華南城

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2019	2018	**Approximate**
	HK$'000	*HK$'000*	**Change %**
	(Unaudited)	(Unaudited)	
Contracted sales	**7,732,783**	6,802,958	**13.7**
Revenue	**5,827,158**	5,212,447	**11.8**
Among which, Recurring income	**1,197,059**	1,036,514	**15.5**
Gross profit margin	**39%**	41%	
Profit attributable to owners of the parent	**628,170**	848,179	**-25.9**
Core net profit attributable to owners of the parent*	**501,749**	420,142	**19.4**
Earnings per share – Basic	**HK7.75 cents**	HK10.59 cents	**-26.8**
	30 September	31 March	
As at	**2019**	2019	
Cash and bank balances	**9,279,660**	9,359,772	**-0.9**
Gearing ratio**	**69%(64%#)**	69%	

* 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, etc..

** Represents net debt to total equity.

Exclude exchange rate impact.

INTERIM RESULTS

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2019 ("1H FY2019/20" or the "Reporting Period") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**5,827,158**	5,212,447
Cost of sales		**(3,580,070)**	(3,095,492)
Gross profit		**2,247,088**	2,116,955
Other income and gains	*4*	**172,276**	392,978
Fair value gains on investment properties	*4*	**278,361**	875,971
Selling and distribution expenses		**(323,881)**	(348,027)
Administrative expenses		**(555,651)**	(598,414)
Other expenses		**(94,383)**	(218,178)
Finance costs	*5*	**(302,333)**	(302,074)
PROFIT BEFORE TAX	*6*	**1,421,477**	1,919,211
Income tax expenses	*7*	**(791,236)**	(1,070,202)
PROFIT FOR THE PERIOD		**630,241**	849,009
Attributable to:			
Owners of the parent		**628,170**	848,179
Non-controlling interests		**2,071**	830
		630,241	849,009
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**HK7.75 cents**	HK10.59 cents
Diluted			
– For profit for the period		**HK7.75 cents**	HK10.59 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**630,241**	849,009
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,483,907)**	(4,124,995)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(2,483,907)**	(4,124,995)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(1,853,666)**	(3,275,986)
Attributable to:		
Owners of the parent	**(1,850,538)**	(3,259,566)
Non-controlling interests	**(3,128)**	(16,420)
	(1,853,666)	(3,275,986)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,331,613**	1,400,177
Investment properties		**48,393,576**	52,464,934
Properties under development		**921,103**	979,151
Right-of-use assets		**1,286,853**	–
Prepaid land lease payments		**–**	1,328,747
Goodwill		**49,111**	49,111
Financial assets at fair value through profit or loss		**12,551**	12,965
Other long-term receivables		**242,550**	21,904
Deposits paid for purchase of land use rights and property		**30,183**	31,740
Deferred tax assets		**3,609,340**	3,578,802
Total non-current assets		**55,876,880**	59,867,531
CURRENT ASSETS			
Properties held for finance lease		**272,309**	295,545
Properties held for sale		**41,562,800**	39,155,078
Contract assets		**97,317**	99,621
Inventories		**118,087**	133,427
Trade receivables	*10*	**596,746**	1,064,890
Prepayments, other receivables and other assets		**2,724,531**	2,847,730
Financial assets at fair value through profit or loss		**152,283**	283,368
Cash and cash equivalents and restricted cash		**9,279,660**	9,359,772
Total current assets		**54,803,733**	53,239,431
CURRENT LIABILITIES			
Trade and other payables	*11*	**17,202,651**	15,729,226
Contract liabilities		**14,192,465**	13,655,066
Interest-bearing bank and other borrowings		**8,748,435**	8,778,903
Senior notes		**4,210,442**	2,314,682
Medium-term notes		**–**	2,459,903
Corporate bonds		**–**	562
Domestic company bonds		**1,556,063**	1,733,161
Tax payables		**4,048,986**	4,202,083
Total current liabilities		**49,959,042**	48,873,586
NET CURRENT ASSETS		**4,844,691**	4,365,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,721,571**	64,233,376

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
As at 30 September 2019

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,970,975**	8,959,775
Senior notes	**8,327,117**	10,017,690
Medium-term notes	**687,064**	–
Deferred tax liabilities	**8,868,052**	9,106,084
Other long-term payables	**49,434**	–
Total non-current liabilities	**26,902,642**	28,083,549
Net assets	**33,818,929**	36,149,827
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,222,312**	7,222,312
Other reserves	**26,525,287**	28,768,281
	33,747,599	35,990,593
Non-controlling interests	**71,330**	159,234
Total equity	**33,818,929**	36,149,827

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2019

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019.

Other Information

The financial information relating to the year ended 31 March 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) 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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, property and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in trade and other payables and other long-term payables.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,483,578
Decrease in prepaid land lease payments	(1,328,747)
Decrease in prepayments, other receivables and other assets	(35,036)
Increase in total assets	119,795
Liabilities	
Increase in trade and other payables	48,262
Increase in other long-term payables	71,533
Increase in total liabilities	119,795

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000 (Unaudited)
Operating lease commitment as at 31 March 2019	152,512
Weighted average incremental borrowing rate as at 1 April 2019	6.84%
Discounted operating lease commitments as at 1 April 2019	124,258
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	4,463
Lease liabilities as at 1 April 2019	119,795

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, properties held for finance lease and properties held for sale, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for "properties under development", "properties held for finance lease" and "properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognized in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "trade and other payables" and "other long-term payables"), and the movement during the period are as follow:

	Right-of-use assets				
	Land	**Property**	**Machinery**	**Total**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2019	1,362,834	120,602	142	1,483,578	119,795
Additions	–	107	–	107	115
Transfer to properties held for sale	(87,264)	–	–	(87,264)	–
Depreciation charge	(16,960)	(22,025)	(47)	(39,032)	–
Interest expense	–	–	–	–	3,197
Exchange realignment	(65,064)	(5,466)	(6)	(70,536)	(5,475)
Payments	–	–	–	–	(22,879)
As at 30 September 2019	1,193,546	93,218	89	1,286,853	94,753

