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華南城

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2019	2018	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Contracted sales	**14,677,062**	12,025,886	**22.0%**
Revenue	**10,274,255**	9,405,370	**9.2%**
Among which, Recurring income	**2,314,884**	2,019,976	**14.6%**
Gross profit margin	**43%**	43%	
Profit attributable to owners of the parent	**3,250,962**	4,511,679	**-27.9%**
Core net profit attributable to owners of the parent*	**1,749,575**	1,608,548	**8.8%**
Earnings per share – Basic	**HK40.33 cents**	HK56.35 cents	
Cash and bank balances**	**9,359,772**	10,655,692	
Gearing ratio	**68.9%**	77.4%	
Proposed final dividend per share	**HK5.0 cents**	HK5.0 cents	

* Mainly represents the net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, provision for impairment of goodwill, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes, etc..

** Represents cash and cash equivalents and restricted cash.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") announces herewith the consolidated annual results of the Group for the year ended 31 March 2019 ("FY2018/19" or the "Year") together with the comparative figures for the previous year (year ended 31 March 2018 ("FY2017/18")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

		For the year ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**10,274,255**	9,405,370
Cost of sales		**(5,834,661)**	(5,336,191)
Gross profit		**4,439,594**	4,069,179
Other income and gains	*4*	**804,061**	856,965
Fair value gains on investment properties	*4*	**2,793,403**	4,378,474
Selling and distribution expenses		**(666,069)**	(680,691)
Administrative expenses		**(1,129,949)**	(1,216,023)
Other expenses		**(333,407)**	(329,668)
Finance costs	*6*	**(530,858)**	(294,771)
PROFIT BEFORE TAX	*5*	**5,376,775**	6,783,465
Income tax expenses	*7*	**(2,133,661)**	(2,281,133)
PROFIT FOR THE YEAR		**3,243,114**	4,502,332
Attributable to:			
Owners of the parent		**3,250,962**	4,511,679
Non-controlling interests		**(7,848)**	(9,347)
		3,243,114	4,502,332
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**HK40.33 cents**	HK56.35 cents
Diluted			
– for profit for the year		**HK40.33 cents**	HK56.19 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**3,243,114**	4,502,332
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,273,127)**	3,776,276
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(3,273,127)**	3,776,276
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(30,013)**	8,278,608
Attributable to:		
Owners of the parent	**(9,480)**	8,271,536
Non-controlling interests	**(20,533)**	7,072
	(30,013)	8,278,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**31 March 2019 HK$'000**	31 March 2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,400,177**	1,749,787
Investment properties		**52,464,934**	48,135,043
Properties under development		**979,151**	3,451,245
Prepaid land lease payments		**1,328,747**	1,449,228
Goodwill		**49,111**	34,128
Investments in associates		**–**	142,112
Financial assets at fair value through profit or loss		**12,965**	–
Available-for-sale investments		**–**	138
Other long-term receivables		**21,904**	15,684
Deposits paid for purchase of land use rights and property		**31,740**	1,149,909
Deferred tax assets		**3,578,802**	3,139,824
Total non-current assets		**59,867,531**	59,267,098
CURRENT ASSETS			
Properties held for finance lease		**295,545**	333,514
Properties held for sale		**39,155,078**	38,108,017
Inventories		**133,427**	177,095
Trade receivables	*10*	**1,064,890**	1,185,378
Contract assets		**99,621**	–
Prepayments, other receivables and other assets		**2,847,730**	1,613,206
Financial assets at fair value through profit or loss		**283,368**	205,966
Cash and cash equivalents and restricted cash		**9,359,772**	10,655,692
Total current assets		**53,239,431**	52,278,868
CURRENT LIABILITIES			
Trade and other payables	*11*	**15,729,226**	22,807,754
Contract liabilities		**13,655,066**	–
Interest-bearing bank and other borrowings		**8,778,903**	7,098,504
Short-term notes		**–**	625,100
Senior notes		**2,314,682**	–
Medium-term notes		**2,459,903**	2,622,149
Corporate bonds		**562**	1,978,294
Domestic company bonds		**1,733,161**	3,789,933
Tax payables		**4,202,083**	4,988,314
Total current liabilities		**48,873,586**	43,910,048
NET CURRENT ASSETS		**4,365,845**	8,368,820
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,233,376**	67,635,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 March 2019

	31 March 2019 *HK$'000*	31 March 2018 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,959,775**	8,999,701
Senior notes	**10,017,690**	9,230,272
Medium-term notes	**–**	2,629,495
Domestic company bonds	**–**	1,854,236
Deferred tax liabilities	**9,106,084**	8,521,460
Total non-current liabilities	**28,083,549**	31,235,164
Net assets	**36,149,827**	36,400,754
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,222,312**	7,060,973
Other reserves	**28,768,281**	29,157,371
	35,990,593	36,218,344
Non-controlling interests	**159,234**	182,410
Total equity	**36,149,827**	36,400,754

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the year ended 31 March 2019 and the financial information related to the year ended 31 March 2018 included in this preliminary announcement of annual results for the year ended 31 March 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2018, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) 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 has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

    Classification and measurement

    The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	**Category**	**Amount** *HK$'000*	**Re-classification** *HK$'000*	**ECL** *HK$'000*	**Amount** *HK$'000*	**Category**
Financial assets							
Available-for-sale investments		AFS[1]	138	(138)	–	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(138)	–		
Other long-term receivables		L&R[2]	15,684	–	–	15,684	AC[3]
Trade receivables	*(ii)*	L&R	1,185,378	–	(59,267)	1,126,111	AC
Financial assets included in prepayments, other receivables and other assets		L&R	1,190,964	–	–	1,190,964	AC
Financial assets at fair value through profit or loss		FVPL[4]	205,966	138	–	206,104	FVPL (mandatory)
From: Available-for-sale investments				138	–		
Cash and cash equivalents and restricted cash		L&R	10,655,692	–	–	10,655,692	AC
			13,253,822	–	(59,267)	13,194,555	
Other assets							
Contract assets	*(ii)*		77,821	–	–	77,821	
Deferred tax assets			3,139,824	–	14,817	3,154,641	
			3,217,645	–	14,817	3,232,462	
Total assets			111,623,787	–	(44,450)	111,579,337	

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	**Category**	**Amount** *HK$'000*	**Re-classification** *HK$'000*	**ECL** *HK$'000*	**Amount** *HK$'000*	**Category**
Financial liabilities							
Financial liabilities included in trade and other payables		AC	9,705,579	–	–	9,705,579	AC
Interest-bearing bank and other borrowings		AC	16,098,205	–	–	16,098,205	AC
Senior notes		AC	9,230,272	–	–	9,230,272	AC
Short-term notes		AC	625,100	–	–	625,100	AC
Medium-term notes		AC	5,251,644	–	–	5,251,644	AC
Corporate bonds		AC	1,978,294	–	–	1,978,294	AC
Domestic company bonds		AC	5,644,169	–	–	5,644,169	AC
			48,533,263	–	–	48,533,263	
Total liabilities			75,145,212	–	–	75,145,212	

1 AFS: Available-for-sale investments
2 L&R: Loans and receivables
3 AC: Financial assets or financial liabilities at amortised cost
4 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 will be included in note to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details will be disclosed in note to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	412,908	59,267	472,175

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	HK$'000
Retained profits	
Balance as at 31 March 2018 under HKAS 39	24,647,029
Recognition of expected credit losses for trade receivables under HKFRS 9	(59,267)
Deferred tax in relation to the above	14,817
Balance as at 1 April 2018 under HKFRS 9	24,602,579

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** *HK$'000*
Assets		
Inventories	*(iii)*	(3,403)
Prepayments, other receivables and other assets	*(iii)*	3,403
Properties held for sale	*(i)*	133,705
Contract assets	*(ii)*	77,821
Total assets		211,526
Liabilities		
Trade and other payables	*(i)*	(10,597,370)
Contract liabilities	*(i)*	10,731,075
Deferred tax liabilities	*(ii)*	19,455
Total liabilities		153,160
Equity		
Other reserves	*(ii)*	58,366

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 March 2019:

		Amounts prepared under		
	Notes	**HKFRS 15**	**Previous HKFRS**	**Increase/ (decrease)**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*(i)*	10,274,255	10,265,001	9,254
Cost of sales	*(i)*	(5,834,661)	(5,825,407)	9,254
Gross profit		4,439,594	4,439,594	–
Selling and distribution expenses	*(ii)*	(666,069)	(693,122)	(27,053)
Profit before tax		5,376,775	5,349,722	27,053
Income tax expenses	*(ii)*	(2,133,661)	(2,126,898)	6,763
Profit for the year		3,243,114	3,222,824	20,290
Attributable to:				
Owners of the parent		3,250,962	3,230,672	20,290
Earnings per share attributable to ordinary equity holders of the parent				
Basic				
– for profit for the year		HK40.33 cents	HK40.08 cents	HK0.25 cents
Diluted				
– for profit for the year		HK40.33 cents	HK40.08 cents	HK0.25 cents

Consolidated statement of financial position as at 31 March 2019:

	Notes	Amounts prepared under HKFRS 15 *HK$'000*	Previous HKFRS *HK$'000*	Increase/ (decrease) *HK$'000*
Inventories	*(iii)*	133,427	140,133	(6,706)
Prepayments, other receivables and other assets	*(iii)*	2,847,730	2,841,024	6,706
Properties held for sale	*(i)*	39,155,078	38,459,937	695,141
Contract assets	*(ii)*	99,621	–	99,621
Total assets		113,106,962	112,312,200	794,762
Trade and other payables	*(i), (iii)*	15,729,226	28,689,151	(12,959,925)
Contract liabilities	*(i)*	13,655,066	–	13,655,066
Deferred tax liabilities	*(ii)*	9,106,084	9,081,179	24,905
Total liabilities		76,957,135	76,237,089	720,046
Other reserves	*(ii)*	28,768,281	28,693,565	74,716
Total equity		36,149,827	36,075,111	74,716

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 March 2019 and the consolidated statement of profit or loss for the year ended 31 March 2019 are described below:

(i) Sale of properties

In the prior reporting periods, proceeds received from customers for pre-sold properties were presented as deposits and receipts in advance included in trade and other payables and no interest was 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 sales deposits received included in trade and other payables 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 properties held for sale and decrease in sales deposits received included in trade and other payables amounting to HK$10,731,075,000, HK$133,705,000 and HK$10,597,370,000, respectively.

