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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2018	2017	**Approximate**
	HK$'000	*HK$'000*	**Change %**
	(Unaudited)	(Unaudited)	
Contracted Sales	**6,802,958**	5,449,837	**24.8**
Revenue	**5,212,447**	3,569,812	**46.0**
Among which, Recurring income	**1,036,514**	869,917	**19.2**
Gross profit margin	**41%**	42%	
Profit attributable to owners of the parent	**848,179**	990,544	**-14.4**
Core net profit attributable to owners of the parent*	**420,142**	331,909	**26.6**
Earnings per share – Basic	**HK10.59 cents**	HK12.37 cents	

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

INTERIM RESULTS

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2018 ("1H FY2018/19" or the "Reporting Period") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Notes	For the six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
REVENUE	*4*	**5,212,447**	3,569,812
Cost of sales		**(3,095,492)**	(2,084,270)
Gross profit		**2,116,955**	1,485,542
Other income and gains/(losses)	*4*	**392,978**	249,958
Fair value gains on investment properties	*4*	**875,971**	1,066,390
Selling and distribution expenses		**(348,027)**	(307,413)
Administrative expenses		**(598,414)**	(518,297)
Other expenses		**(218,178)**	(121,440)
Finance costs	*5*	**(302,074)**	(118,120)
PROFIT BEFORE TAX	*6*	**1,919,211**	1,736,620
Income tax expenses	*7*	**(1,070,202)**	(752,292)
PROFIT FOR THE PERIOD		**849,009**	984,328
Attributable to:			
Owners of the parent		**848,179**	990,544
Non-controlling interests		**830**	(6,216)
		849,009	984,328
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the period		**HK10.59 cents**	HK12.37 cents
Diluted			
– For profit for the period		**HK10.59 cents**	HK12.37 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**849,009**	984,328
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,124,995)**	1,256,350
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(4,124,995)**	1,256,350
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(3,275,986)**	2,240,678
Attributable to:		
Owners of the parent	**(3,259,566)**	2,241,843
Non-controlling interests	**(16,420)**	(1,165)
	(3,275,986)	2,240,678

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	**30 September 2018** *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,542,271**	1,749,787
Investment properties		**46,234,973**	48,135,043
Properties under development		**3,646,020**	3,451,245
Prepaid land lease payments		**1,285,853**	1,449,228
Goodwill		**49,111**	34,128
Investments in associates		**–**	142,112
Financial assets at fair value through profit or loss		**12,627**	–
Available-for-sale investments		**–**	138
Other long-term receivables		**14,256**	15,684
Deposits paid for purchase of land use rights and property		**448,040**	1,149,909
Deferred tax assets		**2,969,891**	3,139,824
Total non-current assets		**56,203,042**	59,267,098
CURRENT ASSETS			
Properties held for finance lease		**293,373**	333,514
Properties held for sale		**35,126,535**	38,108,017
Contract assets		**91,904**	–
Inventories		**157,563**	177,095
Trade receivables	*10*	**728,618**	1,185,378
Prepayments, deposits and other receivables		**1,639,236**	1,613,206
Financial assets at fair value through profit or loss		**237,823**	205,966
Cash and cash equivalents and restricted cash		**8,691,477**	10,655,692
Total current assets		**46,966,529**	52,278,868
CURRENT LIABILITIES			
Trade and other payables	*11*	**12,163,694**	22,807,754
Contract liabilities		**12,051,113**	–
Interest-bearing bank and other borrowings		**5,825,072**	7,098,504
Short-term notes		**–**	625,100
Medium-term notes		**2,304,581**	2,622,149
Corporate bonds		**548**	1,978,294
Domestic company bonds		**5,183,621**	3,789,933
Tax payables		**4,149,819**	4,988,314
Total current liabilities		**41,678,448**	43,910,048
NET CURRENT ASSETS		**5,288,081**	8,368,820
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,491,123**	67,635,918

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2018

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**9,579,092**	8,999,701
Senior notes	**10,907,664**	9,230,272
Medium-term notes	**–**	2,629,495
Domestic company bonds	**–**	1,854,236
Deferred tax liabilities	**8,105,318**	8,521,460
Total non-current liabilities	**28,592,074**	31,235,164
Net assets	**32,899,049**	36,400,754
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,060,973**	7,060,973
Other reserves	**25,678,487**	29,157,371
	32,739,460	36,218,344
Non-controlling interests	**159,589**	182,410
Total equity	**32,899,049**	36,400,754

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

Other Information

The financial information relating to the year ended 31 March 2018 that is included in the interim condensed consolidated financial statements for the six months ended 30 September 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 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 those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of new and revised standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and HKAS issued by the HKICPA that are mandatorily effective for the period.

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers and related amendments*
HK(IFRIC) – Int 22	*Foreign currency transactions and advance consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28
Amendments to HKAS 40	*Transfers of investment property*

Other than as further explained below, the directors do not anticipate that the application of the new and revised HKFRSs above will have a material effect on the Group's interim condensed consolidated financial statements and the disclosure.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

The Group mainly engages in the development and operation of large-scale integrated logistics and trade centers, development of residential and commercial ancillary facilities, property management and the provision of E-commerce, outlet operations, logistics and warehousing services. The effects of the adoption of HKFRS 15 are further explained as follows:

(a) Accounting for sales of properties

In prior reporting periods, the Group accounted for sales of properties when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, the Group's contracts with customers for the sale of properties generally include one performance obligation and the Group has concluded that revenue from sale of properties should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery based on the contract terms of existing sales contracts. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

In prior reporting periods, proceeds received from customers for pre-sold properties were presented as advances received from pre-sale of properties and no interests were accrued on the advances received.

Under HKFRS 15, for contracts where the period between the payments by the customer differs from the transfer of the promised goods or service, the transaction price and the amount of revenue from the sales is adjusted for the effects of a financing component, if significant. The Group concluded that there is a significant financing component considering the length of time between the customers' payment and the transfer of properties to customers and the prevailing interest rates in the market. The transaction price is discounted to take into consideration the significant financing component. The Group recognised contract liabilities for the interest on the advances received from customers with a significant financing component. In addition, reclassifications have been made from advances received from pre-sale of properties to contract liabilities for the outstanding balance of advances from customers.

The statement of financial position as at 1 April 2018 was restated, resulting in recognition of contract liabilities, increase in property held for sale and decrease in advances received from pre-sale of properties amounting to HK$10,731,075,000, HK$133,705,000 and HK$10,597,370,000, respectively.

(b) Accounting for the incremental costs of obtaining a contract

Following the adoption of HKFRS 15, sales commissions directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

The statement of financial position as at 1 April 2018 was restated, resulting in recognition of contract assets and increases in retained earnings and deferred tax liabilities amounting to HK$77,821,000, HK$58,366,000 and HK$19,455,000, respectively.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Group adopted HKFRS 9 retrospectively with the initial application date of 1 April 2018. The Group selected not to adjust the comparative information for the period beginning 1 April 2017.

(a) Classification and measurement

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, financial assets included in prepayments, deposits and other receivables and contract assets.

Financial assets at FVPL comprise derivative instruments, quoted and unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's structured bank deposits with floating interest rate, derivative financial instruments and listed and unlisted investments.

Under HKAS 39, the Group's structured bank deposits with floating interest rate were classified as available-for-sale investments. Under HKAS 39, the Group's structured bank deposits with floating interest rate with a carrying amount of HK$138,000 were measured at cost as at 31 March 2018. These structured bank deposits with floating interest rate are classified as financial assets at FVPL under HKFRS 9 by the Group as at 1 April 2018, resulting in an increase in financial assets at FVPL amounting to HK$138,000.

The assessment of the Group's business model was made as of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The change in classification of the Group's financial instruments did not have significant impact on the retained earnings as at 1 April 2018.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, other receivables and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to retained earnings.

The statement of financial position as at 1 April 2018 was restated, resulting in decrease in trade receivables, increase in deferred tax assets and decrease in retained earnings amounting to HK$59,267,000, HK$14,817,000 and HK$44,450,000, respectively.