3. SEGMENT INFORMATION

	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 September 2019					
Segment revenue:					
Sales to external customers	4,630,099	389,268	324,566	483,225	5,827,158
Intersegment sales	–	164,319	77,654	127,282	369,255
	4,630,099	553,587	402,220	610,507	6,196,413
Reconciliation:					
Elimination of intersegment sales					(369,255)
Revenue					5,827,158
Segment results before increase in fair value of investment properties	1,723,175	390,705	112,434	151,470	2,377,784
Increase in fair value of investment properties	–	278,361	–	–	278,361
Segment results after increase in fair value of investment properties	1,723,175	669,066	112,434	151,470	2,656,145
Unallocated cost of sales					(130,696)
Interest income					82,693
Fair value losses on financial assets at fair value through profit or loss, net					(8,531)
Unallocated income and gains					98,114
Unallocated expenses					(973,915)
Finance costs					(302,333)
Profit before tax					1,421,477
As at 30 September 2019					
Segment assets	46,653,717	49,807,775	111,664	1,280,008	97,853,164
Reconciliation:					
Unallocated assets					12,827,449
Total assets					110,680,613
Segment liabilities	17,892,322	7,892,910	134,381	603,755	26,523,368
Reconciliation:					
Unallocated liabilities					50,338,316
Total liabilities					76,861,684

	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 September 2018					
Segment revenue:					
Sales to external customers	4,175,933	377,609	204,768	454,137	5,212,447
Intersegment sales	–	68,820	170,790	75,439	315,049
	4,175,933	446,429	375,558	529,576	5,527,496
Reconciliation					
Elimination of intersegment sales					(315,049)
Revenue					5,212,447
Segment results before increase in fair value of investment properties and impairment of goodwill	1,669,970	336,905	53,908	244,925	2,305,708
Increase in fair value of investment properties	–	875,971	–	–	875,971
Impairment of goodwill	–	(134,228)	–	–	(134,228)
Segment results after increase in fair value of investment properties and impairment of goodwill	1,669,970	1,078,648	53,908	244,925	3,047,451
Unallocated cost of sales					(188,753)
Interest income					52,215
Fair value loss on financial assets at fair value through profit or loss, net					1,206
Loss on disposal of financial asset at fair value through profit or loss, net					(16,043)
Unallocated income and gains					355,600
Unallocated expenses					(1,030,391)
Finance costs					(302,074)
Profit before tax					1,919,211
As at 31 March 2019 (Audited)					
Segment assets	45,906,024	52,709,250	130,837	1,379,046	100,125,157
Reconciliation:					
Unallocated assets					12,981,805
Total assets					113,106,962
Segment liabilities	18,804,518	9,034,233	156,672	705,826	28,701,249
Reconciliation:					
Unallocated liabilities					48,255,886
Total liabilities					76,957,135

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

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of properties	**4,603,754**	4,139,698
Property management service income	**324,566**	204,768
Others*	**338,843**	332,676
Revenue from other sources		
Rental income	**389,268**	377,609
Finance lease income	**26,345**	36,235
Others*	**144,382**	121,461
	5,827,158	5,212,447
Other income		
Interest income	**82,693**	52,215
Government grants**	**30,113**	240,105
Others	**36,995**	32,944
	149,801	325,264
Gains/(losses)		
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	**(8,531)**	1,206
(Losses)/gains on disposal of subsidiaries	**(12)**	24,515
Loss on disposal of financial assets at fair value through profit or loss, net	**–**	(16,043)
Gain on repurchase of assets-backed securities	**19,510**	–
Gain on repurchase of the senior notes	**18,177**	70,283
Exchange losses, net	**(6,669)**	(12,247)
	22,475	67,714
	172,276	392,978
Fair value gains on investment properties	**278,361**	875,971

* Others include amounts of HK$201,303,000 (six months ended 30 September 2018: HK$168,596,000) related to income from outlet operations and HK$196,392,000 (six months ended 30 September 2018: HK$134,910,000) related to income from logistics and warehousing services.

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

5. FINANCE COST

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	**1,339,904**	1,354,144
Interest on lease liabilities	**3,197**	–
Less: Interest capitalised	**(1,040,768)**	(1,052,070)
Total	**302,333**	302,074

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,897,055**	2,494,128
Cost of properties held for finance lease	**9,869**	11,835
Depreciation of property, plant and equipment	**61,463**	71,101
Less: Depreciation capitalised in respect of properties under development	**(166)**	(243)
	61,297	70,858
Depreciation of right-of-use assets/ amortisation of prepaid land lease payments	**39,032**	16,525
Losses/(gains) on disposal of subsidiaries	**12**	(24,515)
Provision for impairment of trade receivables*	**58,222**	26,277
Equity-settled share option expense	**1,006**	13,568
Impairment of goodwill*	**–**	134,228

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

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 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 at the statutory rate of 25% (six months ended 30 September 2018: 25%) on their respective taxable income during the period.

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

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China corporate income tax	**360,370**	447,058
LAT in Mainland China	**429,874**	348,736
Deferred:		
Mainland China corporate income tax	**93,580**	353,017
LAT in Mainland China	**(107,469)**	(87,184)
Withholding tax on dividends	**14,881**	8,575
Total tax charged for the period	**791,236**	1,070,202

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

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

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**628,170**	848,179

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**8,107,228,848**	8,009,571,999

9. DIVIDENDS

The final dividend of HK5.0 cents per share amounting to HK$405,361,000 for financial year ended 31 March 2019 was approved on 13 September 2019, which was paid on 21 October 2019.

At a meeting of the Board held on 20 November 2019, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2018: Nil).