As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in contract liabilities and properties held for sale amounting to HK$695,141,000. For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in an increase in revenue and cost of sales amounting to HK$9,254,000.

As at 31 March 2019, under HKFRS 15, HK$12,959,925,000 was reclassified from sales deposits received included in trade and other payables to contract liabilities.

(ii) Incremental costs of obtaining a contract

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

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

As at 31 March 2019, the adoption of HKFRS 15 resulted in increases in contract assets, deferred tax liabilities and other reserves amounting to HK$99,621,000, HK$24,905,000 and HK$74,716,000 respectively. For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in an increases in income tax expenses and decrease in selling and distribution expenses amounting to HK$6,763,000 and HK$27,053,000, respectively.

(iii) Sale of merchandise with variable consideration

Some contracts for the sale of merchandise provide customers with a right of return. Before adopting HKFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, rights of return give rise to variable consideration which is determined using the expected value method or the most likely amount method.

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognised as deferred revenue which was included in other payables and accruals in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of HKFRS 15, the Group recognised a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognised based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group reclassified deferred revenue of HK$4,199,000 to refund liabilities as included in other payables and accruals and reclassified inventories of HK$3,403,000 to right-of-return assets as included in prepayments, other receivables and other assets as at 1 April 2018.

As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in prepayments, other receivables and other assets and a decrease in inventories by HK$6,706,000. Besides, refund liabilities were increased by HK$8,273,000 and other payables and accruals were decreased by HK$8,273,000.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$120,744,000 and lease liabilities of HK$119,795,000 will be recognized at 1 April 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	E-commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2019						
Segment revenue:						
Sales to external customers	7,959,371	776,844	575,327	145,595	817,118	10,274,255
Intersegment sales	–	183,261	450,715	127,127	93,268	854,371
	7,959,371	960,105	1,026,042	272,722	910,386	11,128,626
Elimination of intersegment sales						(854,371)
Revenue						10,274,255
Segment results before increase in fair value of investment properties and goodwill impairment	3,422,238	694,987	226,695	139,475	342,679	4,826,074
Increase in fair value of investment properties	–	2,793,403	–	–	–	2,793,403
Goodwill impairment	–	(134,228)	–	–	–	(134,228)
Segment results after increase in fair value of investment properties and goodwill impairment	3,422,238	3,354,162	226,695	139,475	342,679	7,485,249
Unallocated cost of sales						(386,480)
Interest income						89,240
Fair value gains on financial assets at fair value through profit or loss, net						1,003
Unallocated income and gains						713,818
Unallocated expenses						(1,995,197)
Finance costs						(530,858)
Profit before tax						5,376,775
Segment assets	45,906,024	52,709,250	130,837	36,996	1,342,050	100,125,157
Reconciliation:						
Unallocated assets						12,981,805
Total assets						113,106,962
Segment liabilities	18,804,518	9,034,233	156,672	106,719	599,107	28,701,249
Reconciliation:						
Unallocated liabilities						48,255,886
Total liabilities						76,957,135
Other segment information:						
Depreciation	81,700	11,995	340	19,449	7,273	120,757
Corporate and other unallocated amounts						19,482
						140,239
Increase in fair value of investment properties	–	2,793,403	–	–	–	2,793,403
Goodwill impairment	–	(134,228)	–	–	–	(134,228)
Capital expenditure*	10,131,938	1,877,257	1,215	12	32,640	12,043,062

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	E-commerce *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2018						
Segment revenue:						
Sales to external customers	7,385,394	731,716	375,520	245,241	667,499	9,405,370
Intersegment sales	–	214,403	343,825	174,452	63,391	796,071
	7,385,394	946,119	719,345	419,693	730,890	10,201,441
Elimination of intersegment sales						(796,071)
Revenue						9,405,370
Segment results before increase in fair value of investment properties	3,301,780	532,524	145,143	243,293	305,615	4,528,355
Increase in fair value of investment properties	–	4,378,474	–	–	–	4,378,474
Segment results after increase in fair value of investment properties	3,301,780	4,910,998	145,143	243,293	305,615	8,906,829
Unallocated cost of sales						(459,176)
Interest income						77,945
Fair value losses on financial assets at fair value through profit or loss, net						(4,461)
Unallocated income and gains						783,481
Unallocated expenses						(2,226,382)
Finance costs						(294,771)
Profit before tax						6,783,465
Segment assets	47,674,543	49,185,154	167,412	76,789	1,553,674	98,657,572
Reconciliation:						
Investments in associates						142,112
Unallocated assets						12,746,282
Total assets						111,545,966
Segment liabilities	15,594,034	8,082,782	149,545	272,118	651,634	24,750,113
Reconciliation:						
Unallocated liabilities						50,395,099
Total liabilities						75,145,212
Other segment information:						
Depreciation	91,370	1,813	448	4,965	23,190	121,786
Corporate and other unallocated amounts						8,523
						130,309
Increase in fair value of investment properties	–	4,378,474	–	–	–	4,378,474
Capital expenditure*	11,461,772	266,742	399	9,019	54,718	11,792,650

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

4. REVENUE, OTHER INCOME AND GAINS, AND FAIR VALUE GAINS ON INVESTMENT PROPERTIES

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

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

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**7,462,802**	7,229,545
Property management fee income	**575,327**	375,520
E-commerce income	**145,595**	245,241
Others*	**579,361**	526,658
Revenue from other sources		
Rental income	**776,844**	731,716
Finance lease income	**496,569**	155,849
Others*	**237,757**	140,841
	10,274,255	9,405,370
Other income		
Interest income	**89,240**	77,945
Government grants**	**540,875**	783,912
Others	**64,972**	31,917
	695,087	893,774
Gains/(losses)		
(Losses)/gains on disposal of items of property, plant and equipment	**(1,077)**	113
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**1,003**	(4,461)
Gain on repurchase of the senior notes	**94,607**	–
Loss on redemption of the senior notes	**–**	(89,876)
Gain on disposal of subsidiaries	**24,515**	1,142
Exchange (losses)/gains, net	**(10,074)**	56,273
	108,974	(36,809)
	804,061	856,965
Fair value gains on investment properties	**2,793,403**	4,378,474

* Other revenue includes amounts of HK$427,852,000 (2018: HK$354,885,000) related to income from outlet operations and HK$289,290,000 (2018: HK$218,066,000) related to income from logistics and warehousing services.

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

5. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Cost of properties sold	**4,157,769**	4,024,550
Cost of properties held for finance lease	**379,364**	59,064
Depreciation	**140,597**	131,147
Less: Depreciation capitalized in respect of properties under development	**(358)**	(838)
	140,239	130,309
Amortization of prepaid land lease payments	**34,087**	28,269
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**10,807**	11,732
Auditor's remuneration	**4,350**	4,220
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**763,780**	746,465
Equity-settled share option expense	**14,595**	42,065
Pension scheme contributions	**113,986**	106,144
	892,361	894,674
Provision for impairment of trade receivables**	**86,115**	112,134
Provision for impairment loss of available-for-sale investments**	**–**	175,500
Provision for impairment of goodwill**	**134,228**	–
Losses/(gains) on disposal of items of property, plant and equipment	**1,077**	(113)

* Included an amount of HK$64,073,000 for the year ended 31 March 2019 (2018: HK$71,569,000), which was capitalized under properties under development.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	**2,494,708**	2,209,896
Less: Interest capitalized	**(1,963,850)**	(1,915,125)
Total	**530,858**	294,771

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax (“CIT”) at the statutory rate of 25% (2018: 25%) on their respective taxable income during the year.

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

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

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current — Mainland China	**1,013,337**	920,093
LAT in Mainland China	**611,687**	687,487
Deferred Mainland China corporate income tax	**508,637**	673,553
Total tax charged for the year	**2,133,661**	2,281,133

8. DIVIDEND

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Proposed final dividend — HK5.0 cents per ordinary share (2018: HK5.0 cents per ordinary share with script option)	**405,837**	400,479

The final dividend (with scrip option) of HK$5.0 cents per share amounting to HK$400,479,000 for the 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.

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,060,551,947 (2018: 8,007,198,026) in issue during the year.