HK(IFRIC) Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to HKAS 40 ***Transfers of Investment Property***

The amendments 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. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to HKFRS 2 ***Classification and Measurement of Share-based Payment Transactions***

The HKICPA issued amendments to HKFRS 2 *Share-based Payment* 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 tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to HKFRS 4 ***Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts***

The amendments address concerns arising from implementing the new financial instruments standard, HKFRS 9, before implementing HKFRS 17 *Insurance Contracts*, which replaces HKFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying HKFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to HKAS 28 ***Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice***

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	E-commerce HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 September 2018						
Segment revenue:						
Revenue from contracts with customers						
– Recognised at a point in time	4,175,933	–	–	–	238,620	4,414,553
– Recognised over time	–	–	375,558	158,629	22,004	556,191
Revenue from other sources						
– Rental income	–	446,429	–	–	110,323	556,752
Segment revenue	4,175,933	446,429	375,558	158,629	370,947	5,527,496
Elimination of intersegment sales						(315,049)
Revenue from external customers	4,175,933	377,609	204,768	97,417	356,720	5,212,447
Segment results before increase in fair value of investment properties	1,669,970	336,905	53,908	93,199	151,726	2,305,708
Increase in fair value of investment properties	–	875,971	–	–	–	875,971
Segment results after increase in fair value of investment properties	1,669,970	1,212,876	53,908	93,199	151,726	3,181,679
Unallocated cost of sales						(188,753)
Interest income						52,215
Fair value gain on financial assets at fair value through profit or loss, net						1,206
Loss on disposal of financial assets at fair value through profit or loss, net						(16,043)
Unallocated income and gains						355,600
Unallocated expenses						(1,164,619)
Finance costs						(302,074)
Profit before tax						1,919,211
As at 30 September 2018						
Segment assets	45,210,407	45,294,385	39,186	49,634	1,318,239	91,911,851
Reconciliation:						
Unallocated assets						11,257,720
Total assets						103,169,571
Segment liabilities	17,934,240	8,036,156	127,887	150,640	431,283	26,680,206
Reconciliation:						
Unallocated liabilities						43,590,316
Total liabilities						70,270,522

	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	E-commerce HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 September 2017						
Segment revenue:						
Sales to external customers	2,699,895	361,484	196,563	85,395	226,475	3,569,812
Intersegment sales	–	71,322	44,063	66,199	15,480	197,064
	2,699,895	432,806	240,626	151,594	241,955	3,766,876
Elimination of intersegment sales						(197,064)
Revenue						3,569,812
Segment results before increase in fair value of investment properties	1,168,351	233,874	(28,865)	84,569	157,653	1,615,582
Increase in fair value of investment properties	–	1,066,390	–	–	–	1,066,390
Segment results after increase in fair value of investment properties	1,168,351	1,300,264	(28,865)	84,569	157,653	2,681,972
Unallocated cost of sales						(130,040)
Interest income						31,215
Fair value gain on financial assets at fair value through profit or loss, net						2,023
Unallocated income and gains						216,720
Unallocated expenses						(947,150)
Finance costs						(118,120)
Profit before tax						1,736,620
As at 31 March 2018 (Audited)						
Segment assets	40,436,305	56,423,392	82,992	76,789	1,553,674	98,573,152
Reconciliation:						
Investments in associates						142,112
Unallocated assets						12,830,702
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

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties	**4,139,698**	2,688,395
Finance lease income	**36,235**	11,500
Rental income	**377,609**	361,484
Property management service income	**204,768**	196,563
E-commerce income	**97,417**	85,395
Other revenue*	**356,720**	226,475
	5,212,447	3,569,812
Other income		
Interest income	**52,215**	31,215
Government grants**	**240,105**	240,554
Gain on disposal of subsidiaries	**24,515**	1,117
Others	**32,944**	10,303
	349,779	283,189
Gains/(losses)		
Fair value gain on financial assets at fair value through profit or loss, net	**1,206**	2,023
Loss on disposal of financial assets at fair value through profit or loss, net	**(16,043)**	–
Gain on repurchase of 2016 Notes, 2017 March Notes, 2017 November Notes, 2018 January Notes and 2018 May Notes	**70,283**	–
Loss on redemption of the 2014 Notes	**–**	(89,876)
Exchange (losses)/gains, net	**(12,247)**	54,622
	43,199	(33,231)
	392,978	249,958
Fair value gains on investment properties	**875,971**	1,066,390

* Other revenue includes amounts of HK$168,596,000 (six months ended 30 September 2017: HK$130,630,000) related to income from outlet operations and HK$134,910,000 (six months ended 30 September 2017: HK$86,105,000) 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. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	**1,354,144**	1,141,892
Less: Interest capitalised	**(1,052,070)**	(1,023,772)
Total	**302,074**	118,120

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,494,128**	1,527,767
Cost of properties held for finance lease	**11,835**	3,776
Depreciation	**71,101**	61,242
Less: Depreciation capitalised in respect of properties under development	**(243)**	(673)
	70,858	60,569
Amortisation of prepaid land lease payments	**16,525**	11,120
Gain on disposal of subsidiaries	**(24,515)**	(1,117)
Provision for impairment of trade receivables*	**26,277**	102,735
Equity-settled share option expense	**13,568**	27,886
Impairment of goodwill*	**134,228**	–

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

7. INCOME TAX EXPENSES

Hong Kong profits has been provided at the rate of 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 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 at the statutory rate of 25% (six months ended 30 September 2017: 25%) on their respective taxable income during the period.

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China corporate income tax	**447,058**	521,709
LAT in Mainland China	**348,736**	223,039
Deferred:		
Mainland China corporate income tax	**353,017**	52,930
LAT in Mainland China	**(87,184)**	(55,760)
Withholding tax on dividends	**8,575**	10,374
Total tax charged for the period	**1,070,202**	752,292

8. DIVIDENDS

The final dividend (with scrip option) of HK5.0 cents per share amounting to HK$400,479,000 for financial year ended 31 March 2018 was approved on 21 August 2018. The final dividend paid in cash was HK$239,140,000, and paid in allotment and issuance of shares was HK$161,339,000, which was settled or dispatched to shareholders on 10 October 2018.

At a meeting of the Board held on 28 November 2018, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2017: Nil).

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

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

The calculation of diluted earnings per share for the six months ended 30 September 2017 is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 September 2017, 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.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**848,179**	990,544

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**8,009,571,999**	8,006,321,999
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	3,130,802
	8,009,571,999	8,009,452,801

10. TRADE RECEIVABLES

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

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**333,096**	716,256
1 to 2 months	**51,226**	37,059
2 to 3 months	**26,904**	28,940
Over 3 months	**317,392**	403,123
Total	**728,618**	1,185,378

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

		30 September 2018	31 March 2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Other payables and accruals		**3,766,091**	3,973,463
Notes payables	*(i)*	**1,504,641**	607,291
Deposits and receipts in advance		**1,573,164**	13,102,175
Construction fee and retention payables	*(ii)*	**5,319,798**	5,124,825
Total		**12,163,694**	22,807,754

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

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Over 3 months	**1,504,641**	607,291
Total	**1,504,641**	607,291

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

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Within 1 year	**4,126,928**	4,147,578
Over 1 year	**1,192,870**	977,247
Total	**5,319,798**	5,124,825

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

CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, together with its subsidiaries, I am pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 September 2018.

Results and Dividends

During the first half of 2018, China intensively pushed forward supply-side structural reform and implemented the Five Key Objectives of addressing overcapacity, reducing inventory, deleveraging, lowering costs, and bolstering areas of weakness while domestic demand was moderately expanded. The Five Key Objectives, aiming at uplifting the quality and efficiency of the supply system, increasing the effectiveness of investment, accelerating the cultivation of new development momentums, transforming and upgrading comparative advantages of the country, and strengthening the continuous growth impetus, have achieved positive results. Gross domestic product ("GDP") for the first half of the year rose 6.8% year-on-year and the Chinese economy maintained stable growth with positive trend. The business environment has been continuously optimized with a view to further restoring market vitality and enhancing the quality of economic development. Although the Sino-US trade war has brought uncertainties to the overall economy, China's manufacturing Purchasing Manager's Index stood at 50.8% in September, well above the expansionary threshold of 50%. It indicated that the overall production and operating activities of enterprises remained stable.

Capitalizing on the maturing projects of China South City and in light of the increasing uncertainties in macro-economy, the Group strategically expedited the sales of its residential property and apartment, in order to strengthen the turnover and further improve liquidity, meanwhile enhancing the value-added ancillary services to vigorously tap the demand from the tenants of its integrated logistics and trade centers. During the Reporting Period, the Group achieved a notable contracted sales growth of 24.8% to HK$6,803.0 million (1H FY2017/18: HK$5,449.8 million), with revenue increased by 46.0% to reach HK$5,212.4 million (1H FY2017/18: HK$3,569.8 million), out of which recurring revenue grew by 19.2% to HK$1,036.5 million (1H FY2017/18: HK$869.9 million).