10. TRADE RECEIVABLES

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. 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 30 September 2019 and 31 March 2019, based on the payment due date, net of loss allowance, is as follows:

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Within 1 month	**307,908**	628,622
1 to 2 months	**35,215**	74,424
2 to 3 months	**26,744**	26,808
Over 3 months	**226,879**	335,036
Total	**596,746**	1,064,890

11. TRADE AND OTHER PAYABLES

	Notes	**30 September 2019** *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Other payables and accruals		**6,064,826**	5,500,942
Notes payable	*(i)*	**2,486,259**	2,951,877
Advanced rental and other receipts		**3,128,318**	2,135,255
Refund liabilities		**1,599**	8,273
Lease liabilities		**45,319**	–
Dividend payable		**405,361**	–
Construction fee and retention payables	*(ii)*	**5,070,969**	5,132,879
Total		**17,202,651**	15,729,226

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**245,709**	1,102,099
Over 3 months	**2,240,550**	1,849,778
Total	**2,486,259**	2,951,877

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**3,926,833**	3,906,003
Over 1 year	**1,144,136**	1,226,876
Total	**5,070,969**	5,132,879

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China South City Holdings Limited (the "Company") together with its subsidiaries ("China South City" or the "Group"), I am pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 September 2019 ("1H FY2019/20" or the "Reporting Period").

During the Reporting Period, both domestic and international economies were still mired in complex and grim conditions amidst global economy slowdown, coupled with increasing external uncertainties. The Chinese economic growth slowed down in face of escalating China-US trade frictions and growing downward pressure. In the third quarter, China's GDP growth slowed to 6% year-on-year, below market expectations. Nevertheless, the Manufacturing Purchasing Managers' Index (PMI) rebounded to 51.7% in October, returning to the expansion territory. In addition, the General Office of the CPC Central Committee and the General Office of the State Council issued the "Guiding Opinions on Promoting the Sound Development of Small and Medium-sized Enterprises" (《關於促進中小企業健康發展的指導意見》) in April to create more room for small and medium-sized enterprises (SMEs) in the market, which is believed to stabilize their growth and employment. With the steady progress of economic restructuring and successive implementation of policies and measures to support the development of the real economy, confidence among enterprises was fairly restored and the manufacturing market has expanded steadily as a whole.

On the other hand, there has been a tightening trend in China's real estate regulation and control policies, "Housing is for Living in, Not for Speculation" dominates real estate policies and the strength remains with regulation and control. This, together with an emphasis on executing the strategy of "One City, One Strategy" and "City-specific Policies", aims to ensure the steady and sound development of the real estate market. The demand in first-tier cities continued to rise while the overall performance of second-tier cities remained stable. The transaction volume in third and fourth-tier cities declined slightly while that of new housing markets in large-and-medium-sized cities nationwide rose before falling in the first half of the year. In face of an increasingly complex and challenging business environment, China South City has maintained a diverse business model and has been flexible in formulating strategies and response, seeking to cohere with national development strategies and capture future growth opportunities. The Group will continue to lower inventory and reduce overall debts while ensuring a steady growth of revenue, to lay a good foundation for long-term business development.

To optimize business management, the Group established the investment development division in early 2019 for the management of project development and construction, and the business management division for merchants recruitment and project operation, with a view to enabling the professional teams to have better focus. After more than half a year of establishment, adaptation with specified management targets and incentives, this adjusted management model has delivered its initial effect in 1H FY2019/20. Furthermore, to cope with the uncertain external economic environment, the Group strengthened its cost management in FY2019/20 with a number of cost cutting measures in place to increase efficiency. The Group is committed to enhancing its business management operations for market expansion to achieve sustainable growth in brand value.

Results and Dividends

Facing external uncertainties and the economic downturn, China South City met challenges proactively. Apart from strategically adjusting its business management structure, it has further ramped up cost management and operation management services, and closely adhered to construction and sales. During the Reporting Period, the contracted sales of the Group increased by 13.7% to HK$7,732.8 million (1H FY 2018/19: HK$6,803.0 million); revenue rose by 11.8% to HK$5,827.2 million (1H FY2018/19: HK$5,212.4 million), with recurring income up by 15.5% to HK$1,197.1 million (1H FY2018/19: HK $1,036.5 million).

Net profit attributable to owners of the parent decreased by 25.9% to HK$628.2 million (1H FY2018/19: HK$848.2 million), while core net profit attributable to owners of the parent (being net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, provision for impairment of goodwill, etc.) increased by 19.4% to HK$501.7 million (1H FY2018/19: HK$420.1 million). Basic earnings per share increased to HK7.75 cents (1H FY2018/19: HK10.59 cents).

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (1H FY2018/19: Nil).

REVIEW OF THE MARKET AND OPERATIONS

Initial Achievement of Specific Work Division between Investment Development and Business Management for Comprehensive Business Portfolio Development

In a bid to capture market opportunities brought by industry upgrade and transformation and to support CSC's long-term development, the Group placed its focus on the strategic direction of "Emphasizing on Merchants Recruitment and Strengthening Operation" during 1H FY2019/20. More specific work division between investment development and business management enabled China South City to deliver more precise execution in project development, construction and sales as well as tenants recruitment and management, and better cater to the needs of project development in the meantime. The effect of such specific work division gradually surfaced during the Reporting Period.

During the Reporting Period, China South City saw continued improvement in development efficiency that keep pace with sales in a better way under the management of investment development division. Contracted sales increased by 13.7% from HK$6,803.0 million in 1H FY2018/19 to HK$7,732.8 million during the Reporting Period. Furthermore, in response to the demand of the maturing intercity transportation network bring to CSC projects, multi-purpose offices and apartments were launched in a few CSC projects, which in turn facilitated the lowering of inventory and debt reduction. In 1H FY2019/20, multi-purpose offices and apartments achieved cumulative contracted sales of approximately HK$2,157 million with a contracted sales GFA of approximately 249,800 sq. m, accounting for approximately 27.9% of the total contracted sales. In the future, China South City will roll out more property types to answer to market demands in different projects.

CSC projects cover various industries with different businesses in each project that caters to local development needs. In recent years, to further promote the operating results, China South City has strengthened its cooperation with chambers of commerce of different industries, large-scale enterprises and tenants of relocated wholesale markets, to build "customized" trade centers and ancillary facilities. This could effectively meet the needs of future operation at the stage of project design and development, while at the same time lessen the stress in subsequent tenants recruitment.