The calculation of the diluted earnings per share for the year ended 31 March 2018 is based on the profit for the year ended 31 March 2018 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 March 2018, 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 year ended 31 March 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**3,250,962**	4,511,679

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,060,551,947**	8,007,198,026
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	22,635,257
	8,060,551,947	8,029,833,283

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,351,630**	1,598,286
Impairment	**(286,740)**	(412,908)
	1,064,890	1,185,378

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. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risks. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 March 2019 and 2018 based on the payment due date net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**628,622**	716,256
1 to 2 months	**74,424**	37,059
2 to 3 months	**26,808**	28,940
Over 3 months	**335,036**	403,123
	1,064,890	1,185,378

Movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at the beginning of year	**412,908**	296,250
Effect of adoption of HKFRS 9	**59,267**	–
At the beginning of year (restated)	**472,175**	296,250
Provision for impairment of trade receivables *(note 5)*	**86,115**	112,134
Write-off of trade receivables	**(238,035)**	(16,102)
Exchange realignment	**(33,515)**	20,626
Carrying amount at the end of year	**286,740**	412,908

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, service type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

		Past due				
	Current	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Expected credit loss rate	2%	2%	25%	75%	100%	21%
Gross carrying amount (HK$'000)	567,462	391,936	122,568	130,263	139,401	1,351,630
Expected credit losses (HK$'000)	11,238	7,762	30,642	97,697	139,401	286,740

Impairment under HKAS 39 for the year ended 31 March 2018

The ageing analysis of trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018
	HK$'000
Neither past due nor impaired	626,433
Less than 1 month past due	89,823
1 to 3 months past due	65,999
Over 3 months past due	403,123
	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

	Notes	2019 HK$'000	2018 HK$'000
Other payables and accruals		**5,500,942**	3,973,463
Notes payable	*(i)*	**2,951,877**	607,291
Sales deposits received		**–**	10,597,370
Advanced rental and other receipts		**2,135,255**	2,504,805
Refund liabilities		**8,273**	–
Construction fee and retention payables	*(ii)*	**5,132,879**	5,124,825
		15,729,226	22,807,754

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

	2019 HK$'000	2018 HK$'000
1 to 3 months	**1,102,099**	–
Over 3 months	**1,849,778**	607,291
	2,951,877	607,291

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

	2019 HK$'000	2018 HK$'000
Within 1 year	**3,906,003**	4,147,578
Over 1 year	**1,226,876**	977,247
	5,132,879	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 report herewith the consolidated annual results of the Group for the year ended 31 March 2019.

Over the past year, both domestic and international environment experienced intricate and profound changes. The international community witnessed the resurgence of unilateralism and protectionism, a lack of growth momentum in global economic and trade, the escalating trade friction between China and the US, putting considerable downward pressure on the Chinese economy. The national economy entered the first quarter of 2019 with a stable start under a growing number of positive factors in the economic environment as well as improving market expectations and confidence, achieving a 6.4% year-on-year GDP growth which exceeded market expectation. The Chinese economy is signaling further stability as the economic structure continuously optimizes and effects from policies are gradually revealing. China recorded a Purchasing Managers' Index (PMI) of 50.1% and a New Orders Index of 51.4% in April, both figures remaining in the expansion territory and indicating the overall stable market demand in the manufacturing sector.

During the Year, real estate policy control in China was confronted by a complex macro-economic environment and unstable market, which in turn caused the market to call for greater emphasis on market regulation and rectifying speculation on property to ensure that reasonable housing demands were met. Despite a new record high in real estate transaction volume under the controlling policies, such tightened policies have impaired the growth momentum among real estate enterprises, as they recorded slower year-on-year growth rates. Some major Mainland real estate players have expanded their service offerings from residential development to areas such as apartments, logistics and commercial properties, as well as property service. Stimulated by the national policy of supply-side structural reform, these enterprises have transformed their business models and extended their presence to relevant industries such as property service, business and tourism, culture and sports as well as finance on top of real estate development.

That the business transformation these industry-leading enterprises direct coincides with the "Trade and Logistics +" model that has been persevered by China South City over the years. The years of hard work has enabled the Group to sustain a diversified and flexible business model in concert with national development strategies. China South City managed to replicate the model of its China South City Shenzhen project to multiple strategic regions nationwide. Forward-looking to the prospect in the Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area"), the Group positioned the pilot project for its unique business model in the first-tier city, Shenzhen. Besides, CSC Shenzhen is situated at Pinghu, Shenzhen, laid on "Qianhai Houlu (Pinghu) Extension Area" (前海後陸(平湖)拓展區), which is the sole official cooperation area entitled to the same preferential policy as businesses in Qianhai, as well as the heart of the central city cluster among Shenzhen, Dongguan and Huizhou. Furthermore, in response to Pinghu old town renovation plan, China South City is proactively in negotiation with government authorities on renovation measures, for the benefit from the sublimation of post-renovation Pinghu area.

China South City also benefit from the strategic opportunity from national “Belt and Road Initiative”. Apart from the Group’s projects being afoot in key participating cities such as Xi’an, Chongqing and Shenzhen, CSC Harbin situated in the Northeast Asia market under the national “Belt and Road Initiative”, serves as a bridge for economic collaboration between China-Eurasian Economic Union. Besides, CSC Nanning, strategically located adjacent to Southeast Asia, benefits from the preferential policy on cross-border trading activities devised by the “China-ASEAN Free Trade Zone”.

At present, the Group’s layout in eight Mainland cities highly adhere to important national strategies such as the “Greater Bay Area”, the “Belt and Road Initiative” and the “Yangtze River Economic Belt”. While the Group’s eight projects grow more mature, and some of which are entitled as provincial or municipal key projects, China South City would quickly seize market opportunities amidst industry transformation.

Results and Dividends

Notwithstanding the fluctuations in the overall economic environment, China South City continued to consolidate its foundation and make steady progress during the Year. Striving to improve its organizational structure and team building, China South City has established standardized systems on various fronts and prepared more scientific and rigorous management measures and incentive mechanism, all of which laid a solid foundation for FY2019/20. During the Year, the Group recorded a notable increase of 22% to HK$14,677.1 million in contracted sales compared with last year (FY2017/18: HK$12,025.9 million). Revenue grew by HK$868.9 million to HK$10,274.3 million (FY2017/18: HK$9,405.4 million), out of which recurring revenue rose by HK$294.9 million to HK$2,314.9 million (FY2017/18: HK$2,020.0 million) with evident growth of 53.2% and 32.7% in segments of property management and warehousing and logistics respectively.

Profit attributable to owners of the parent recorded HK$3,251.0 million (FY2017/18: HK$4,511.7 million), while core net profit attributable to owners of the parent (excluding fair value gains on investment properties and related tax effects, provision for impairment of goodwill, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes, etc.) was HK$1,749.6 million (FY2017/18: HK$1,608.5 million). Basic earnings per share was HK40.33 cents (FY2017/18: HK56.35 cents).

The Board recommend the payment of a final dividend of HK5.0 cents per share for FY2018/19 (FY2017/18: HK5.0 cents per share with scrip option) subject to approval of the shareholders at the forthcoming annual general meeting (the “AGM”) to be held by the Company on 13 September 2019.

Review of the Market and Operations

Emphasizing on Merchants Recruitment, Strengthening Operation and Establishing Commercial Complexes

In a bid to capture market opportunities brought about by industry upgrade and transformation and support its long-term development, China South City carried out its strategy of "Emphasizing on Merchants Recruitment and Strengthening Operation" by establishing its business management division and investment development division, enabling more detailed work division in respect of project development and merchants recruitment, together with more precise and focused execution. The newly established entities also allow the Group to further improve its management in terms of strategy, organizational structure and business scope. The business management division is responsible for merchants recruitment and property management, with a professional team responsible for the prospecting and recruitment of tenants that can generate positive synergy for China South City projects. The investment development division focuses on project development, responsible for the construction of various properties that are required in different stages of China South City projects. Furthermore, the Group has enhanced digitalization and process management, effectively mastering project nodes to ensure construction quality and safety, whilst continuing to intensify cost control by fully establishing a target cost management system.

As a leading developer and operator of large-scale integrated logistics and trade centers in China, China South City has worked out a diversified and flexible business model to ensure stable revenue stream and sustainable business development for the Group. With a project portfolio that covers integrated logistics and trade centers supported by commercial and residential ancillary facilities, the Group successfully replicated its business model to establish strategic presence in a first-tier city, major provincial capitals and a municipality in China to cater to tenants from different sectors with various types of business.

Leveraging a unique business model that provides tenants and visitors with diverse business and supporting services, the Group makes continuous strategic adjustments and optimizes business priorities according to the development stage of each project and local market demands. The Group has also tapped new sectors such as education to attract premium tenants, and further improve tenant portfolio to safeguard the future development of the China South City brand. In addition, the Group has successfully optimized its operation system by introducing a number of new operating revenue sources and ramped up its rental collection rate during the year.

As more new projects are developed, and existing projects becoming more mature, China South City also pays attention to the incubation of strategic emerging industries and the construction of commercial complexes. The Group has been in talks with industry associations and chambers of commerce over individual innovative high-tech industries (including startups), with an aim to upgrade its commercial service for industry cultivation, clustering and integration. During the Year, the Group stepped up its efforts to capture the opportunities of the market by developing multi-purpose office and apartment ancillary to complement residential facility as well as property management service to stimulate market demand, which has facilitated the development of the "China South City Ecosystem".