Net profit attributable to owners of the parent of the Group decreased by 14.4% to HK$848.2 million (1H FY2017/18: HK$990.5 million), while its core net profit attributable to owners of the parent (being net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, impairment of goodwill and loss on redemption of senior notes) increased by 26.6% to HK$420.1 million (1H FY2017/18: HK$331.9 million). Basic earnings per share decreased to HK10.59 cents (1H FY2017/18: HK12.37 cents).

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (1H FY2017/18: Nil).

Review of the Market and Operations

Insisting on Diversified and Unique Business Model to Improve Business Operation Capability Continuously

China South City is one of the leading developers and operators of large-scale integrated logistics and trade centers in China. Its portfolio of projects, covering integrated logistics and trade centers, supported by residential and commercial ancillary facilities, provides diversified value-added services to merchants and visitors in order to support industry upgrade and transformation of the traditional economy. China South City has replicated this business model to eight cities across China successfully, including a first-tier city, provincial capitals and a direct-administered municipality, serving tenants from a wide range of industries and various business categories. 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, further enhance its resilience to mitigate the impacts of cyclical fluctuations caused by the external environment, and ensure its long-term business sustainability.

During the early stage of development, the Group acquired lands proactively for construction of integrated logistics and trade centers. As its projects became more mature and came into operation, tenants moved in gradually. Coupled with the improved accessibility with increasingly elaborated infrastructure, for example, the high-speed rail or subway stations around the projects being completed and putting into services, the Group strategically expedited the launch and sales of its residential ancillary to cope with the strong market demand, while strengthening its cash flow and liquidity to adapt to market uncertainties caused by the intensified Sino-US trade war in the external environment. In 1H FY2018/19, the Group recorded total contracted sales of HK$6,803.0 million, representing a year-on-year increase of 24.8%, of which residential properties sales recorded HK$5,480.5 million, representing a year-on-year increase of 12.0%.

In addition, with the development of the E-commerce industry and growing demand for improving office conditions of tenants, the Group has allocated more resources to develop office buildings and apartments. Supported by the policy of "Tenants enjoy the same rights as home buyers", the Group gradually promoted the development of rental apartments to seize the opportunities brought by the rental housing market. Through the improvement of residential ancillary facilities, property management service, and logistics and warehousing services, the Group could enrich the user experience, attract more visitors as well as potential tenants, and subsequently stimulate market demands and facilitate the development of "China South City Ecosystem".

Formulating timely and flexible business strategies to promote stable growth of business

As one of the leading developers and operators of large-scale integrated logistics and trade centers in China, in addition to enhancing the value of commercial and residential properties, the Group continued to develop its five core businesses in rental, property management, logistics and warehousing, outlet operations and E-commerce, which served tenants from a wide range of industries and drove China South City to development of high quality and diversification.

Along with China South City's eight large-scale projects extending its operations, the value-added services of property management have become a stable and growing revenue stream for the Group. At the same time, the property management services provided by the Group also continue to be more enriched and diversified to offer remarkable property management services for different types of properties of China South City projects including trade centers, office buildings, residential ancillaries, etc.. As the Group's business continues to expand and services continues to upgrade, this business segment is expected to maintain a steady growth in the future.

The performance of outlet operations continued to achieve a satisfactory result. Driven by the increasing income of urban and rural residents, the demand for discounted branded products has increased significantly. In order to optimize resource allocation and improve operational efficiency, the Group integrated its respective outlet business resources during the Reporting Period to meet new consumer trends. As at 30 September 2018, the eight outlet malls in the Group's projects in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, operating with a total GFA of approximately 437,000 sq. m., housed up to about 700 brands and merchants on board. In addition, save as its self-operated online and mobile platform, Aolaigo.com, the Group has also set up stores on mega online platforms to cater to different consumption patterns and offer a rich array of consumer choice.

"Internet Plus" remains a core strategy of China South City's fourth generation integrated logistics and trading platform. The Group strives to help its on-site tenants to improve their business with the use of E-commerce, and to develop its online and offline ecosystem.

In addition, online consumption has become the major driver for the development of logistics and warehousing facilities with the rise of China's E-commerce. According to the National Bureau of Statistics of China, in the first half of 2018, domestic online retail sales reached RMB4,081 billion, representing a significant year-on-year increase of 30.1%, which indicated a strong market demand for the logistics and warehousing facilities and services. In addition to continuous expansion of warehousing facilities, the Group has also set up E-commerce parks on our projects, which converge outstanding E-commerce enterprises and promote cultivation and cluster of start-ups. Through the model of "Internet + Business Cluster", combined with on-site operation, warehousing and diversified distribution channels, the service level of supply chain integration is strengthened to enhance user experience and cater to the needs of high-end enterprises, which in turn increase economic benefits.

Sound Financial Management

Looking ahead to the second half of this fiscal year, the Group will maintain a prudent yet proactive attitude to consolidate existing resources to keep the growth potential of the projects based on extensive and diversified financing channels, including both onshore and offshore. Besides traditional banking facilities, the Group consistently pursues financial strategy of diversifying its funding channels with various onshore and offshore capital and inter-bank market instruments, in order to optimize its capital structure and debt maturity profile, and ensure the Group's smooth funding channels. In addition, the Group proactively and tactically adjusts its pace of land acquisition and other capital expenditure, while accelerating sales and enhancing cash flow management in order to preserve liquidity as well as its growth momentum. The goal is to maximizing shareholder value in the long run by building a strong and stable capital base to sustain future business development. The Group will continue to adopt sound financial management strategy and endeavor to achieve better capital management to balance business development and financial stability, thereby creating the maximum value for its shareholders.

Prospects

Looking ahead to the second half of this fiscal year, there is no sign of easing Sino-US trade war, and the market expects that the negative impacts on the Chinese economy will gradually emerge. The downward pressure on the Chinese economy in the fourth quarter and the first half next year will notably increase. However, China is still one of the most vibrant economies in today's world. The PRC government will continue to focus on supply-side structural reforms, and the overall macro-economy will remain stable.

The Group will maintain a prudent yet optimistic approach and strictly adhere to the general direction to promote industry upgrade and transformation and ensure stable and sustainable growth. The Group is committed to achieve China South City's new positioning of "a livable community good for business and leisure" through reasonable resources allocation for an optimised industry-mix, to increase the supply of various ancillary facilities, and in particular, the development of commercial complexes featuring office buildings, apartments and hotels, which are expected to attract more E-commerce or internet companies to move in, and facilitate the maturity of the ecosystem among the projects.

The management expects the Group's annual sales target as HK$16 billion this fiscal year. As at 30 September 2018, the Group achieved sales mission of approximately HK$6.8 billion in the first half of the fiscal year. Regarding recurring business, the Group will strive to keep its growth momentum and develop diversified and stable revenue streams.

Finally, on behalf of the Board, I wish to express my deepest gratitude to our shareholders, customers and business partners for their trust and continued support to 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 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Supporting sustainable development by a unique business model

Founded in 2002, the Group successfully rolled out the first China South City project with a total GFA of 2.64 million sq. m. in Pinghu Logistics Development Base, Longgang District, Shenzhen the same year. Since then, based on the successful development and operation experience of China South City Shenzhen ("CSC Shenzhen"), the Group has copied its unique business model to other cities. Up to now, the Group has developed large-scale, integrated logistics and trade centers projects in such eight important cities in China as Shenzhen, Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. These projects are at different stages of development. The Group is committed to build a unique ecosystem in each project of China South City, in which an extensive trading platform containing vertical markets of various industries, supplementary with ancillary services including residential properties, offices, property management, outlet operation, as well as logistics and warehousing, is developed.

During 1H FY2018/19, the Group's total revenue increased by 46.0% to HK$5,212.4 million (1H FY2017/18: HK$3,569.8 million). Its recurring income grew by 19.2% year-on-year to HK$1,036.5 million from HK$869.9 million in 1H FY2017/18, accounting for 19.9% of the total revenue (1H FY2017/18: 24.4%). Gross profit margin was 41% (1H FY2017/18: 42%). Net profit attributable to owners of the parent was HK$848.2 million (1H FY2017/18: HK$990.5 million). Basic earnings per share amounted to HK10.59 cents (1H FY2017/18: HK12.37 cents).

For the final dividend for fiscal year 2017/18, Mr. Cheng Chung Hing, together with his wholly owned subsidiary, Accurate Gain Developments Limited, and THL H Limited, a wholly owned subsidiary of Tencent Holdings Limited ("Tencent"), selected to receive such dividend in form of the Company's new shares in lieu of cash. This reflected the support of Mr. Cheng Chung Hing and Tencent to the Company and their recognition of the Company's business and prospects.