During the Reporting Period, the business management division continued to bring in industries and business tenants that can bring about positive synergy for CSC projects, to strive continuous increase in the operating areas of these tenants in CSC projects, to improve internal management and management efficiency, and to enhance project management quality as well as core competitiveness of integrated business management. The Group also focused on individual industries, particularly such industry parks in relation to "E-commerce", "Education" and "Mega Healthcare". During the Reporting Period, CSC Hefei managed to add an excess of 80,000 sq.m. for the education industry. The Group has also successively established and consolidated its e-commerce industry parks across its projects in Shenzhen, Zhengzhou, Nanchang, Nanning and Harbin. CSC has also bolstered merchants recruitment and services for cross-border e-commerce or e-commerce start-ups in a bid to cater to regional development needs. Some of these projects have become national or provincial-level projects and attracted more leading industry players to join and develop.

Continue Diversified Recurring Business to Support the Group's Long-term Healthy Development

As a leading developer and operator of large-scale integrated logistics and trade centers in China, the Group will keep abreast of market changes, committed to enhance the management level of its existing business and broaden the diversification of its recurring business, in order to bring about a solid support for the steady growth in long-term development.

In FY2019/20, China South City focused on consolidating resources of its existing business, exploring a diverse light-asset integrated management business, including commercial complexes management, project and property management, outlets operation and operation of HOBA Furnishing. Placing existing light-asset business under the business management division would effectively improve performance of various businesses, reduce costs and enhance complementary and synergy between the light-asset business and project operation, and help to project China South City onto a path of high-quality and diverse development.

With its warehousing and logistics service gradually extended from leasing focus to comprehensive third-party logistics services, the Group has secured a number of warehousing and distribution or transportation projects from renowned brands. The Group's warehousing and logistics team has not only successfully expanded client base to food industry, but also chemical products, building materials and infrastructure industries in logistics transportation. Its customers include China Top 500 and Fortune 500 enterprises. With good service quality and years of experience, the logistics service has been highly recognized by customers.

China South City has earned National First-Class Property Management Qualification and become one of the few integrated commercial management firms capable of managing both trade center premises and residential properties in China. During the Reporting Period, the Group further improved its service efficiency and quality; it further realized intelligent property management through the introduction of intelligent elevator control systems and other measures. In addition, with the increasingly mature operation of the project, the demand for traffic management and parking has been increasing. During the Reporting Period, the Group has started to implement parking charge service in a number of projects, which effectively standardized traffic management and opened up a new sustainable source of income for the Group.

The outlet business has long been a segment with strong cash flow of the Group. During the Reporting Period, outlet business continued to consolidate self-owned brands business operation, reinforce internal management and control of tenant quality, and contribute to stable business growth for the Group.

HOBA Furnishing has put great effort in developing a pan-industry base for home furnishing that integrates exhibition, warehousing and logistics. During the Reporting Period, a total of 19 franchise stores and corporate stores were opened in China. HOBA Furnishing operates flagship corporate stores in a number of CSC projects. These projects are a success in attracting customers, stimulating consumption and complementing the flow of visitors for other industries in the projects. In order to further create brand synergy between China South City and HOBA Furnishing, HOBA Furnishing will make more efforts in the expansion of corporate stores in CSC projects, and attract more tenants of furnishing industry for the projects.

Prudent and Sound Financial Management, Flexible and Smooth Financing Channels

During the Reporting Period, the Group maintained diversified and extensive financing channels. In the overseas market, the Group further issued US$60 million 11.875% 2-year senior notes in June 2019. Domestically, the Group issued RMB600 million 8.5% medium-term notes in April 2019 and RMB1.4 billion 8% company bonds in August. In September 2019, the Group also obtained an RMB750 million quota of housing mortgage asset-backed securities (ABS), and the issuance could be arranged based on the needs of the Group and market conditions. By effectively utilizing domestic and overseas bond issuance quota, the Group was able to optimize its overall bond structure and maintained smooth and diverse financing channels both domestically and overseas. In addition, the Group has strengthened its cooperation with commercial banks and continued to obtain various types of credit lines from them to meet its financing needs and effectively reduce finance costs. China South City is also committed to increasing the proportion of long-term loans and strengthening cash flow management. During the Reporting Period, the Group has obtained a fixed-assets backed facility of RMB600 million for 15 years from a major state-owned bank, which provided a solid support for the Group's future development. Through effective application of note facilities from domestic and oversea capital markets, bank loans and internal operating cash flows, the Group has continuously reduced its liabilities during the Reporting Period with a lower gearing ratio (excluding the impact of RMB depreciation), enabling the Group to reduce its overall liabilities and stabilize its financial position in an uncertain economic environment. Looking into the second half of the year, the Group will continue with its prudent and sound financial management strategy as well as diversified, flexible and smooth financing channels, strive for better capital management, strike a balance between financial stability and business development, and thereby creating maximum value for shareholders.

Prospects

Looking ahead to the second half of this financial year, uncertain factors at home and abroad may exert certain impact on the stable growth of China's economy. However, it is believed that the Chinese government will continue to predominantly "Stabilize Land, Housing Prices and Market Expectations" in the real estate industry and promote active execution of "City-specific Policies" and "One City, One Strategy", so as to maintain the stable and sound development of the market.

The Group will remain prudent and optimistic, confront challenges proactively and strive to make progress while maintaining stability. The "Trade and Logistics +" model that China South City has adhered to for years will help the Group integrate resources in its advantageous environment, optimize capital operation, intensify cost control and give priority to efficiency. The Group will sustain its efforts to promote industrial upgrade and transformation and drive the maturity of its project ecosystem for "Integrating Industries into Projects, Building Beautiful New Cities Conducive to Work and Life".

Last but not least, 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 members of 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, 20 November 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Effective and Professional Management Model to Promote Strategic Upgrade of Business

During 1H FY2019/20, affected by factors such as Sino-US trade friction and the increasing risk and challenge in external environment, China faced continuous risk and challenge in economy development. Despite slowing economic growth, China has maintained its key macro-economic indicators within an appropriate floating range. With the on-going progress in supply-side reform that optimize economic structure, the Chinese economy by and large remained stable growth. Following the official introduction of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) at the beginning of 2019, policies, for example, the Master Plan for Six New Pilot Free Trade Zones (《關於6個新設自由貿易試驗區總體方案》) and the Opinions of the CPC Central Committee and the State Council on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics (《中共中央國務院關於支援深圳建設中國特色社會主義先行示範區的意見》) were introduced successively, which will benefit a number of the Group's projects, and continue to create opportunities for the Group and its stakeholders.