Formulating Timely and Flexible Business Strategies to Promote Stable Growth of Business

As a leading developer and operator of large-scale integrated logistics and trade centers in China, the Group continued to develop its five core businesses in rental, property management, logistics and warehousing, outlet operation and E-commerce in addition to enhancing the value of commercial and residential properties to serve tenants from a wide range of industries, and facilitating the development of China South City towards a path high quality and diversification.

As a number of projects successively commenced operation and the operating floor area continued to grow, the Group has started to transform its warehousing and logistics service from a rental-oriented model to an integrated third-party logistics-oriented model and has already secured a number of warehousing and distribution projects or logistics projects from renowned brands. Its warehousing and logistics operating networks was increased to 14, providing timely logistics and delivery service to more than 700 cities nationwide. Leveraging on the business expansion and service upgrade, the Group expects to maintain a stable growth in this segment going forward.

Outlets maintained stable growth in its operational performance. Driven by the increasing income of urban and rural residents, the demand for discounted branded products has increased significantly. To optimize resource distribution and operational efficiency, the Group consolidated the business of the self-owned brands of outlets during the Year, in line with new consumption trends.

In addition, the Group has strengthened its cooperation with HOBA Furnishing over the home building materials trade center, in an effort to develop a pan-industry base for home furnishing that integrates exhibition, warehousing and logistics. Apart from its Shenzhen and Nanning China South City projects, HOBA Furnishing opened a new store in Changsha and five new franchises in Ordos, Changsha, Chenzhou and Weihai during the Year, and is expected to commence its business at CSC Zhengzhou in FY2019/20.

Prudent and Sound Financial Management, Flexible and Smooth Financing Channels

Looking back at the Year, the Group maintained diversified and extensive financing channels. In oversea market, the Group issued US$150 million of senior notes in May 2018 and an additional US$100 million of senior notes in June 2018, US$200 million of senior notes in March 2019 and an additional US$60 million of senior notes in June 2019. Domestically, the Group issued RMB600 million of medium-term notes in April 2019. The Group has laid a strong foundation for its future development by effectively utilizing domestic and oversea bond issuance quota, effectively optimizing the overall debt structure, reducing financing costs and maintaining a diverse range of smooth financing channels both domestically and overseas. Through effective application of note facilities from domestic and overseas capital markets, bank loans and internal operating cash flows, the Group repaid a number of domestic notes and reduced its overall liabilities effectively during the Year, which reflected its flexible capital operation and sound financial foundation. In addition, the Group further mitigated its liabilities through repurchase and cancellation of oversea bonds, which also improved the capital efficiency and returns of the Group. Looking into next fiscal year, the Group will maintain its prudent and sound financial management strategy as well as flexible and smooth financing channels, strive for better capital management, attain a balance between financial stability and business development, in a bid to create maximum value for shareholders.

Prospects

Affected by uncertainties from home and abroad in 2019, China will stress on both "Stability" and "Progress" in development, and continue with its reform and development on the basis of stability. The real estate sector will pursue steady progress, as industry-leading enterprises continue to push forward their transformation and extend their value chain.

Looking ahead to FY2019/20, China South City will enhance capital operation and financial control, expand financing channels, and ramp up the quality of merchants recruitment, operation and projects. It will work to deliver refined products with rigorous cost control, prioritize efficiency and pay attention to business scale to facilitate the Group's future development. The "Trade and Logistics +" model will continue to help China South City capture opportunities amid industry transformation, leveraging the Group's competitive advantages to integrate resources. After years of development, its projects in Zhengzhou, Xi'an, Shenzhen and Nanchang have been furnished with a range of ancillaries and managed to cover increasing number of sectors. Together with the railing transportation development nearby, these projects will bring in more tenants and visitors and become the key projects for future breakthroughs.

China South City stays committed to putting national development strategies into practice. As China entered its first year of fully materializing the spirit of the 19th CPC National Congress in 2018, The Group will continue to execute its development strategy of "Integrating Industries into Projects, Building Beautiful New Cities Conducive to Work and Live". Focusing on the "One Center" approach, the Group will continue to develop its trade and logistics centers by leveraging its years of experience in real economy, to set an example of large-scale integrated trade and logistics centers in the domestic arena. With "Twin Bases" in place, China South City will continue with its business upgrade and transformation plan, target emerging industries and establish incubators for strategic emerging industries to align with the country's direction of strategic and economic transformation and join hands with real economy to cultivate new growth points. Meanwhile, the Group will promote urbanization in cities where respective China South City projects are located, by improving urban development and industry layout, to build thriving smart service bases that are conducive to work and live.

The management expects that the Group will deliver its annual contracted sales target of HK$16,000 million for the financial year ended 31 March 2020 ("FY2019/20"). In respect of 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 consistent trust and support to the Group. I would also like to thank the management and staff for their dedication and whole-hearted commitment, which have helped China South City grow from strength to strength.

Cheng Chung Hing
Chairman and Executive Director

Hong Kong, 26 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Continuously Expanding and Improving the Scope of Business

During the Year, the international and domestic environment was complex and volatile. Affected by the Sino-US trade war, the Chinese economy faced multiple challenges, but by and large remained stable growth. In 2018, China's GDP exceeded RMB90 trillion for the first time, representing a year-on-year increase of 6.6%, which was, however, the lowest economic growth for the country in 28 years. Despite its slowing economic growth and challenging external environment, China maintained a robust performance in general. Consumers will remain the dominant driving force for China's economic growth, which continues to create opportunities for the Group and its stakeholders.

Given the slowdown of China's economic growth and challenging market conditions, the diversified and flexible business model of China South City enables the Group to make timely and effective adjustments to sales and operations portfolios according to different development stages of the projects and market needs of different regions. China South City continues to be a leading developer and operator of large-scale integrated logistics and trade centers by leveraging its innovative industry model. Our ongoing project construction and development attracted a wide range of businesses from various industries and generated more diverse demands for supporting services. The Group innovatively integrates the operation of trade centers with comprehensive integrated logistics and trade services to develop a core business system that is competitive in the market. In order to meet the increasing amount of project activities, the Group has strengthened the provision of ancillary services, such as residential units, multi-purpose office and apartment ancillary, office buildings, property management, conference and exhibition facilities, logistics and warehousing services, outlet operation and financial services.

CSC Shenzhen delivered a successful business model that serves as a pilot project for the upgrade of the Group's business model. By strategically replicating its unique business model from Shenzhen to other strategic economic regions, China South City has developed a diversified project portfolio with strategic value in eight cities with priority on economic development. Currently, the eight projects are in different stages of development. Among them, CSC Xi'an has welcomed more customers and business opportunities with the Metro Line No.3 connecting the project. CSC Xi'an, located within the Silk Road Economic Belt, connects with the vast northwest of China via Xi'an City Expressway (西安繞城高速公路), which is linked to Beijing-Kunming Expressway, Lianyungang-Khorgos Expressway, Shanghai-Shaanxi Expressway and Baotou-Maoming Expressway as well as the Eurasian Continental Bridge. Furthermore, with the strategic expansion of ancillary services, CSC Xi'an has recently launched its multi-purpose office and apartment ancillary in response to the housing demand within and around the project. In the future, as railways and other public transportation services further connect various CSC projects to city centers, on-site housing demand is expected to rise continuously. The Group will reinforce its residential or multi-purpose office and apartment ancillaries according to the demand in each project.

During the Year, the Group's total revenue increased by 9.2% to HK$10,274.3 million (FY2017/18: HK$9,405.4 million). Its recurring income grew by 14.6% year-on-year from HK$2,020.0 million in FY2017/18 to HK$2,314.9 million, accounting for 22.5% of the total revenue (FY2017/18: 21.5%). Gross profit margin was 43% (FY2017/18: 43%). Profit attributable to owners of the parent was HK$3,251.0 million (FY2017/18: HK$4,511.7 million). Basic earnings per share amounted to HK40.33 cents (FY2017/18: HK56.35 cents).

Refining Project Construction and Merchant Recruitment to Promote the Strategic Upgrade of the Group's Business

The Group continuously strives to be a leading developer and operator of large-scale integrated logistics and trade centers. For over a decade, it has established its presence in a first-tier city provincial capitals and a direct-administered municipality in Mainland China through the successful establishment of multiple well-rounded projects, such as trade centers, warehousing and logistics facilities, residential units, multi-purpose office and apartment ancillary, and other commercial complexes. These projects have delivered sustainable business development for the Group and helped it to gain a development edge during industry transformation. Within the Year, the Group established its business management division and investment development division to refine work division of project construction and merchant recruitment. The entities are tasked with project management and making the management of merchant recruitment more professional, to enable the Group to better cater to the daily needs of our projects' business tenants on business and households on living, and implement the integrated "Trade and Logistics+" model of China South City.

Project Investment and Development

Our investment development division mainly focuses on the Group's project investment, development and construction. The Group continued to adhere to its strategy of increasing the sales of housing and commercial ancillaries and enhancing its value-added supporting service from the previous year, to cater to the fast-growing demand among the business tenants of its integrated logistics and trade centers. To meet the different needs of local projects, the Group works to develop all-round commercial complexes in different projects: multi-purpose office and apartment ancillaries are being developed in Zhengzhou, Xi'an, Nanchang and Shenzhen projects; schools and education centers are being built in projects, of which primary school in Nanchang and Nanning projects and primary and secondary schools in Chongqing project have commenced operation, while the kindergarten and private school in CSC Hefei are also preparing for schooling. The Group also assisted the government in building public facilities such as parks in China South City projects, where there are local infrastructure facilities such as substations and gas stations, to meet the daily needs of business tenants and residents. The Group also continuously enhances the ancillary services within the projects.