Unlocking the Potential of the Ever-growing Recurring Businesses

Following years of development and expansion, China South City projects have gradually entered into phase of operation and growing into mature. In 1H FY2018/19, the Group recorded a growth in its total recurring income of HK$1,036.5 million (1H FY2017/18: HK$869.9 million), representing an increase of 19.2%. Revenue generated from rental, property management, logistics and warehousing services, outlet operations and E-commerce reached HK$377.6 million, HK$204.8 million, HK$134.9 million, HK$168.6 million and HK$97.4 million respectively (1H FY2017/18: HK$361.5 million, HK$196.6 million, HK$86.1 million, HK$130.6 million and HK$85.4 million respectively).

Property Management

In the past 15 years, in view of projects' growth and market demand, China South City has developed different types of properties, including trade centers, residential premises, office buildings, 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 Group Company Limited ("First Asia Pacific"). The large business scale and diversified industries contained in China South City projects give First Asia Pacific an 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 earned National First-class Property Management Qualification in China over years of development. It was awarded "2018 China Top 100 Property Management Companies" and "2018 China Leading Property Management Companies in terms of Characteristic Service" by China Index Academy.

Besides providing comprehensive property management services, First Asia Pacific also provides bespoke services such as event management and security, concierge service, on-site multimedia management. Following the technology trend, First Asia Pacific gradually has its service upgraded, going digitalised and mobile, including electronic 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 1H FY2018/19, revenue generated from property management reached HK$204.8 million (1H FY2017/18: HK$196.6 million), an increase of 4.2% 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. In future, First Asia Pacific will pursue innovation and reform to keep abreast of the change of business environment and to provide more tailor-made services to different tenants.

Logistics and Warehousing Services

The Group's logistics and warehousing segment is operated by Qianlong Logistics Group Limited (乾龍物流集團有限公司) ("Qianlong Logistics"), a wholly-owned subsidiary of the Group, currently developing its business along the projects of China South City, strategically located in first-tier cities, major provincial capitals and direct-administered municipality, and well-connected to key domestic logistics nodes in the PRC.

During the Reporting Period, business scope of the Qianlong Logistics has gradually been shifted to comprehensive logistics services, instead of merely on-site warehouse leasing focused. Based on its operation in on-site warehouse leasing, it has proactively extended to comprehensive logistics services including warehousing, consignment and forwarder distribution with breakthroughs.

In June 2018, Qianlong Logistics passed the assessment of ISO9001 and ISO14001, and was accredited Quantity Management System and Environment Management System. Taking this opportunity, Qianlong Logistics will conduct quality management strictly in accordance with the audited international standard quality system, so as to establish a good corporate image and goodwill with enhanced efficiency, as well as quality, in a standardised and scientific way.

In 1H FY2018/19, revenue from logistics and warehousing services was HK$134.9 million (1H FY2017/18: HK$86.10 million), an increase of 56.7% year-on-year.

Outlet Operations

Shenzhen Huasheng Commercial Development Company Limited ("Huasheng Outlet") is the wholly-owned subsidiary under the Group, currently operating outlet malls on discounted goods in eight China South City projects across the country.

During the Reporting Period, Huasheng Outlet operated eight outlet malls which housed around 700 brands and merchants on board with a total GFA of approximately 437,000 sq. m.. In 1H FY2018/19, the business of Huasheng Outlet continue to maintain it trend of growth. This was attributable to the improved traffic condition nearby and sound management, including existing brands management, the introduction of more popular brandings and expansion of area in operation. Among the projects, Zhengzhou project showed an outstanding growth.

With the blurring boundary between online and offline shopping, a new retail model of click-and-mortar combination has become the mainstream. At present, apart from the offline outlet malls, Huasheng Outlet is also gradually strengthening its self-operated platform and third party platforms on JD, Tmall, NetEase Koala, to prepare aforehead for the new retail trend.

In 1H FY2018/19, the Group's outlet operation recorded a gross turnover of approximately RMB748.8 million (1H FY2017/18: RMB610.2 million), representing a year-on-year increase of approximately 22.7% and generated a recurring income of HK$168.6 million (1H FY2017/18: HK$130.6 million), a year-on-year increase of approximately 29.1%. In terms of sales turnover, Shenzhen project remained the largest contributor, followed by Zhengzhou project and Xi'an project.

E-commerce Development

Shenzhen China South City E-Commerce Technology Company Limited ("CSC Net") is a wholly-owned E-commerce services-subsidiary under the Group. It is a key initiative for the Group to develop its online-offline ecosystem; while on one hand the E-commerce platform could be leveraged to optimize business of our on-site tenants, on the other hand its logistics and trade centers also provide brick-and-mortar space to online businesses to expand their offline presence. Since 2017, CSC Net has been accredited as a National High-tech Enterprise, and received government incentives in such field as technology research and development.

In addition, E-commerce industry parks have been successively established in projects in Shenzhen, Zhengzhou, Nanchang, Nanning and Harbin. These E-commerce parks on one hand provide E-commerce start-ups the base to cultivate, cluster and grow; on the other hand make room for their more mature peers to go offline to develop offline showcase and business, which become an important part of the Group's online-offline ecosystem.

Trade Fairs

In 1H FY2018/19, leveraging on the Group's large-scale trading platforms in major provincial capitals and direct-administered municipalities, the long-term relationship with local governments, as well as extensive experience in co-organizing trade fairs, its several projects have 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, of which the success considerably raised the profile of the Group's projects and boosted visitor and business traffic, in turn creating more business opportunities for the on-site tenants.

Events at a Glance

CSC Zhengzhou • Central Region Building Materials & Hardware Trade Fair, (Spring) 2018

CSC Zhengzhou • Central Region Building Materials & Hardware Trade Fair, (Spring) 2018 was launched together with Central Region Building Materials & Hardware Industry Summit in April 2018. The fair has become a remarkable and highly professional event in central China to exhibit a full range of product of the industry.

China – Harbin International Economic and Trade Fair

The 29th Harbin International Economic and Trade Fair – China South City sub-venue cum Russian Culture Festival was held in CSC Harbin in June 2018. Harbin International Economic and Trade Fair has become the window of China to the world, laying the platform for economic and trade cooperation with Northeast Asia and the rest of the world. It has been regarded as a leading exhibition for China's economic and trade cooperation and received great attention from governments at all levels. Active participation by enterprises and institutions from home and abroad provides an important position for CSC Harbin in Northeast Asia economic region.

The First CSC Hefei Hotel Supplies Fair

The three-day CSC Hefei Hotel Supplies Fair was firstly hosted in June 2018, on which the major hotel supplies operator in CSC Hefei gathered nationwide manufacturers to the fair. Mega sales were also held amongst tenants of various industries at the same time. The success of the fair brought visitor flow and business opportunities from various areas and strengthened the brand name of the Group.

China-ASEAN Expo Light Industrial Exhibition

The 15th 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 Guangxi Zhuang Autonomous Region, successfully took place in CSC Nanning in September 2018. China-ASEAN Expo Light Industrial Exhibition was hosted by CSC Nanning for the 9th 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, responded to the national policy of "The Belt and Road Initiative" and further enhanced branding of the Group.

China Commercial Vehicles Fair

China Commercial Vehicles Fair was held in CSC Chongqing in September 2018. Exhibitions related to commercial vehicles, logistics chains, new energy vehicles and passenger vehicles were held one after another. The success of the fair promoted not only the cooperation between commercial vehicles and various fields, but also the development of the commercial vehicle industry in Chongqing. It also brought continuous flow of business, logistics, capital and information to CSC Chongqing, thus generating more business opportunities for its on-site tenants.

Land Bank

With its unique and flexible business model, the Group intends to retain commercial properties like logistics and warehousing facilities, 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 of the Group. During the Reporting Period, the Group acquired new plots of land with GFA of approximately 158,300 sq. m. at a consideration of approximately RMB246.7 million for Harbin project. The land was mainly for residential purpose.