For over a decade, China South City has established its presence with eight large-scale projects in a first-tier city, provincial capitals and a direct-administered municipality in Mainland China through the successful establishment of multiple well-rounded projects containing trade centers, warehousing and logistics facilities, e-commerce, exhibition centers, residential and local amenities, multi-purpose office and apartment ancillary and commercial complexes. It is committed to building a modern integrated trading platform with "extensive businesses, comprehensive supporting facilities, integration of industries and cities and suitable working and living environment", which attracts a wide range of businesses including "wholesale, retail and e-commerce" and integrates various industries to bring sustainable business development for the Group. China South City owns multiple business brands such as Huasheng Outlets, Qianlong Logistics and HOBA Furnishing, supporting a full-chain ecosystem that incorporates both platform and business. In line with the pace of development, the Group successively launched "1668 Square", a modern integrated commercial complex combining office building, hotel, apartments and high-end shopping mall, in various projects. It acts as a supplement to businesses in all China South City projects to attract more enterprises and tenants. During the Reporting Period, 1668 Pioneer Park Zone 1 Project in CSC Nanning was listed as the "2019 Key Industry Project of Jiangnan District, Nanning (2019年南寧江南區重點產業項目)" by the local government as the urbanization project of Jiangnan District, Nanning. The integrated commercial projects, outlet operation, HOBA Furnishing, property management and various light-asset businesses management of the Group would complement one another in achieving synergy to create diverse revenue streams and increase project values.

Over the years, China South City strives to be a leading developer and operator of large-scale integrated logistics and trade centers in China, pushing forward the transformation and upgrade of regional economies and new urbanization. With the eight CSC projects growing in maturity, project development and merchants recruitment take place concurrently, which added difficulties to project management. The Group established its investment development division and business management division last year to increase efficiency and professional project development management, as well as merchants recruitment. The investment development division conducts overall control on development progress and cost, continuously enhancing milestone management and sales team building to enable better coordination between the quality and progress of development and sales. During 1H FY2019/20, the Group recorded an increase of approximately 13.7% in contracted sales compared to the same period of last year. The business management division works towards high quality development by introducing increased number of large-scale established enterprises. During 1H FY2019, each of the Group's business operations maintained stable and positive growth. The growth momentum of recurring business sustained, with recurring income increasing by 15.5% to HK$1,197.1 million compared to the same period of last year. The Group will further optimize its management model and facilitate its business upgrade to build a core business model with greater market competitiveness.

During 1H FY2019/20, the Group's total revenue increased by 11.8% to HK$5,827.2 million (1H FY2018/19: HK$5,212.4 million). Its recurring income grew by 15.5% year-on-year from HK$1,036.5 million in 1H FY2018/19 to HK$1,197.1 million in the Reporting Period, accounting for 20.5% of the total revenue (1H FY2018/19: 19.9%). Gross profit margin was 39% (1H FY2018/19: 41%). Net profit attributable to owners of the parent was HK$628.2 million (1H FY2018/19: HK$848.2 million). Basic earnings per share amounted to HK7.75 cents (1H FY2018/19: HK10.59 cents).

Investment Development Division

Project Investment and Development

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 for its eight projects covering extensive businesses. To meet the needs of local project development, the investment development division mainly focuses on the development, construction and sale of China South City projects, building properties that correspond to the demands at different stages of the projects and provide solid support for the expansion of China South City. This lays an important foundation for the full-chain ecosystem of China South City. As such, one of the major focuses of the investment development division was the construction of multi-purpose office and apartment ancillary which integrated comprehensive modern shopping mall, offices, hotels and apartments perfectly addressing residents' demands in work, life and entertainment. As the intercity traffic and various local supporting facilities keep improving, the multi-purpose office and apartment ancillary developed by the Group in cities like Xi'an, Zhengzhou, Nanning, Shenzhen are well received by the market. Besides, in order to further enhance the efficiencies of development and merchant recruitment, and better fit the needs of end-users. China South City has carried out "tailored" development and construction with established enterprises, chambers of commerce or those relocated from old wholesale markets. In respect of development and management, our investment development division has conducted refined control and management over projects and fully launched the "project management system (計劃管理系統)" for an overall monitoring of project procedures during the Reporting Period, which effectively facilitated and enhanced project progress, safety and efficiency.

In 1H FY2019/20, the Group recorded total contracted sales of approximately HK$7,733 million, increased by approximately 13.7% compared to the same period of last year with contracted sales GFA of approximately 874,800 sq.m., among which 1,286,500 sq.m. is expected to be completed by FY2019/20.

Contracted sales

	1H FY2019/20				1H FY2018/19			
	GFA *(sq.m.)*	**Average selling price (before deduction of sales tax)** *(HK$/sq.m.)*	**Contracted amount (before deduction of sales tax)** *(HK$'million)*	**% of total contracted sales amount**	GFA *(sq.m.)*	Average selling price (before deduction of sales tax) *(HK$/sq.m.)*	Contracted amount (before deduction of sales tax) *(HK$'million)*	% of total contracted sales amount
CSC Shenzhen	**1,800**	**14,700**	**26.5**	**0.3%**	**800**	**15,400**	**12.3**	**0.2%**
– Multi-purpose office & apartment	1,800	14,700	26.5	0.3%	800	15,400	12.3	0.2%
CSC Nanchang	**28,900**	**13,300**	**384.1**	**5.0%**	**37,800**	**8,200**	**309.9**	**4.6%**
– Trade center	400	10,300	4.1	0.1%	500	9,200	4.6	0.1%
– Residential property	28,500	13,300	380.0	4.9%	37,300	8,200	305.3	4.5%
CSC Nanning	**51,600**	**8,300**	**429.7**	**5.6%**	**35,700**	**10,500**	**374.9**	**5.5%**
– Trade center	2,700	12,100	32.8	0.4%	3,000	10,800	32.4	0.5%
– Residential property	3,700	10,200	37.8	0.5%	29,800	10,500	314.0	4.6%
– Multi-purpose office & apartment	45,200	7,900	359.1	4.7%	2,900	9,800	28.5	0.4%
CSC Xi'an	**158,700**	**9,300**	**1,474.1**	**19.1%**	**92,200**	**8,000**	**735.4**	**10.8%**
– Trade center	32,000	9,200	295.7	3.8%	46,100	7,300	334.4	4.9%
– Multi-purpose office & apartment	126,700	9,300	1,178.4	15.3%	46,100	8,700	401.0	5.9%
CSC Zhengzhou	**371,400**	**8,700**	**3,242.3**	**41.9%**	**220,400**	**9,800**	**2,168.9**	**31.9%**
– Trade center	103,600	7,200	747.4	9.6%	27,200	8,000	218.8	3.2%
– Residential property	191,700	9,900	1,901.5	24.6%	193,200	10,100	1,950.1	28.7%
– Multi-purpose office & apartment	76,100	7,800	593.4	7.7%	–	–	–	0.0%

