval conditions of the Scrip Dividend Scheme, for the purpose of calculating the number of New Share to be allotted pursuant to the Scrip Dividend Scheme, the price for a New Share is HK$1.50 per Share, which is calculated as the average of the closing prices of the existing Shares on The Stock Exchange of Hong Kong Limited from 22 June 2018, Friday to 28 June 2018, Thursday (both days inclusive). Accordingly, the number of New Shares which a Shareholder electing for New Shares is entitled to receive in respect of the Final Dividend will be calculated as follows:

$$\text{Number of New Shares to be received} = \text{Number of existing Shares for which election for New Shares is made} \times \frac{\text{HK5.0 cents (Final Dividend per Share)}}{\text{HK\$1.50 (price per New Share)}}$$

The number of New Shares to be received will be rounded down to the nearest whole number of New Shares. Fractional entitlements to New Shares will be refunded in cash to the respective Shareholders concerned. The New Shares will, on issue not be entitled to the Final Dividend, but will rank pari passu in all other respects with the existing Shares.

The Register of Members of the Company will be closed from 27 August 2018 to 29 August 2018, 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 2018. In order to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 August 2018. The proposed final dividend, subject to the approval of the shareholders of the Company at the AGM, will be distributed on or about 10 October 2018 to shareholders of the Company whose names appear on the Register of Members on 29 August 2018. Details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Shareholders on or around 6 September 2018.

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

Hong Kong, 28 June 2018

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,, Mr. Cheng Tai Po and Mr. Lin Ching Hua; and the independent non-executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, 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.