Details of the land bank as at 30 September 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	823,000	1,569,300	185,000	–	66,700	2,644,000	2,644,000	100%
CSC Nanchang	1,401,500	999,400	263,800	–	2,129,700	6,866,000	4,794,400	70%
CSC Nanning	635,100	1,318,000	–	–	526,900	4,880,000	2,480,000	51%
CSC Xi'an	733,600	832,000	433,100	267,000	2,677,900	17,500,000	4,676,600	27%
CSC Harbin	545,300	981,900	968,700	301,500	2,860,500	12,000,000	5,356,400	45%
CSC Zhengzhou	1,267,800	1,683,300	2,340,100	374,800	3,613,300	12,000,000	8,904,500	74%
CSC Hefei	1,370,500	1,059,200	1,280,900	61,200	2,282,400	12,000,000	5,993,000	50%
CSC Chongqing	327,400	1,220,400	548,000	432,100	4,530,200	13,100,000	6,626,000	51%
Total	7,104,200	9,663,500	6,019,600	1,436,600	18,687,600	80,990,000	41,474,900	51%

Notes:

(1) Represents the GFA for which the construction of all various types of buildings had been completed, including properties held for sales, warehouses, offices, hotels and trade centers 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

China South City Shenzhen ("CSC Shenzhen"), the Group's first project, is situated at the Pinghu Logistics Base in Longgang District, Shenzhen. Shenzhen City, one of the four first-tier cities in China, is located at the heart of Guangdong-Hong Kong-Macao Big Bay Area amid an extensive transportation network with about 12.52 million permanent resident population in 2017. In 2017, its total GDP ranked the third over the whole country. Located in the northeast of Shenzhen, Longgang District recorded a regional GDP of RMB385.862 billion in 2017 and ranked the second in the city. With the local government further developing Longgang District as an innovation center in the east of Shenzhen, its ancillary infrastructure such as logistics, health care and education will continue to advance, bringing more convenience to tenants of CSC Shenzhen. Transportation around the project has also been improving. CSC Shenzhen is only 2.6 kilometers away from the Pinghu Railway

Station. According to Shenzhen Metro Planning, subway line 10 passing through CSC Shenzhen, is expected to be open for traffic by 2020. Upon completion, it will generate more business opportunities and uplift visitor traffic for CSC Shenzhen.

Currently, CSC Shenzhen contains industries including 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, children education, produce and flower market, etc., on its trade center premises. In addition, CSC Shenzhen provides micro-credit service for on-site small and medium-sized enterprises ("SMEs"), assisting them in resolving financing difficulties for business operation and development.

CSC Shenzhen has a total land area of approximately 1.06 million sq. m. and a total planned GFA of approximately 2.64 million sq. m.. The project has been in operation. As at 30 September 2018, construction of GFA of approximately 2.39 million sq. m. was completed, including approximately 1.62 million sq. m. of trade center, approximately 412,000 sq. m. of residential and office ancillaries and approximately 356,200 sq. m. of warehousing and other ancillary facilities. Besides, construction of a GFA of approximately 185,000 sq. m. is underway.

In 1H FY2018/19, CSC Shenzhen recorded total contracted sales of HK$12.3 million (1H FY2017/18: Nil), including a GFA of 200 sq. m. of residential ancillaries at an average selling price ("ASP") of HK$13,100/sq. m. (1H FY2017/18: Nil), and a GFA of 600 sq. m. of office units at an ASP of HK$16,100/sq. m. (1H FY2017/18: Nil).

China South City Nanchang

China South City Nanchang ("CSC Nanchang") is located at 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.

Currently, CSC Nanchang contains industries including building and decoration materials, small commodities, textile and clothing, leather & accessories, healthy and green products, etc., on its trade center premises. In addition, there is a State-level University Students' E-commerce Business Incubator in the project, indicating the achievement of CSC Nanchang in cultivating E-commerce start-ups and assisting SMEs to transform and upgrade their business to online. During the Reporting Period, the project introduced offline showroom of Guazi Second-hand Car and a Comprehensive Space Technology Experiential Exhibition. Guazi Second-hand Car (guazi.com) is a famous online trading platform of second-hand cars in China, and the space hall provides a total experience of space technology, display of extracurricular education in science and technology interaction as a whole. Such introductions

promoted consumption by attracting customer flow successfully. Together with other industries on-site, they form a complementary traffic to each other that attracts potential tenants of different industries to the project.

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.. The development of CSC Nanchang is still underway. As at 30 September 2018, construction of CSC Nanchang with a total GFA of approximately 2.40 million sq. m. was completed, including approximately 1.07 million sq. m. of trade center, approximately 1.28 million sq. m. of residential ancillary and approximately 44,300 sq. m. of warehousing facilities. Besides, construction of the project with a GFA of approximately 263,800 sq. m is underway.

In 1H FY2018/19, CSC Nanchang recorded total contracted sales of HK$309.9 million (1H FY2017/18: HK$810.7 million), including a GFA of 500 sq. m. of trade center (detached style) at an ASP of HK$9,200/sq. m. (1H FY2017/18: a GFA of 1,100 sq. m. at an ASP of HK$8,100/sq. m.), and a GFA of 37,300 sq. m. of residential ancillary at an ASP of HK$8,200/sq. m. (1H FY2017/18: a GFA of 93,900 sq. m. at an ASP of HK$8,500/sq. m.).

China South City Nanning

China South City Nanning ("CSC Nanning") is located at Jiangnan District of Nanning, the capital of the Guangxi Zhuang Autonomous Region, a critical gateway between China and the Association of Southeast Asian Nations ("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 was conferred as "China-ASEAN Plaza" in 2011, aiming to forge a regional trade and logistics hub. CSC Nanning has been awarded as "National AAA Class Tourist Attraction" as well.

Currently, CSC Nanning contains industry including textile & clothing, small commodities, ASEAN products, home furnishing, tea & teaware, E-commerce, groceries, automobiles, eSports, etc., on its trade center premises. Through organizing a series of exhibitions, such as the China-ASEAN Expo and Light Industrial Exhibition, Ethnic and Cultural Festival, traffic flow to the project as well as regional brand recognition of the project were enhanced. As the Group's nationwide project network becoming more mature, together with further improvement of the ancillary facilities and services, CSC Nanning also proactively adopted measures to enrich tenant mix. In addition, the commercial complex, 1668 Square, launched by CSC Nanning, will start trial operation in the latter half of FY2018/19, so as to satisfy demands on entertainment, leisure and shopping from the residents of the community and, at the same time, enhance CSC Nanning's overall commercial attributes. CSC Nanning also provides micro-credit service for on-site SMEs, assisting them in resolving financing difficulties in business operation and development.

China South City Nanning has a total planned land area of approximately 1.83 million sq. m. and a total planned GFA of approximately 4.88 million sq. m.. The development of CSC Nanning is still underway. As at 30 September 2018, construction of CSC Nanning with a total GFA of approximately 1.95 million sq. m. was 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 and approximately 36,800 sq. m. of warehousing facilities.

In 1H FY2018/19, CSC Nanning recorded total contracted sales of HK$374.9 million (1H FY2017/18: HK$425.8 million), including a GFA of 3,000 sq. m. of trade centers (mall style) at an ASP of HK$10,800/sq. m. (1H FY2017/18: a GFA of 900 sq. m. at an ASP of HK$9,000/ sq. m.), a GFA of 29,800 sq. m. of residential ancillaries at an ASP of HK$10,500/sq. m. (1H FY2017/18: a GFA of 49,000 sq. m. at an ASP of HK$8,400/sq. m.), and a GFA of 2,900 sq. m. of office units at an ASP of HK$9,800/sq. m. (1H FY2017/18: a GFA of 700 sq. m. at an ASP of HK$9,700/sq. m.).

China South City Xi'an

China South City Xi'an ("CSC Xi'an") is located at the International Trade and Logistics Park ("the Park") of Xi'an, the capital of 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 large 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, Lianyungang-Khorgos 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 is 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, 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 visitor traffic will be boosted in the region. This subway line and the new stadium will generate more business opportunities and visitor traffic for CSC Xi'an.

Currently, CSC Xi'an contains industry including machinery and hardware, curtains and fabrics, textile and clothing, leather and fur, automobiles and parts, building and decoration materials, cross-border E-commerce, Central Asia and ASEAN product exhibition center, etc., on its trade center premises. 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. In 1H FY 2018/19, CSC Xi'an newly launched apartments to accommodate the housing demand in and around the project.

CSC Xi'an has a total planned land area of approximately 10.0 million sq. m. and a total planned GFA of approximately 17.5 million sq. m. The development of the project is still underway. As at 30 September 2018, construction of CSC Xi'an with a total GFA of approximately 1.57 million sq. m. was completed, including approximately 1.49 million sq. m. of trade centers, approximately 79,100 sq. m. of warehousing and other ancillary facilities. Besides, construction of a GFA of approximately 433,100 sq. m. is underway, of which approximately 267,000 sq. m. is expected to complete in FY2018/19.