	1H FY2019/20				1H FY2018/19			
	GFA *(sq.m.)*	**Average selling price (before deduction of sales tax)** *(HK$/sq.m.)*	**Contracted amount (before deduction of sales tax)** *(HK$'million)*	**% of total contracted sales amount**	GFA *(sq.m.)*	Average selling price (before deduction of sales tax) *(HK$/sq.m.)*	Contracted amount (before deduction of sales tax) *(HK$'million)*	% of total contracted sales amount
CSC Harbin	**111,600**	**7,500**	**840.7**	**10.9%**	**24,800**	**6,600**	**164.5**	**2.4%**
– Trade center	19,500	7,900	154.4	2.0%	14,200	7,500	105.9	1.6%
– Residential property	92,100	7,500	686.3	8.9%	10,600	5,500	58.6	0.8%
CSC Hefei	**1,300**	**14,300**	**18.6**	**0.2%**	**147,800**	**11,400**	**1,687.8**	**24.8%**
– Trade center	700	12,000	8.4	0.1%	–	–	–	0.0%
– Residential property	600	17,000	10.2	0.1%	147,800	11,400	1,687.8	24.8%
CSC Chongqing	**149,500**	**8,800**	**1,316.8**	**17.0%**	**168,700**	**8,000**	**1,349.3**	**19.8%**
– Trade center	2,500	7,900	19.8	0.2%	25,300	7,400	187.3	2.7%
– Residential property	147,000	8,800	1,297.0	16.8%	143,400	8,100	1,162.0	17.1%
Total/average	**874,800**	**8,800**	**7,732.8**	**100.0%**	**728,200**	**9,300**	**6,803.0**	**100.0%**
– Trade center	161,400	7,800	1,262.6	16.3%	116,300	7,600	883.4	13.0%
– Residential property	463,600	9,300	4,312.8	55.8%	562,100	9,700	5,477.8	80.5%
– Multi-purpose office & apartment	249,800	8,600	2,157.4	27.9%	49,800	8,800	441.8	6.5%

China South City Shenzhen

China South City Shenzhen ("CSC Shenzhen"), the Group's first project, is situated at the Pinghu Logistics Base in Longgang District, Shenzhen. With the local government further developing Longgang District as an innovation center in Shenzhen East, its ancillary infrastructure on logistics, healthcare and education will continue to advance, bringing more convenience to tenants of CSC Shenzhen. Transportation around the project has also been improving. CSC Shenzhen is only 2.6 kilometers away from the Pinghu Railway Station. According to Shenzhen Metro Planning, subway line 10 passing through CSC Shenzhen is expected to put into service in mid-2020. Upon completion, it will generate more business opportunities and uplift visitor traffic for CSC Shenzhen.

Positioned as a modern large-scale integrated logistics and trading platform to serve the Greater Bay Area, CSC Shenzhen covers a wide spectrum of product range, including textile and clothing, leather and accessories, electronic parts, printing, paper products and packaging, metals and chemicals, plastic materials, hotel supplies, tea and teaware, cross-border products, e-commerce, outlets, home furnishing, children education, produce and flower market, etc., on its trade center premises, complementary with various facilities and services on site, such as banking and finance, hotels and restaurants, governmental bodies, leisure and entertainment, etc. In addition, CSC Shenzhen provides micro-credit supporting service for on-site small and medium-sized enterprises ("SMEs"), assisting them in resolving financing difficulties for business operations.

CSC Shenzhen covers a land area of approximately 1.06 million sq.m. and a total planned GFA of approximately 2.64 million sq.m.. As of the 1H FY, Phases I and II and part of Phase III of CSC Shenzhen's 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 office and apartment ancillary and approximately 356,200 sq.m. of warehousing and other facilities. Phase III of the project development is currently under construction. As at 30 September 2019, the development and construction was underway with a GFA of approximately 185,000 sq.m..

China South City Nanchang

China South City Nanchang ("CSC Nanchang") is located at Honggutan New District of Nanchang, the capital of Jiangxi Province. Situated at the transportation hub for the Yangtze River Delta and Pearl River Delta, the project is readily accessible to suppliers, manufacturers and merchants via major highways, the largest port on the Gan River and a complete freight network which includes a cargo marshal yard, a container terminus and an international airport, coupled with Nanchang West Railway Station – a principal high-speed rail station just 1.2 km away. As a new business center of Nanchang, Honggutan New District is becoming more influential in administrative, commercial and cultural aspects day by day. The completion of local amenities helps drive visitor traffic and generate business opportunities, laying a solid foundation for the development of CSC Nanchang.

CSC Nanchang is now in operation with on-going development and construction, and currently covers industries including building and decoration materials, small commodities, textile and clothing, leather and accessories, healthy and green products, e-commerce, outlets, etc., on its trade center premises. A primary school is established in the project to cope with the demand in the course of development.