China South City Shenzhen ("CSC Shenzhen")

As of 31 March 2019, Phases I and II and part of Phase III of its properties had commenced operation of their respective trade centers and ancillary facilities with a total GFA of approximately 2.39 million sq. m., including approximately 1.62 million sq. m. of trade centers, approximately 412,000 sq. m. of residential ancillary and multi-purpose offices and apartments ancillaries and approximately 356,200 sq. m. of warehousing and other facilities. Phase III of the project is currently in development. As of 31 March 2019, the planning and construction of a GFA of approximately 185,000 sq. m. of multi-purpose office and apartment ancillary was underway.

In FY2018/19, CSC Shenzhen recorded total contracted sales of approximately HK$495.7 million (FY2017/18: HK$1.9 million), including a GFA of 34,000 sq. m. of multi-purpose office and apartment units at an average selling price ("ASP") of HK$14,600/sq. m. (FY2017/18: 100 sq. m. at an ASP of HK$19,400/sq. m.).

China South City Nanchang ("CSC Nanchang")

As of 31 March 2019, 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 centers, approximately 1.28 million sq. m. of residential ancillaries and approximately 44,300 sq. m. of warehousing facilities. As of 31 March 2019, construction of a GFA of approximately 340,000 sq. m. residential ancillary, multi-purpose offices and apartments was underway.

In FY2018/19, CSC Nanchang recorded total contracted sales of HK$402.9 million (FY2017/18: HK$2,123.9 million), including a GFA of 2,800 sq. m. of trade center units (detached style) at an ASP of HK$10,400/sq. m. (FY2017/18: 1,500 sq. m. at an ASP of HK$10,100/sq. m.) and a GFA of 40,500 sq. m. of residential ancillaries at an ASP of HK$9,200/sq. m. (FY2017/18: 202,500 sq. m. at an ASP of HK$10,400/sq. m.).

China South City Nanning ("CSC Nanning")

As of 31 March 2019, 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 ancillaries, approximately 205,600 sq. m. of multi-purpose office and apartment ancillary and approximately 36,800 sq. m. of warehousing facilities. At of 31 March 2019, construction of a GFA of approximately 154,300 sq. m. of multi-purpose offices and apartments was underway.

In FY2018/19, CSC Nanning recorded total contracted sales of HK$716.6 million (FY2017/18: HK$1,058.2 million), including a GFA of 10,600 sq. m. of trade centers (mall style) at an ASP of HK$11,300/sq. m. (FY2017/18: 1,000 sq. m. at an ASP of HK$9,800/sq. m.), a GFA of 48,700 sq. m. of residential ancillary facilities at an ASP of HK$10,700/sq. m. (FY2017/18: 103,000 sq. m. at an ASP of HK$9,600/sq. m.), and a GFA of 7,600 sq. m. of multi-purpose office and apartment units at an ASP of HK$10,100/sq. m. (FY2017/18: 6,200 sq. m. at an ASP of HK$10,100/sq. m.).

China South City Xi'an ("CSC Xi'an")

The development of CSC Xi'an is well underway with a total GFA of approximately 1.79 million sq. m. was completed, including approximately 1.72 million sq. m. of trade centers, approximately 55,800 sq. m. of warehousing facilities and approximately 23,300 sq. m. of ancillary facilities. During the Year, construction of a GFA of approximately 228,500 sq. m. of trade centers was completed. As of 31 March 2019, construction of a GFA of approximately 480,000 sq. m. of trade centers, warehousing facilities, multi-purpose offices and apartments was underway, of which approximately 194,200 sq.m. of trade centers and multi-purpose offices and apartments was expected to complete in FY2019/20.

In FY2018/19, CSC Xi'an recorded total contracted sales of HK$1,433.3 million (FY2017/18: HK$544.1 million), including a GFA of 1,900 sq. m. of trade centers (mall style) at an ASP of HK$10,900/sq. m. (FY2017/18: Nil), a GFA of 58,400 sq. m. of trade center (detached style) at an ASP of HK$7,500/sq. m. (FY2017/18: 79,900 sq. m. at an ASP of HK$6,800/sq. m.) and a GFA of 104,300 sq. m. of multi-purpose office and apartment units at an ASP of HK$9,400/sq. m. (FY2017/18: Nil).

China South City Harbin ("CSC Harbin")

The development of CSC Harbin is well underway with a total GFA of approximately 1.83 million sq. m. completed, including approximately 1.43 million sq. m. of trade centers, approximately 317,700 sq. m. of residential ancillary, approximately 81,700 sq. m. of logistics and warehousing and ancillary facilities. During the Year, construction of a GFA of approximately 301,500 sq. m. of trade center was completed. As of 31 March 2019, construction of a GFA of approximately 667,200 sq. m. of trade centers, residential ancillary, multi-purpose offices and apartments and hotel was underway, of which approximately 8,700 sq. m. of ancillary facilities was expected to complete in FY2019/20.

In FY2018/19, CSC Harbin recorded total contracted sales of HK$767.5 million (FY2017/18: HK$301.3 million), including a GFA of approximately 21,100 sq. m. of trade centers (detached style) at an ASP of HK$7,800/sq. m. (FY2017/18: 5,700 sq. m. at an ASP of HK$8,800/sq. m.) and a GFA of 85,900 sq. m. of residential ancillaries at an ASP of HK$7,000/sq. m. (FY2017/18: 48,800 sq. m. at an ASP of HK$5,100/sq. m.).

China South City Zhengzhou ("CSC Zhengzhou")

The development of CSC Zhengzhou is well underway with a total GFA of approximately 3.05 million sq. m. completed, including approximately 2.67 million sq. m. of trade centers, approximately 286,200 sq. m. of warehousing and ancillary facilities, and approximately 101,600 sq. m. of residential ancillary. During the Year, construction of a GFA of approximately 190,200 sq. m. of residential ancillaries and trade centers was completed. As of 31 March 2019, construction of a GFA of approximately 2.59 million sq. m. of trade centers, residential units, multi-purpose office and apartment ancillary was underway, of which approximately 1.03 million sq. m. of trade centers and residential units was expected to complete in FY2019/20.

In FY2018/19, CSC Zhengzhou recorded total contracted sales of HK$5,174.3 million (FY2017/18: HK$2,748.3 million), including a GFA of 9,000 sq. m. of trade center units (mall style) at an ASP of HK$15,000/sq. m. (FY2017/18: a GFA of 13,100 sq. m. at an ASP of HK$10,100/sq. m.), a GFA of 100,300 sq. m. of trade center units (detached style) at an ASP of HK$8,000/sq. m. (FY2017/18: a GFA of 104,800 sq. m. at an ASP of HK$7,600/sq. m.), a GFA of 397,400 sq. m. of residential ancillaries at an ASP of HK$10,400/sq. m. (FY2017/18: a GFA of 169,600 sq. m. at an ASP of HK$10,700/sq. m.), and a GFA of 11,200 sq. m. of multi-purpose office and apartment units at an ASP of HK$8,100/sq. m. (FY2017/18: Nil).

China South City Hefei ("CSC Hefei")

The development of CSC Hefei is well under underway with a GFA of approximately 2.49 million sq. m. completed, including approximately 1.59 million sq. m. of trade centers, approximately 820,600 sq. m. of residential ancillaries and approximately 82,000 sq. m. of warehousing and ancillary facilities. During the Year, construction of a GFA of approximately 421,100 sq. m. of residential ancillaries and warehousing facilities was completed. As of 31 March 2019, construction of a GFA of approximately 1.22 million sq. m. of trade centers, residential units and warehousing facilities was underway, of which approximately 558,400 sq. m. of trade centers and residential units was expected to complete in FY2019/20.

In FY2018/19, CSC Hefei recorded total contracted sales of HK$3,580.9 million (FY2017/18: HK$3,182.1 million), including a GFA of 305,100 sq. m. of residential ancillaries at an ASP of HK$11,700/sq. m. (FY2017/18: a GFA of 295,700 sq. m. at an ASP of HK$10,600/sq. m.). During the year, there was no contracted sales of trade center units (detached style) (FY2017/18: a GFA of 8,400 sq. m. at an ASP of HK$6,600/sq. m.).

China South City Chongqing ("CSC Chongqing")

The development of China South City Chongqing is well underway with a GFA of approximately 1.88 million sq. m. completed, including approximately 1.26 million sq. m. of trade centers, approximately 395,100 sq. m. of residential ancillaries and approximately 217,100 sq. m. of warehousing and ancillary facilities. During the Year, construction of a GFA of approximately 431,200 sq. m. of residential and ancillary facilities was completed. As of 31 March 2019, construction of a GFA of approximately 537,500 sq. m. of residential and other ancillary facilities was underway, of which approximately 215,200 sq. m. was expected to complete in FY2019/20.

In FY2018/19, CSC Chongqing recorded total contracted sales of HK$2,105.8 million (FY2017/18: HK$2,066.1 million), including a GFA of 36,500 sq. m. of trade center units (detached style) at an ASP of HK$7,500/sq. m. (FY2017/18: a GFA of 21,000 sq. m. at an ASP of HK$9,100/sq. m.) and a GFA of 213,800 sq. m. of residential ancillaries at an ASP of HK$8,600/sq. m. (FY2017/18: a GFA of 256,900 sq. m. at an ASP of HK$7,300/sq. m.).