In 1H FY2018/19, CSC Xi'an recorded total contracted sales of HK$735.4 million (1H FY2017/18: HK$327.6 million), including a GFA of 44,800 sq. m. of trade center units (detached style) at an ASP of HK$7,100/sq. m. (1H FY2017/18: a GFA of 52,500 sq. m. at an ASP of HK$6,200/sq. m.), and a GFA of 1,300 sq. m. of trade center (mall style) at an ASP of HK$10,900/sq. m. (1H FY2017/18: Nil) and a GFA of 46,100 sq. m. of apartment units at an ASP of HK$8,700/sq. m. (1H FY2017/18: Nil).

China South City Harbin

Located at the Daowai District of Harbin, the capital of Heilongjiang Province, China South City Harbin("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. 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 building of Northeast Asian green food exhibition and trading hub. In addition, *Xinxiangfang North Station of Harbin – Mudanjiang high speed rail* (哈牡高鐵新香坊北站), only a couple of kilometers from CSC Harbin, is expected to commence operation by the end of 2018 and will bring more visitors and business opportunities to the project.

Currently, CSC Harbin contains industry including hardware and construction materials, green food, small commodities, hotel supplies, leather and fur, building and decoration materials, seed market, E-commerce, agricultural industry, cultural tourism, etc., on its trade center premises. Among these, *China Harbin Green Food International Expo City* (中國綠色食品(哈爾濱)國際博覽城) on the project, aimed to be a competitive and influential one-stop green food base with economies of scale advantage, has been certified and licensed by China Green Food Development Center.

CSC Harbin 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.. The development of CSC Harbin is still underway. As at 30 September 2018, construction of CSC Harbin with a total GFA of approximately 1.53 million sq. m. was completed, including approximately 1.13 million sq. m. of trade centers, approximately 317,700 sq. m. of residential ancillary, approximately 81,700 sq. m. of warehousing and other ancillary facilities. Besides, construction of a GFA of approximately 968,700 sq. m. is underway, of which approximately 301,500 sq. m. is expected to complete in FY2018/19.

In 1H FY2018/19, CSC Harbin recorded total contracted sales of HK$164.6 million (1H FY2017/18: HK$88.9 million), including a GFA of approximately 14,200 sq. m. of trade center units (detached style) at an ASP of HK$7,500/sq. m. (1H FY2017/18: a GFA of 1,700 sq. m. at an ASP of HK$8,300/sq. m.), and a GFA of 10,600 sq. m. of residential ancillary at an ASP of HK$5,500/sq. m. (1H FY2017/18: a GFA of 16,900 sq. m. at an ASP of HK$4,400/sq. m.).

China South City Zhengzhou

China South City Zhengzhou ("CSC Zhengzhou") is located in Zhengzhou, the capital of Henan Province, adjacent to the Airport Economy Zone ("AEZ") of Zhengzhou, the only state-level AEZ with a complete network which includes an international airport, high-speed train, intercity train, metro and highway and acts as an integrated transport hub providing seamless connectivity. The project is highly accessible and enjoys extensive transportation links – it is a mere 16 km away from Zhengzhou Xinzheng International Airport and only a couple of 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.

Currently, CSC Zhengzhou contains industries including building and decoration materials, small commodities, hardware and machinery, ancillary food and beverage facilities, automobiles and parts, nonstaple food, clothing, E-commerce, etc., on its trade center premises. CSC Zhengzhou will continue to expand its ancillary residential and commercial facilities such as exhibition center, office buildings, apartments, so as to meet the demand in and around the project. During the Reporting Period, Xinzheng City E-Commerce and Innovative Startups Complex (新鄭市電子商務創新創業綜合體), jointly developed by Xinzheng City government and CSC Zhengzhou, commenced operation to cater to demand of business platform from E-commerce start-ups in Central region.

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. The development of CSC Zhengzhou is underway. As at 30 September 2018, construction of CSC Zhengzhou with a total GFA of approximately 2.95 million sq. m. was completed, including approximately 2.66 million sq. m. of trade centers, approximately 286,200 sq. m. of warehousing and other ancillary facilities. During the Reporting Period, construction of a GFA of approximately 88,600 sq. m. of trade centers was completed. As at 30 September 2018, construction of a GFA of approximately 2.34 million sq. m. is underway, of which approximately 374,800 sq. m. is expected to complete in FY2018/19.

In 1H FY2018/19, CSC Zhengzhou recorded total contracted sales of HK$2,168.8 million (1H FY2017/18: HK$997.7 million), including a GFA of 4,700 sq. m. of trade center units (mall style) at an ASP of HK$12,200/sq. m. (1H FY2017/18: a GFA of 7,400 sq. m. at an ASP of HK$12,000/sq. m.), a GFA of 22,500 sq. m. of trade center units (detached style) at an ASP of HK$7,200/sq. m. (1H FY2017/18: a GFA of 3,200 sq. m. at an ASP of HK$7,900/sq. m.), and a GFA of 193,200 sq. m. of residential ancillary at an ASP of HK$10,100/sq. m. (1H FY2017/18: a GFA of 90,900 sq. m. at an ASP of HK$9,700/sq. m.).

China South City Hefei

China South City Hefei ("CSC Hefei") is located at Anhui Feixi Economic Development Zone of Hefei (formerly Anhui Taohua Industrial Park), the capital of Anhui Province, and the transport and economic hub at the heart of Eastern China. Leveraging the advantageous geographical location, CSC Hefei will enjoy more visitors and business opportunities. CSC Hefei benefits from its strategic location, which is equipped with well-developed infrastructure, together with a planned transportation system of railways, highways and river transportation across China.

Currently, CSC Hefei contains industries including automobiles and parts, hardware, building and decoration materials, textile and clothing, small commodities, non-staple food, etc., on its trade center premises. CSC Hefei will speed up the development of ancillary facilities, especially for residential, and logistics and warehousing aspects, in order to meet the local demands.

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.. The development of CSC Hefei is underway. As at 30 September 2018, construction of CSC Hefei with a total GFA of approximately 2.43 million sq. m. was completed, including approximately 1.59 million sq. m. of trade centers, approximately 820,600 sq. m. of residential ancillary and approximately 20,800 sq. m. of other ancillary facilities. During the Reporting Period, construction of a GFA of approximately 359,900 sq. m. of residential ancillary was completed. As at 30 September 2018, construction of a GFA of approximately 1.28 million sq. m. is underway, of which approximately 61,200 sq. m. is expected to complete in FY2018/19.

In 1H FY2018/19, CSC Hefei recorded total contracted sales of HK$1,687.8 million (1H FY2017/18: HK$2,038.7 million), including a GFA of 147,800 sq. m. of residential ancillary at an ASP of HK$11,400/sq. m. (1H FY2017/18: a GFA of 218,000 sq. m. at an ASP of HK$9,300/sq. m.) and no contracted sales in trade centers (detach styles) (1H FY2017/18: a GFA of 1,100 sq. m. at an ASP of HK$10,400/sq. m.).

China South City Chongqing

China South City Chongqing ("CSC Chongqing") is strategically located at Banan District of Chongqing, the only direct-administered municipality in midwestern China as well as the Group's first 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 government's announcement that the development of New Town in Southern District, where CSC Chongqing is located, it is expected the regional growth potential will on the rise.

Currently, CSC Chongqing contains industries including small commodities, hardware and machinery, hotel supplies, building and decoration materials, textiles and clothing and automobiles and parts, lightings and lamps, metals, outlets, cultural tourism, etc., on its trade center premises. During the Reporting Period, Southwest University – China South City Primary School（西南大學華南城小學）and Southwest University – China South City Junior High School（西南大學華南城初級中學）, both located at CSC Chongqing, started school in September 2018.

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 development of CSC Chongqing is underway. As at 30 September 2018, a total GFA of approximately 1.55 million sq. m. was completed, including approximately 1.26 million sq. m. of trade centers, approximately 104,100 sq. m. of residential ancillary, approximately 179,600 sq. m of warehousing and other ancillary facilities. During the Reporting Period, construction of a GFA of approximately 104,100 sq. m. of residential ancillary was completed. As at 30 September 2018, construction of a GFA of approximately 548,000 sq. m. is underway, of which approximately 432,100 sq. m. is expected to complete in FY2018/19.