CSC Nanchang covers a total planned land area of approximately 2.61 million sq.m. and a total planned GFA of approximately 6.87 million sq.m.. As of the 1H FY, the total completed GFA of CSC Nanchang was approximately 2.40 million sq.m., 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 at 30 September 2019, construction of residential ancillary, trade center, multi-purpose office and apartment ancillary with a GFA of approximately 426,000 sq.m. was underway.

China South City Nanning

China South City Nanning ("CSC Nanning") is located at Jiangnan District of Nanning, the capital of the Guangxi Zhuang Autonomous Region, a critical gateway between China and the Association of Southeast Asian Nations ("ASEAN") member states. The project is easily accessible by railway stations, highways and an international airport. In August 2019, the State Council has officially approved to set up China (Guangxi) Pilot Free Trade Zone, establishing sea outlets for the southwestern, central-south and northwestern regions, as well as a new international land-sea trade corridor targeting the ASEAN region. Strategically located in close proximity to Southeast Asia and enjoying the advantage of a tariff waiver on cross-border trade activities within the China-ASEAN Free Trade Area, CSC Nanning endeavors to serve as a key hub for cross-border trade catering to the demand from the Northern Bay Region and Southeast Asia. CSC Nanning was conferred as "China-ASEAN Plaza" in 2011, and formalized the establishment of "China-ASEAN Digital Trade Hub" and "New Western Land-Sea Corridor Digital Trade Hub" in the project area in 2019, forging a regional trade and logistics hub. CSC Nanning has also been awarded as "National AAA Class Tourist Attraction".

CSC Nanning is now in operation with on-going development and construction, and currently covers industries including textile and clothing, small commodities, ASEAN products, home furnishing, tea and teaware, groceries, automobiles and parts, outlets, etc., on its trade center premises. Through organizing a series of exhibitions, such as the China-ASEAN Expo Light Industrial Exhibition, Folk Culture Festival cum Expo, traffic flow to the project as well as regional brand recognition of the project were enhanced. There is also a primary school established in the project to cope with the demand in the course of development. CSC Nanning also provides micro-credit supporting service for on-site SMEs, assisting them in resolving financing difficulties in business operations.

CSC Nanning covers a planned net land area of approximately 1.83 million sq.m. and a total planned GFA of approximately 4.88 million sq.m.. As of the 1H FY, the total completed GFA of CSC Nanning was approximately 1.95 million sq.m., 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. As at 30 September 2019, construction with a GFA of approximately 154,300 sq.m. was underway.

China South City Xi'an

China South City Xi'an ("CSC Xi'an") is located at the Xi'an International Trade and Logistics Park in Shaanxi Province. As a local key project, the Xi'an International Trade and Logistics Park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution center along the Silk Road Economic Belt and an important strategic platform for the "Belt and Road" initiative. In addition, the Xi'an International Trade and Logistics Park is one of the three largest clusters of China (Shaanxi) Pilot Free Trade Zone. Benefiting from the geographic advantages of the Xi'an International Trade and Logistics Park, CSC Xi'an is highly accessible via the Xi'an City Expressway and Beijing-Kunming Expressway, Lianyungang-Khorgos Expressway, Shaanxi-Shanghai Expressway, Baotou-Maoming Expressway and other national highways, forming an intricate spider network which opens to all directions. Besides, the strategic location of CSC Xi'an is connected to an extensive traffic network linking a railway container terminal and the largest bonded area in the northwestern region of China, along with two planned subway lines that cross the project site. Subway line 3, which passes through CSC Xi'an, has commenced operation. In addition, a new stadium is slated to host the 14th National Games of the People's Republic of China in 2021, which is two kilometers away from CSC Xi'an, and the subway line 14 connected to the venue will set up the "Gangwudadao Station" near the project and is expected to put into service in 2021. These subway lines and the stadium will generate more visitor traffic and business opportunities for the Xi'an International Trade and Logistics Park and thus further enhance the project value of CSC Xi'an.

CSC Xi'an is now in operation with on-going development and construction, and currently covers industries including hardware and machinery, curtains and fabrics, textile and clothing, leather and fur, automobiles and parts, building and decoration materials, outlets, Central Asia and ASEAN product exhibition center, etc., on its trade center premises. Leveraging its geographical advantage as the starting point of the Silk Road Economic Belt, CSC Xi'an is actively poised to capture the immense opportunities arising from the "Belt and Road" initiative.

CSC Xi'an covers a total planned land area of approximately 10.00 million sq.m. and the total planned GFA of approximately 17.50 million sq.m.. As of the 1H FY, the total completed GFA of CSC Xi'an was approximately 1.79 million sq.m., 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. As at 30 September 2019, construction of trade centers, warehousing facilities, multi-purpose office and apartment ancillary with a GFA of approximately 1.13 million sq.m. was underway, of which approximately 194,200 sq.m. of trade centers and multi-purpose office and apartment ancillary is expected to be completed in FY2019/20.

China South City Harbin

Located at the Daowai District of Harbin, the capital of Heilongjiang Province, China South City Harbin ("CSC Harbin") fully utilizes its advantageous location in Northeast China, a premier hub for cross-border trade with countries in Northeast Asia. Its proximity to the China-Russia border helps to facilitate economic activities within the region. Leveraging the opportunities arising from the area's development potential, CSC Harbin endeavors to become the largest integrated logistics and trade center in Northeast China. In addition, Xinxiangfang North Station of Harbin – Mudanjiang High Speed Rail (哈牡高鐵新香坊北站), only a couple of kilometers from CSC Harbin, commenced operation at the end of 2018 and is bringing more visitors and business opportunities to the project.

CSC Harbin is now in operation and is in the stage of continuous development and construction. It covers industries including hardware and construction materials, chemicals, machinery, automobiles and parts, small commodities, hotel supplies, leather and fur, outlets, e-commerce, etc., on its trade center premises. There is also a primary school established in the project to cope with the demand in the course of development.

CSC Harbin covers a total planned land area of approximately 10.00 million sq.m. and a total planned GFA of approximately 12.00 million sq.m. As of the 1H FY, CSC Harbin recorded a total completed GFA of approximately 1.84 million sq.m., including approximately 1.43 million sq.m. of trade center premises, approximately 317,700 sq.m. of residential ancillary, approximately 90,400 sq.m. of logistics and warehousing and ancillary facilities. As at 30 September 2019, approximately 1.01 million sq.m. of trade center premises, residence, multi-purpose offices and apartments and hotel projects were in construction.