Sustaining the Growth Momentum of Recurring Business

As a leading developer and operator of large-scale integrated logistics and trade centers in China, China South City pays high attention to the overall operation of its projects. Apart from actively enriching the industries on project sites and promoting industry concentration, China South City has opened up vertical market to accelerate integration within different industries, coupled with the provision or introduction of a variety of ancillary facilities and services needed for project management and expansion. As each project gradually comes into operation, the growth momentum of recurring business sustained, which provides the Group with diverse and stable revenue streams. During the Year, the Group recorded total recurring income of HK$2,314.9 million (FY2017/18: HK$2,020.0 million) with an increase of 14.6%. Revenue from rental, property management, e-commerce, logistics and warehousing services and outlet operations amounted to HK$776.8 million, HK$575.3 million, HK$145.6 million, HK$289.3 million and HK$427.9 million, respectively (FY2017/18: HK$731.7 million, HK$375.5 million, HK$245.2 million, HK$218.1 million and HK$354.9 million, respectively).

Business Management and Operation

To solidify its leading position amongst the peers, the Group practically implemented the strategy of "Emphasizing on Merchants Recruitment and Strengthening Operation" during the Year. By establishing its business management division, project management and tenants recruitment would be implemented in a more professional manner, as merchants and industries needed on projects are pinpointed more precisely.

The Group works hard on incubating strategic emerging industries and constructing commercial complexes. It also engages itself in negotiation on innovative and high-tech industries such as e-commerce and the mega healthcare industry, including negotiation with start-ups to facilitate industry aggregation and integration. In particular, the e-commerce segment has attained notable results after years of development, some of them has become demonstration base on provincial or national level, while some attracts leading domestic cross-border e-commerce enterprises onsite.

During the Year, the Group also focused on tenant portfolio by introducing education industry into different projects and continuing to prospect quality customers. In the Year, CSC Nanchang set up an integrated experience hall of space technology which combines displays of aerospace technology, extracurricular science education and technology interaction. In addition, CSC Harbin leveraged its geographical location and advantages of local industries, actively promoting its cooperation with such business tenants as Khabarovsk, Russia, and entering into an agreement on "Wuchang Rice Official Flagship Store" with Wuchang Municipal Government of Heilongjiang Province.

During the Year, HOBA Furnishing has successfully increased its stores in Shenzhen, Changsha, Chenzhou, Ordos and Weihai in the form of franchise, cooperation or direct sales store. It also opened flagship stores in CSC Shenzhen, CSC Nanning and CSC Zhengzhou. These projects attract customers and stimulate consumption, which complements the flow of visitors and promote business attraction for the project as a whole.

Project and Property Management

The Group's business management division also took up property management of project spaces, and supported the management service required by different types of properties in respective projects. With years of development, China South City has earned National First-Class Property Management Qualification and become one of the few capable of covering both trade center premises and residential properties in China. During the Year, the revenue from property management amounted to HK$575.3 million (FY2017/18: HK$375.5 million), representing a year-on-year increase of 53.2%. With more projects commencing operation, the Group expects its recurring income to continue to grow and provide a stable cash flow.

As the projects become more mature, the Group will successively add multiple streams of revenue to improve its operation, including revenue from advertising, exhibitions, pop-up space leasing and parking. Meanwhile, as the Group has made fee payment digitalised on its projects during the Year, of which mobile payment, online payment and electronic invoicing commenced trial operation on 1 April 2019, with a view to providing more user-friendly payment collection while optimizing manpower.

Logistics and Warehousing Services

The Group's logistics and warehousing business is chiefly developed along China South City projects, strategically located in major provincial capitals and municipalities, and well connected to key domestic logistics nodes in China. During the Year, the revenue generated from logistics and warehousing services amounted to HK$289.3 million (FY2017/18: HK$218.1 million), representing a year-on-year increase of 32.7%.

During the Year, business scope of this segment gradually expanded from on-site leasing focus to comprehensive third-party logistics, forming a service base comprises of leasing, warehousing operation and forwarder distribution that provides integrated logistics service output for brands, manufacturers and channel partners to enhance the Group's market competitiveness.

In June 2018, the Group passed the assessment of ISO9001 and ISO14001 international management systems, and obtained the accreditation certificates of "Quality Management System" and "Environment Management System", realizing alignment with global top 500 customers on logistics information system and data-based project operation. Leveraging this as an opportunity, China South City conducts quality management strictly according to the audited international quality system standard, in an effort to meet the standardised and scientific requirements, fully boost work efficiency and product quality, and establish positive corporate image and reputation amidst market competition.

In March 2019, the Group was for the first time granted the status of 4A logistics enterprise by China Federation of Logistics & Purchasing, and commenced operation of its third-party logistics business in Shanghai, Chengdu, etc. As such, the Group has gradually formed its nationwide operation network to further enhance its scope of service and customer loyalty.

Outlet Operations

The Group operated eight outlet malls nationwide with a GFA of approximately 426,000 sq. m. and around 550 brands as regards its outlet business. Driven by the increasing income of urban and rural residents, the demand for discounted branded products has increased significantly. To optimize resource and enhance efficiency in operation, the Group consolidated the business lines of outlet operation during the Year, in line with new consumption trends.

During the Year, the Group's outlet operations recorded a gross turnover of approximately RMB1,747.4 million (FY2017/18: RMB1,445.0 million) which represented a year-on-year increase of approximately 21%, and generated a recurring income of HK$427.9 million (FY2017/18: HK$354.9 million) with a year-on-year increase of approximately 20.6%. Such increases were attributable to an efficient operating model that consolidates less efficient business and focuses on optimizing the brand structure optimisation on Shenzhen and Zhengzhou projects to enhance the brand yield. In terms of sales turnover, the Shenzhen project remained the largest contributor, followed by Zhengzhou project and Xi'an project, which accounted for turnover of 39%, 19% and 16% respectively.

E-commerce Development

Developing an online-offline ecosystem is a key initiative for the Group. While on one hand e-commerce is utilized to optimize the business for its on-site tenants, the Group also offers brick-and-mortar space to online businesses and expands their offline presence at the integrated logistics and trade centers of the Group. Since 2017, the e-commerce subsidiary of the Group has been accredited as a National High-tech Enterprise, and received government incentives in such field as enterprise technology research and development.

In addition, the e-commerce industry parks, which have been successively established in the Group's projects in Shenzhen, Zhengzhou, Nanchang, Nanning and Harbin, are an essential part of China South City's online-offline ecosystem. The Group promotes industry incubation, cultivation, clustering and integration according to the trend of local e-commerce development. For example, the Shenzhen project attracts a few domestic leading enterprises in cross-border e-commerce. Apart from setting up offices, they also launch offline showrooms or use the logistics and warehousing service on site. The e-commerce park in the Nanchang project mainly serves undergraduate start-ups, and its "E-commerce Business Incubator for University Students of Nanchang" is a state-level project. The E-commerce Park in CSC Zhengzhou, developed in accordance with local government's policy, has become "Provincial E-commerce Demonstration Base", "Cross-border E-commerce Demonstration Base in Henan Province" and "Demonstration Base for SME Entrepreneurship and Innovation in Henan Province".

Trade Fairs

During the Year, leveraging on the Group's large-scale trading and logistics platforms in major provincial capitals and direct-administered municipalities, long-term partnership with local governments, as well as extensive experience in co-organizing trade fairs, the Group saw several of its projects selected to host major trade fairs and exhibitions organized by local governments. These successful events, well-received by international and local exhibitors as well as visitors, raised the profile of the Group's projects considerably and boosted visitor and business traffic, while bringing more business opportunities for the tenants in the trade centers.

Events at a Glance

Folk Culture Festival cum Expo

The 4th CSC Folk Culture Festival cum Expo took place at CSC Nanning in mid-April 2018. The event, successfully held for four consecutive years, attracts a large number of tourists every year. The nine-day event has significantly boosted the sales of CSC tenants, generated considerable visitor flow and business opportunities, and delivered a huge impact of China South City as a cultural brand in the region.

CSC Zhengzhou • Central China Building Material and Hardware Exhibition (Spring) 2018

CSC Zhengzhou • Central China Building Material and Hardware Exhibition (Spring) 2018 took place in April 2018. The Central China Building Material and Hardware Industry Forum was held on the same day. The exhibition is a large-scale, highly professional industry exhibition with a comprehensive range of product categories in Central China.

The 29th Harbin International Economic and Trade Fair – CSC Session

The 29th Harbin International Economic and Trade Fair – CSC Session kicked off at CSC Harbin in June 2018. Harbin International Economic and Trade Fair serves as a window for China's opening up to the world, and a platform for economic and trade cooperation with Northeast Asia and other countries around the world. The Fair has been regarded as a leading exhibition for China on economic and trade cooperation and receives great attention from governments at all levels. Enterprises and institutions from home and abroad took an active part in the exhibition, setting CSC Harbin at a key position in the Northeast Asia Economic Zone.