In FY2018/19, CSC Chongqing recorded total contracted sales of HK$1,349.2 million (1H FY2017/18: HK$760.4 million), including a GFA of 25,300 sq. m. of trade center units (detached style) at an ASP of HK$7,400/sq. m. (1H FY2017/18: a GFA of 7,800 sq. m. at an ASP of HK$8,500/sq. m.), and a GFA of 143,400 sq. m. of residential ancillary at an ASP of HK$8,100/sq. m. (1H FY2017/18: a GFA of 104,800 sq. m. at an ASP of HK$6,600/sq. m.).

Financial Review

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.

The Group proactively adjusts 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.

The Group actively manages its financing structure through 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. During the Reporting Period, the satisfactory contracted sales and steady growth of its recurring income have helped optimize the debt structure of the Group. As at 30 September 2018, the total interest-bearing debts of the Group were HK$33.8 billion, representing a decrease of HK$5 billion compared to 31 March 2018. The net gearing ratio was 76.3%, representing a decrease of 1.1% compared to 31 March 2018. The interest-bearing debts due within one year amounted to HK$13.3 billion, representing a decrease of HK$2.8 billion compared to 31 March 2018. The diversified financing channels and a more optimized debt structure enable the Group to maintain good liquidity and sustain stable development in long run.

When compared with the same period last year, revenue of the Group increased 46.0% to HK$5,212.4 million (1H FY2017/18: HK$3,569.8 million) during the Reporting Period, and net profit attributable to owners of the parent decreased 14.4% to HK$848.2 million (1H FY2017/18: HK$990.5 million). Core net profit attributable to owners of the parent for the Reporting Period increased by 26.6% to HK$420.1 million (1H FY2017/18: HK$331.9 million). Basic earnings per share decreased to HK10.59 cents (1H FY2017/18: HK12.37 cents).

Revenue

Revenue for the Reporting Period increased by 46.0% to HK$5,212.4 million (1H FY2017/18: HK$3,569.8 million) when compared to the same period last year. The increase was mainly attributable to more properties were sold and delivered in Hefei, Chongqing and Zhengzhou projects during the Reporting Period and the growing recurring revenue.

	For the six months ended 30 September		
	2018	2017	Change
	HK$'000	*HK$'000*	%
Sales of properties and finance lease income	**4,175,933**	2,699,895	54.7
Sales of trade center units	***820,744***	*760,375*	*7.9*
Sales of residential properties	***3,304,202***	*1,928,020*	*71.4*
Sales of office units	***14,752***	*–*	*N/A*
Finance lease income	***36,235***	*11,500*	*215.1*
Recurring income	**1,036,514**	869,917	19.2
Rental income	***377,609***	*361,484*	*4.5*
Property management service income	***204,768***	*196,563*	*4.2*
E-commerce income	***97,417***	*85,395*	*14.1*
Other revenue	***356,720***	*226,475*	*57.5*
	5,212,447	3,569,812	46.0

Sales of Properties and Finance Lease income

Revenue from sales of properties increased by 54.0% to HK$4,139.7 million (1H FY2017/18: HK$2,688.4 million). The increase was mainly attributable to more sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects during the Reporting Period. The sales of properties 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
CSC Shenzhen	**–**	–	**–**	–	**–**	–	**–**	–
CSC Nanchang								
– Trade center units	**21,700**	8,400	**1,100**	300	**25.1**	2.4	**23.8**	2.3
– Residential properties	**11,700**	9,200	**5,200**	126,600	**59.8**	1,169.1	**56.6**	1,106.7
CSC Nanning								
– Trade center units	**13,800**	8,800	**4,200**	1,000	**58.0**	9.7	**54.5**	9.6
– Residential properties	**10,500**	7,800	**23,300**	92,600	**245.1**	724.3	**231.6**	702.1
– Office units	**9,000**	–	**1,700**	–	**15.5**	–	**14.8**	–
CSC Xi'an	**8,100**	5,500	**13,000**	27,700	**105.0**	152.9	**97.2**	151.9
CSC Harbin								
– Trade center units	**8,400**	7,900	**11,000**	30,500	**92.5**	242.2	**81.8**	234.2
– Residential properties	**5,800**	5,000	**11,200**	23,800	**65.6**	120.0	**60.1**	119.2
CSC Zhengzhou	**8,500**	10,200	**66,200**	28,600	**563.7**	291.3	**513.9**	285.8
CSC Hefei								
– Trade center units	**–**	11,800	**–**	1,400	**–**	16.4	**–**	16.3
– Residential properties	**9,700**	–	**284,300**	–	**2,754.9**	–	**2,498.0**	–
CSC Chongqing								
– Trade center units	**15,300**	8,400	**3,500**	7,500	**54.0**	62.6	**49.5**	60.3
– Residential properties	**6,700**	–	**75,300**	–	**503.8**	–	**457.9**	–
Total	**N/A**	N/A	**500,000**	340,000	**4,543.0**	2,790.9	**4,139.7**	2,688.4

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

Finance lease income derived from the leasing of office buildings increased by 215.1% to HK$36.2 million (1H FY2017/18: HK$11.5 million). The increase was primarily attributable to more finance lease on office building at CSC Shenzhen were made during the Reporting Period. During the Reporting Period, the Group entered into finance lease arrangements with tenants for approximately 2,000 sq. m. (1H FY2017/18: 800 sq. m.) at an average price of HK$18,700/sq. m. (1H FY2017/18: HK$15,500/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 be an important component of the recurring income in the long run. CSC Shenzhen, being the Group's more matured project in its portfolio, contributed substantial part of the rental income. As at 30 September 2018, the total occupancy rate of the launched rentable GFA of different phases of CSC Shenzhen's trade centers and shops were approximately 85% to 96% (As at 30 September 2017: 80% to 97%). Along with the gradual extension of the operations in other projects, these projects, start to contribute rental income and resulting in satisfactory growth in rental income. During the Reporting Period, rental income of the Group slightly increased by 4.5% to HK$377.6 million (1H FY2017/18: HK$361.5 million). Due to expiry of tenancy, government demolition and business condition, HOBA Furnishing closed five stores in last fiscal year. This resulted in perceptive drop in its revenue and affected the growth rate of the Groups revenue income. If the rental income of HOBA was excluded, rental income of the Group significantly increased by 20.5% to HK$304.8 million (1H FY 2017/18: HK$253.0 million).

Property Management Service Income

Income from property management services increased by 4.2% to HK$204.8 million (1H FY2017/18: HK$196.6 million). The increase in property management service income was mainly attributable to the gradual increase in GFA of trade centers, shops and residential properties delivered and put into use during the Reporting Period.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to the Group's customers, increased by 14.1% to HK$97.4 million (1H FY2017/18: HK$85.4 million) during the Reporting Period.

Other Revenue

Other revenue rose by 57.5% to HK$356.7 million (1H FY2017/18: HK$226.5 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 29.1% to HK$168.6 million (1H FY2017/18: HK$130.6 million) while that of logistics and warehousing services increased 56.7% to HK$134.9 million (1H FY2017/18: HK$86.1 million) respectively during the Reporting Period.

Increase in income from outlet operations was mainly due to the growth of outlet business and the increase in operating areas of the outlets. During the Reporting Period, the gross mall sales turnover from the outlet business increased by 22.7% to RMB748.8 million (1H FY2017/18: RMB610.2 million). The increase in income from logistics and warehousing services was mainly due to the increase in rent rate and operating areas of the warehouse and the increase in third party logistics service income during the Reporting Period.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and operating costs of recurring business. During the Reporting Period, cost of sales increased by 48.5% to HK$3,095.5 million (1H FY2017/18: HK$2,084.3 million). The increase in cost of sales was basically in line with the increase in GFA of properties sold during the Reporting Period.

Gross Profit

Gross profit increased by 42.5% to HK$2,117.0 million (1H FY2017/18: HK$1,485.5 million). During the Reporting Period, gross profit margin decreased slightly to 41% (1H FY2017/18: 42%) which was mainly due to a higher portion of residential properties in properties sales, whereas the gross profit margin of residential properties were lower than that of trade center properties.

Other Income and Gains/(Losses)

Other income and gains/(losses) increased by 57.2% to HK$393.0 million (1H FY2017/18: HK$250.0 million), mainly attributable to government grants of HK$240.1 million (1H FY2017/18: HK$240.6 million) and gains on repurchase of senior notes of HK$70.3 million.

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 17.9% to HK$876.0 million (1H FY2017/18: HK$1,066.4 million). The decrease in fair value gains was mainly because the magnitude of increase of fair value gains during the Reporting Period was less than that of same period of last year.