The First CSC Hefei Hotel Supplies Expo

"The First CSC Hefei Hotel Supplies Expo – CSC Summer Dream Carnival" took place as a three-day event in June 2018. For the Expo, the partners of CSC Hefei – Hotel Supplies City (合肥華南城酒店用品城) gathered a number of hotel suppliers nationwide for exhibition, presenting a special sales event together with CSC tenants of various industries. The successful hotel supplies expo brought in visitors and opportunities from various locations and raised the brand effect of the Group.

China-ASEAN Expo and Light Industrial Exhibition

The 15th China-ASEAN Expo and Light Industrial Exhibition was co-hosted by the Chinese Ministry of Commerce, the economic and trade departments of 10 ASEAN countries and the CHINA-ASEAN Expo Secretariat, and organized by the People's Government of Guangxi Zhuang Autonomous Region. The Exhibition took place at CSC Nanning in September 2018. CSC Nanning has hosted the event for nine consecutive years, which has firmly established CSC Nanning as an important platform for the trading and logistics of light industry products between China and ASEAN countries, strengthened trade and cultural exchanges, responded to the national "Belt and Road Initiative" and enhanced the Group's brand advantage.

The Third China Commercial Vehicles Fair in Chongqing

The China Commercial Vehicles Fair was held at CSC Chongqing in September 2018, where exhibitions of commercial vehicles, logistics chains, new energy vehicles and passenger vehicles made their appearance. The successful event not only promoted the cooperation on commercial vehicles and other fields, but also drove the development of the commercial vehicle industry in Chongqing. At the same time, it generated a continuous flow of business, logistics, capital and information for CSC Chongqing and even more opportunities for its business tenants.

Land Bank

With its unique and flexible business model, the Group intends to retain commercial properties such as logistics and warehousing facilities and hotels, as well as no less than 50% of 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 development. In order to support its growth momentum and revenue base, the Group acquired new plots of land with a GFA of approximately 1.503 million sq. m. at a consideration of approximately RMB1,333 million for projects in Harbin and Zhengzhou during the Year. Such land plots are for residential and commercial purposes.

Project	**Completed Properties** [1]		**Properties under construction**	**Properties to be Completed in FY2019/20**	**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*	*In operation*		*Estimated*	*Estimated*	*Estimated*		%
CSC Shenzhen	857,600	1,534,700	185,000	–	66,700	2,644,000	2,644,000	100%
CSC Nanchang	1,405,600	995,300	340,000	–	2,053,500	6,866,000	4,794,400	70%
CSC Nanning	658,900	1,294,200	154,300	–	372,600	4,880,000	2,480,000	51%
CSC Xi’an	791,700	1,002,400	480,000	194,200	2,402,500	17,500,000	4,676,600	27%
CSC Harbin	557,700	1,271,000	667,200	8,700	3,116,500	12,000,000	5,612,400	47%
CSC Zhengzhou	1,376,600	1,676,100	2,591,900	1,031,700	4,111,600	12,000,000	9,756,200	81%
CSC Hefei	1,370,200	1,120,700	1,219,700	558,400	2,282,400	12,000,000	5,993,000	50%
CSC Chongqing	560,000	1,316,300	537,500	215,200	4,088,000	13,100,000	6,501,800	50%
Total	**7,578,300**	**10,210,700**	**6,175,600**	**2,008,200**	**18,493,800**	**80,990,000**	**42,458,400**	**52%**

Notes:

(1) Represents the GFA for which the construction of all various types of buildings had been completed, including properties held for sales, warehouses, multi-purpose office and apartment ancillary, 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.

Strengthening the Senior Management Team

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

During the Year, the Group appointed Mr. Zhao Lidong as an executive director of the Company and Chief Executive Officer of the Group, responsible for the overall operation and management of the Group. Mr. Zhao worked for a number of companies within Wanda Group and Wuzhou International Holdings Limited, with extensive experience in the commercial property management and operation of integrated trading platforms.

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

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 according to market environment, 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 different inter-bank and capital market instruments, in order to achieve an optimal capital structure and maturity profile. During the Year, the satisfactory contracted sales and steady growth of its recurring income have helped optimize the debt structure of the Group. As at 31 March 2019, the total interest-bearing debts of the Group were HK$34.3 billion, representing a decrease of HK$4.6 billion compared to 31 March 2018. The net gearing ratio was 68.9%, representing a decrease of 8.5% compared to 31 March 2018. The interest bearing debts due within one year amounted to HK$15.29 billion, representing a decrease of HK$0.83 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, the revenue of the Group increased 9.2% to HK$10,274.3 million (FY 2017/18: HK$9,405.4 million)) during the Year, and net profit attributable to owners of the parent decreased 27.9% to HK$3,251.0 million (FY 2017/18: HK$4,511.7 million). Basic earnings per share decreased to HK40.33 cents (FY 2017/18: HK56.35 cents). Core net profit attributable to owners of the parent for the Year increased by 8.8% to HK$1,749.6 million (FY 2017/18: HK$1,608.5 million). The decrease in net profit attributable to owners of the parent and basic earnings per share are mainly due to the decrease of fair value gain of investment properties.

Revenue

Revenue for the Year increased by 9.2% to HK$10,274.3 million (FY 2017/18: 9,405.4 million). The increase was mainly attributable to more properties were sold and delivered through finance lease in Shenzhen and overall increase of recurring income.

	For the year ended 31 March		
	2019	2018	Change
	HKD$'000	*HKD$'000*	*%*
Sales of properties and finance lease income	**7,959,371**	7,385,394	7.8%
Sales of properties	***7,348,017***	*7,229,545*	*1.6%*
Finance lease income	***496,569***	*155,849*	*218.6%*
Others	***114,785***	*–*	*N/A*
Recurring income	**2,314,884**	2,019,976	14.6%
Rental income	***776,844***	*731,716*	*6.2%*
Properties management service income	***575,327***	*375,520*	*53.2%*
E-commerce income	***145,595***	*245,241*	*-40.6%*
Other revenue	***817,118***	*667,499*	*22.4%*
	10,274,255	9,405,370	9.2%

Sales of Properties and Finance Lease income

Revenue from sales of properties increased by 1.6% to HK$7,348.0 million (FY 2017/18: HK$7,229.5 million). The increase was mainly attributable to more sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects during the Year. 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*	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
CSC Nanchang								
– Trade center units	**15,000**	19,900	**4,500**	7,100	**67.0**	142.0	**64.9**	135.0
– Residential properties	**17,900**	10,000	**5,900**	349,900	**106.4**	3,514.6	**100.7**	3,326.8
CSC Nanning								
– Trade center units	**12,800**	10,700	**12,600**	1,800	**160.4**	18.9	**152.2**	18.1
– Residential properties	**9,900**	8,500	**37,300**	127,100	**368.0**	1,074.3	**360.1**	1,010.2
– Office units	**10,200**	9,200	**3,200**	7,300	**33.0**	67.3	**31.1**	66.1
CSC Xi'an	**6,900**	6,100	**71,100**	50,800	**493.1**	312.1	**449.8**	284.8
CSC Harbin								
– Trade center units	**8,000**	7,600	**24,100**	52,900	**192.6**	402.0	**182.5**	383.6
– Residential properties	**5,800**	5,100	**10,800**	50,800	**62.9**	258.4	**58.6**	241.9
CSC Zhengzhou								
– Trade center units	**8,600**	11,100	**73,600**	84,600	**632.3**	936.5	**580.7**	864.2
– Residential properties	**10,100**	–	**101,400**	–	**1,021.9**	–	**917.7**	–
CSC Hefei								
– Trade center units	**–**	8,700	**–**	13,100	**–**	114.4	**–**	103.6
– Residential properties	**9,600**	7,400	**284,100**	94,500	**2,704.4**	696.4	**2,448.6**	635.0
CSC Chongqing								
– Trade center units	**10,600**	7,900	**17,400**	21,000	**183.7**	165.5	**170.6**	160.2
– Residential properties	**6,900**	–	**294,000**	–	**2,019.9**	–	**1,830.5**	–
Total	**N/A**	N/A	**940,000**	860,900	**8,045.6**	7,702.4	**7,348.0**	7,229.5

* 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 218.6% to HK$496.6 million (FY 2017/18: HK$155.8 million). The increase was primarily attributable to more finance lease on office building at CSC Shenzhen were made during the Year. During the Year, the Group entered into finance lease arrangements with tenants for approximately 36,600 sq. m. (FY 2017/18:10,300 sq. m.) at an average price of HK$14,400/sq. m. (FY 2017/18:HK$16,000/sq. m.).

Rental Income

The Group intends to retain not less than 50% of the trade center units for self-use or rental purposes. Therefore, rental income will continue to be an important component of the recurrent income. CSC Shenzhen, being the Group's most matured project in its portfolio, contributed substantial part of the rental income. As at 31 March 2019, the total occupancy rate of the launched rentable GFA of different phases of CSC Shenzhen's trade centers and shops were approximately 87% to 94% (As at 31 March 2018: 83% to 98%). 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 Year, rental income of the Group slightly increased by 6.2% to HK$776.8 million (FY2017/18: HK$731.7 million) comparing to same period last year. Due to expiry of tenancy, government demolition and business condition, HOBA Furnishing closed five stores in last Year. This resulted in perceptive drop in its revenue and affected the growth rate of the Groups revenue income. If rental income of HOBA was excluded, rental income of the Group significantly increased by 20.8% to HK$642.0 million (FY2017/18: HK$531.7 million).

Property Management Service Income

Income from property management services increased by 53.2% to HK$575.3 million (FY 2017/18: HK$375.5 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 Year.

E-commerce Income

E-commerce income, derived from the E-commerce services provided to the Group's customers, decreased by 40.6% to HK$145.6 million (FY 2017/18: HK$245.2 million) during the Year due to the internal restructuring of our E-commerce services.

Other Revenue

Other revenue rose by 22.4% to HK$817.1 million (FY 2017/18: HK$667.5 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 20.6% to HK$427.9 million (FY 2017/18: HK$354.9 million) while that of logistic and warehousing services increased 32.7% to HK$289.3 million (FY 2017/18: HK$218.1 million) respectively during the Year.

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 Year, the gross mall sales turnover from the outlet business increased by 20.9% to RMB1,747.4 million (FY2017/18: RMB1,445.0 million).The increase in income from logistics and warehousing services was mainly due to the increase in rent rate and operating areas of warehouse and the increase in the third party logistic service income during the Year.

Cost of Sales

The Group's cost of sales mainly includes construction costs of properties sold, construction costs of properties held for finance lease and operating costs of recurring business. During the Year, cost of sales increased by 9.3% to HK$5,834.7 million (FY2017/18: HK$5,336.2 million). The increase in cost of sales was basically in line with the increase of GFA of properties sold during the Year.

Gross Profit

Gross profit increased by 9.1% to HK$4,439.6 million (FY2017/18: HK$4,069.2 million). During the Year, gross profit margin was 43% (FY2017/18: 43%).

Other Income and Gains

Other income and gains decreased by 6.2% to HK$804.1 million (FY2017/18: HK$857.0 million), mainly due to the decrease in government grants of HK$540.9 million recognised during the Year (FY 2017/18: HK$783.9 million).

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 36.2% to HK$2,793.4 million (FY2017/18: HK$4,378.5 million). The decrease in fair value gains was mainly because the magnitude of increase of fair value gains of the investment properties during the Year 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 area, rental rate, 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 change in quantity of the investment properties, the change in market conditions and different construction phrases of our projects. During the Year, 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 decreased by 2.1% to HK$666.1 million (FY2017/18: HK$680.7 million). The decrease was mainly attributable to the effective cost control measures taken as to marketing activities for promoting the sales of properties during the Year.

Administrative Expenses

Administrative expenses decreased by 7.1% to HK$1,129.9 million (FY2017/18: HK$1,216.0 million). The decrease was primarily due to the actions taken by the Group to streamline human resources and the effective control of administrative costs. Besides, during the year, 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$14.6 million (FY2017/18: HK$42.1 million) were recorded.

Other Expenses

Other expenses slightly increased by 1.1% to HK$333.4 million (FY2017/18: HK$329.7 million). The other expenses recorded during the Year was mainly attributable to the impairment of goodwill of HK$134.2 million.

Finance Costs

Finance costs increased by 80.1% to HK$530.9 million (FY2017/18: HK$294.8 million), mainly attributable to the increase in bank and other borrowings for general operation purposes, with which the interest expenses was recorded in statement of profit or loss. Due to change of capital market, as at the end of March 2019, along with the increasing trend of market interest rate, the Group's weighted average financing cost was slightly increase to 7.17%, compared to 6.68% as at the end of March 2018.

Income Tax Expenses

Income tax expenses recorded a decreased of 6.5% to HK$2,133.7 million (FY2017/18: HK$2,281.1 million). The decrease in income tax expenses was due to the effect of the decrease in fair value gains of investment properties partly offset by the increase in revenue and operating profits during the Year.

Prepayments, Other Receivables and Other Assets

During the Year, prepayments, other receivables and other assets increased by 76.5% in aggregate to HK$2,847.7 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 prepayment of tax expenses.

Trade and Other Payables

Trade and other payables decreased by 31.0% to HK$15,729.2 million (31 March 2018: HK$22,807.8 million), mainly due to the adoption of new accounting standard, which resulted in reclassification of sales deposits received to contract liabilities during the Year. As at 31 March 2019, the balance of construction fees and retention payable and contract liabilities were HK$5,132.9 million and HK$13,655.1 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 types of bonds on the on-shore and off-shore market, which includes but not limited to senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds. The Group will continue to explore different financing means and to extend its financing channels.

Cash and Cash Equivalents and Restricted Cash

As at 31 March 2019, the Group had HK$9,359.8 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$5,933.8 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 31 March 2019, the total interest-bearing debts of the Group was HK$34,264.7 million (31 March 2018: HK$38,827.7 million) which decreased by HK$4,563.0 million. The financing channels 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$17,738.7 million as at 31 March 2019 (31 March 2018: HK$16,098.2 million), of which HK$8,778.9 million will be repayable within one year or on demand, HK$4,281.3 million will be repayable in the second year, HK$4,141.6 million will be repayable in the third to fifth years and HK$536.9 million will be repayable after five years. As at 31 March 2019, the Group's interest-bearing bank and other borrowings of approximately HK$15,640.9 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$38,655.6 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 4.08% to 12.35% (31 March 2018: 4.08% to 9.00%) per annum. Furthermore, as at 30 April 2019, the Group had unused banking facilities of approximately RMB12.84 billion. The Group will, depend on the needs of project development and working capital status, 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 had been cancelled in September 2018. After such 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 the 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 had been cancelled in September 2018. After such 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 the 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 had been cancelled in September 2018. After such 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 development 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 had been in September 2018. After such cancellation, the principal amount of the 2018 May Notes outstanding is US$243.0 million.

In March and June 2019, the Company issued senior notes due in March 2021 with a nominal value of US$200 million (equivalents to approximately HK$1,560 million) and US$60 million (equivalents to approximately HK$468 million) respectively, in a total of US$260 million (equivalents to approximately HK$2,028 million). These notes were consolidated and formed a single series of "2019 March Notes" at a coupon rate of 11.875% per annum. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes.

As at 31 March 2019, the carrying value of senior notes were HK$12,332.4 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. The first tranche of the medium-term notes of 2014 have been repaid in May 2019. 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. In April 2019, China South International issued the first tranche of the medium-term notes of 2019 with a total principal amount of RMB600 million with a maturity period of 3 years and at an interest rate of 8.5% per annum. The proceeds thereof were to be used for refinancing existing borrowings of the Group.

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 which the interest rate was 8.05% per annum which was early repaid in full in April 2019.

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. The first tranche and second tranche of the domestic company bonds of 2016 was repaid in January and May 2019, respectively.

In April 2019, China South International also obtained another two approvals for issuing the domestic company bonds with a maximum principal amount of RMB4.4 billion in total in the PRC. China South International may issue new domestic company bonds as when appropriates.

As at 31 March 2019, the carrying value of China South International's medium-term notes were HK$2,459.9 million, corporate bonds were HK$562,000 and domestic company bonds were HK$1,733.2 million respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 68.9% as at 31 March 2019, 77.4% as at 31 March 2018 respectively. The total liabilities over total assets ratio was 68.0% as at 31 March 2019 and 67.4% as at 31 March 2018, 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 63.2%, which represented a significant decrease when compared with that at same period of last year.

Net Current Assets and Current Ratio

As at 31 March 2019, the Group had net current assets of HK$4,365.8 million (31 March 2018: HK$8,368.8 million) at a current ratio of 1.09 (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 31 March 2019, the guarantees amounted to HK$15,219.0 million (31 March 2018: HK$12,574.5 million).

Commitments

As at 31 March 2019, the Group had future capital expenditure contracted but not yet provided for in the amount of HK$15,530.9 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 Year.

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material exposure to foreign exchange risk. During the Year, 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, for which all contracts have been expired as at 31 March 2019.

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 will be set out in the notes to financial statements.

Land for Projects and Restriction on Sales

The Group signs project agreements with local governments prior to the development of all projects in order to outline the long term blueprints of relevant projects. These agreements generally set out the size and use of lands and the related development plans. However, the actual acquisition of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may 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 31 March 2019, the Group had a workforce of approximately 5,200 people. The number of the Group's staff decreased by approximately 7.8% 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 Year, 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

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

Code provision A.6.7

Code Provision A.6.7 provides that Independent Non-Executive Directors and other Non-Executive Directors, and equal board members, should attend general meetings of the Company. During the Year, two Non-Executive Directors and two Independent Non-Executive Directors of the Company were unable to attend the last annual meeting of the Company held on 21 August 2018 as he 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 Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the Year in relation to the securities dealings, if any.

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 March 2019. It has also received the said consolidation financial statements.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the Year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

The Company repurchased part of the senior notes and an aggregated principal amount of US$37.0 million and was cancelled in September 2018, details are set out in the section of senior notes.

Save as disclosed above and notes to the financial statement of the Company's 2018/19 Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 September 2019 to 23 September 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. The ex-dividend date will be on 17 September 2019. In order to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 18 September 2019. The proposed final dividend, subject to the approval of the shareholders of the Company at the AGM, will be distributed on or about 21 October 2019 to shareholders of the Company whose names appear on the Register of Members on 23 September 2019.

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

Hong Kong, 26 June 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Chung Hing, Mr. Fung Sing Hong Stephen, Mr. Zhao Lidong and Ms. Cheng Ka Man Carman; the non-executive Directors of the Company are Dr. Ma Kai Cheung, SBS,, Mr. Cheng Tai Po and Mr. Lin Ching Hua; and the independent non-executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Mr. Yung Wing Ki Samuel, SBS, MH, JP.

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