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 may significantly affected by a variety of internal and external factors, such as rental rate, rental area, 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/(losses) may fluctuate with time due to the addition of the investment properties, the change in market conditions and different construction phrases of our projects. During the Reporting Period, the fair value gains was mainly due to the addition of new investment properties at the existing projects. Since our projects are in different construction phrases, the new addition of investment properties may fluctuate year by year. Therefore, the amount of fair value gains/(losses) will also fluctuate accordingly.

Selling and Distribution Expenses

Selling and distribution expenses increased by 13.2% to HK$348.0 million (1H FY2017/18: HK$307.4 million). The increase was mainly due to the increase in promotion and marketing activities for presales of the Group's properties and the staff costs incurred by sales team during the Reporting Period.

Administrative Expenses

Administrative expenses increased by 15.5% to HK$598.4 million (1H FY2017/18: HK$518.3 million). The increase was primarily due to the increase in operating expenses resulting from our business growth and development. During the Reporting Period, the Company granted in aggregate 25,500,000 share options to four independent non-executive directors and certain employees of the Group. Together with the share options granted in prior years, share options expenses of HK$13.6 million (1H FY2017/18: HK$27.9 million) were recorded.

Other Expenses

Other expenses increased by 79.7% to HK$218.2 million (1H FY2017/18: HK$121.4 million). The increase in other expenses is mainly attributable to the impairment of goodwill of HK$134.2 million.

Finance Costs

Finance costs increased by 155.8% to HK$302.1 million (1H FY2017/18: HK$118.1 million), mainly attributable to an increase in bank and other borrowings for general operation purposes with interest expenses recorded through statement of profit or loss instead of. Due to change of capital market, as at the end of September 2018 following the increasing trend of market interest rate, the Group's weighted average financing cost slightly increase to 6.97%, compared to 6.68% as at the end of March 2018.

Tax

Tax expenses recorded an increase of 42.3% to HK$1,070.2 million (1H FY2017/18: HK$752.3 million). It was in line with the increase of revenue during the Reporting Period.

Prepayments, Deposits and Other Receivables

During the Reporting Period, prepayments, deposits and other receivables increased by 1.6% in aggregate to HK$1,639.2 million (31 March 2018: HK$1,613.2 million), which was mainly due to the increase in deposits paid for construction of new projects and value-added-tax receivables.

Trade and Other Payables

Trade and other payables decreased by 46.7% to HK$12,163.7 million (31 March 2018: HK$22,807.8 million), mainly due to the adoption of new accounting standard resulting in reclassification from advances received, which arise from our contracted sales, to contract liabilities during the Reporting Period. As at 30 September 2018, the balance of construction fees and retention payable, and deposits received and receipts in advance were HK$5,319.8 million and HK$1,573.2 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 30 September 2018, the Group had HK$8,691.5 million cash and cash equivalents and restricted cash (31 March 2018: HK$10,655.7 million), among which non-restricted cash and cash equivalents amounted to approximately HK$5,141.3 million (31 March 2018: HK$8,204.3 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 30 September 2018, the total interest-bearing debts of the Group was HK$33,800.6 million (31 March 2018: HK$38,827.7 million) which decreased HK$5,027.1 million, financing channel mainly 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$15,404.2 million as at 30 September 2018 (31 March 2018: HK$16,098.2 million), of which HK$5,825.1 million will be repayable within one year or on demand, HK$4,004.5 million will be repayable in the second year, HK$4,768.1 million will be repayable in the third to fifth years and HK$806.5 million will be repayable after five years. As at 30 September 2018, the Group's interest-bearing bank and other borrowings of approximately HK$14,407.4 million were secured by certain buildings, investment properties, properties under development, properties held for finance lease, property held for sales and bank deposits with a total carrying value of approximately HK$33,234.4 million.

Except for a bank loan with balance of HK$400 million denominated in HK dollars and bears interest at floating rates of HIBOR+2.50% which was repaid in September 2018, all other interest-bearing bank and other borrowings of the Group were denominated in Renminbi with interest rates range from 4.35% to 12.35% (31 March 2018: 4.08% to 9.00%) per annum. Furthermore, as at 30 September 2018, the Group had unused banking facilities of approximately HK$7,734.5 million. The Group will depend the needs of the project development and working capital status to deploy these banking facilities as appropriate.

Insurance 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 formed 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. The Company repurchased an aggregate principal amount of US$4.5 million of the 2016 Notes and have then cancelled in September 2018. After cancellation, the principal amount of the 2016 Notes outstanding is US$345.5 million.

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 ("2017 March Notes"). 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 ("2017 November Notes"). The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to construction and development of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US$13.5 million of the 2017 November Notes and have then cancelled in September 2018. After cancellation, the principal amount of the 2017 November Notes outstanding is US$286.5 million.

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 ("2018 January Notes"). The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to construction and development of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US$12.0 million of the 2018 January Notes and have then cancelled in September 2018. After cancellation, the principal amount of the 2018 January Notes outstanding is US$238.0 million.

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 formed 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 developing of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US$7.0 million of the 2018 May Notes and have then cancelled in September 2018. After the cancellation, the principal amount of the 2018 May Notes outstanding is US$243.0 million.

As at 30 September 2018, the carrying value of senior notes were HK$10,907.7 million. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of share of certain subsidiaries.

Short-Term Notes

In October 2016, China South International Industrial Materials City (Shenzhen) Company Limited ("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 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 bank loans of the Group. The first tranche and second tranche short-term notes of 2017 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 issue 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. The first tranche of the medium-term notes of 2015 have been repaid in July 2018.

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 notes when appropriates.

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 repaid 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 30 September 2018, the carrying value of China South International's medium-term notes were HK$2,304.6 million, corporate bonds were HK$548,000 and domestic company bonds were HK$5,183.6 million respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 76.3% as at 30 September 2018, 77.4% as at 31 March 2018 and 85.6% as at 30 September 2017 respectively. The total liabilities over total assets ratio was 68.1% as at 30 September 2018, 67.4% as at 31 March 2018 and 69.2% as at 30 September 2017, respectively.

The Group's business and assets are mainly denominated in Renminbi, while the consolidated financial statements of the Group were presented in Hong Kong dollar and the changes in the exchange rate of Hong Kong dollar against the Renminbi would affect foreign exchange differences upon currency revaluation. Since early 2018, the depreciation of Renminbi against Hong Kong dollar result in the decrease in the Group's net assets presented in Hong Kong dollar. If taking out the effect of foreign currency, the adjusted net gearing ratio was 67.8%, which represented a significant decrease when compared with that at same period of last year.

Net Current Assets and Current Ratio

As at 30 September 2018, the Group had net current assets of HK$5,288.1 million (31 March 2018: HK$8,368.8 million) at a current ratio of 1.13 (31 March 2018: 1.19).

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 30 September 2018, the guarantees amounted to HK$13,505.9 million (31 March 2018: HK$12,574.5 million).

Commitments

As at 30 September 2018, the Group had future capital expenditure contracted but not yet provided for amounted HK$11,561.7 million (31 March 2018: HK$10,725.3 million).

Acquisition and Disposal of Subsidiary and Associated Companies

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

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. During the Reporting Period, the Group entered into certain forward currency contract and currency options with bank to hedge the amount of US$100 million of the foreign exchange exposure.

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 other 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. Through the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and

safety of the products and services provided by the Group. The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the political environment in such territories may also affect the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk can be read in conjunction with note 47 to the financial statements as set out in the Company's 2017/18 Annual Report.

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 discuss to adjust the details of these agreements to align with the actual needs of 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 30 September 2018, the Group had a workforce of approximately 5,930 people. The number of the Group's staff increased by approximately 5.1% from 5,640 people as at 31 March 2018. 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 Reporting Period, the Company granted in aggregate of 25,500,000 share options to four independent non-executive directors and certain employees of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.6.7 provides that independent non-executive Directors and other non-executive Directors, are equal board members, should attend general meetings of the Company. During the Reporting Period, two non-executive Directors and two independent non-executive Directors of the Company were unable to attend the last annual general meeting of the Company held on 21 August 2018 as they had other prior business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2018.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2018 have been reviewed by the Audit Committee and Ernst & Young, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company repurchased of part of the senior notes with an aggregated principal amount of US$37.0 million and have been cancelled in September 2018, details are set out in the section of senior notes.

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

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

Hong Kong, 28 November 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, BBS, Mr. Cheng Tai Po and Mr. Lin Ching Hua; and the independent non-executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Mr. Yung Wing Ki Samuel, SBS, MH, JP.

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