China South City Zhengzhou

China South City Zhengzhou ("CSC Zhengzhou") is located in Zhengzhou, the capital of Henan Province, adjacent to the Airport Economy Zone ("AEZ") of Zhengzhou, the only state-level AEZ with a complete network which includes an international airport, high-speed train, intercity train, metro and highway and acts as an integrated transport hub providing seamless connectivity. The project is highly accessible and enjoys extensive transportation links – it is a mere 16 km away from Zhengzhou Xinzheng International Airport and only a couple of kilometers away from the Beijing-Guangzhou Railway Freight Station and the Beijing-Hong Kong-Macao Highway. As the south extension of subway line 2 with three stations set up in CSC Zhengzhou was in full operation and Zhonghua Road which connects to Xinzheng City Center was open to traffic, more business opportunities and visitor traffic are generated for the project.

CSC Zhengzhou is now in operation and is in the stage of continuous development and construction. It has grown into the Group's largest project to date, covering industries including building and decoration materials, small commodities, hardware and machinery, home furnishing, automobiles and parts, non-staple food, clothing, outlets, e-commerce, etc., on its trade center premises. In order to strengthen coordination with project development and meet the demand of the markets nearby, CSC Zhengzhou will continue to enhance its business in residential and commercial ancillaries such as multi-purpose offices and apartments. There is also a primary school established in the project to cope with the demand in the course of development.

CSC Zhengzhou covers a total planned net land area of approximately 7.00 million sq.m. and a total planned GFA of approximately 12.00 million sq.m. As of the 1H FY, CSC Zhengzhou recorded a total completed GFA of approximately 3.33 million sq.m., including approximately 2.67 million sq.m. of trade center premises, approximately 286,200 sq.m. of warehousing and ancillary facilities, and approximately 374,800 sq.m. of residential ancillary. As at 30 September 2019, CSC Zhengzhou had commenced the construction of approximately 2.32 million sq.m. of trade center premises, residential and multi-purpose offices as well as apartments, of which approximately 758,500 sq.m. of trade center premises and residential works is expected to be completed in FY2019/20.

China South City Hefei

China South City Hefei ("CSC Hefei") is located at Anhui Feixi Economic Development Zone of Hefei, the capital of Anhui Province, and along the belt of Hefei Comprehensive National Science Center, which sits at the transport and economic heart of Eastern China. Leveraging the advantageous geographical location, CSC Hefei will enjoy more visitors and business opportunities. CSC Hefei benefits from its strategic location, which is equipped with well-developed transportation system of railways, highways and river transportation connecting to the rest of China. In particular, the south extension of subway line 4 passing through CSC Hefei is set to commence operation in 2021. In addition, a major water conservancy project near CSC Hefei, "Water Diversion from Yangtze River to Huaihe River – Jianghuai Canal" (引江濟淮－江淮運河) is underway, which aims to further develop Hefei into an inland river port that connects rivers with seas and a key logistics distribution base. During the Reporting

Period, CSC Hefei was approved by the local government as a project under the "2019 Investment Plan for New, Large and Specialized Key Projects" (2019年大新專重點項目投資計劃), and was included in the "Master Plan for Hefei Binhu Science Town (Hefei Binhu New Area)" (合肥濱湖科學城(合肥濱湖新區)總體規劃), which brought opportunities for the speedy future growth of CSC Hefei under the government's development focus on resources such as business, exhibition, culture and tourism.

CSC Hefei is now in operation and is in the stage of continuous development and construction. It covers industries including automobiles and parts, hardware and machinery, building and decoration materials, textiles and clothing, hotel supplies, outlets, culture and education, small commodities and non-staple food, etc. There are going to be a secondary school and a primary school established in the project to cope with the demand in the course of development.

CSC Hefei has a total planned net land area of approximately 10.00 million sq.m. and a total planned GFA of approximately 12.00 million sq.m. As of the 1H FY, CSC Hefei recorded a total completed GFA of approximately 2.75 million sq.m., including approximately 1.59 million sq.m. of trade center premises, approximately 1.08 million sq.m. of residential ancillary and approximately 82,000 sq.m. of warehousing and ancillary facilities. As at 30 September 2019, construction of a GFA of approximately 961,300 sq.m. of trade center premises, residential and warehousing projects was underway.

China South City Chongqing

China South City Chongqing ("CSC Chongqing") is located at Banan District of Chongqing, the only direct-administered municipality in midwestern China as well as the Group's first municipal project. It is highly accessible to the city center and other regions given its strategic location in the Chongqing Highway Logistics Base (a major national transport infrastructure project for Western China) that connects to a well-established highway network, and is also the starting point of national strategies of "The New International Land-sea Trade Corridor" and "Chongqing-ASEAN International Logistics Channel". The transportation network around the project has seen rapid development, coupled with the growing maturity of business district in Banan, laying a good foundation for the future transportation ancillaries and commercial environment of the project. The nearby Longzhouwan Tunnel has completed construction and is opened to traffic, which will effectively optimize the geographical advantage of the project. In addition, the Chongqing municipal government announced the development of a new southern town at its core area where CSC Chongqing is located, which is expected to further boost the growth potential of the region.

CSC Chongqing is now in operation and is in the stage of continuous development and construction. It covers industries including small commodities, hardware and machinery, hotel supplies, building and decoration materials, textiles and clothing, automobile and parts, lightings and lamps, outlets, culture and education, metals, etc., on its trade center premises. There are also primary school and secondary school established in the project to cope with the demand in the course of development.

CSC Chongqing covers a total planned net land area of approximately 5.90 million sq.m. and a total planned GFA of approximately 13.10 million sq.m. As of the 1H FY, CSC Chongqing recorded a total completed GFA of approximately 2.00 million sq.m., including approximately 1.26 million sq.m. of trade center premises, approximately 518,300 sq.m. of residential ancillary and approximately 217,100 sq.m. of warehousing and ancillary facilities. As at 30 September 2019, CSC Chongqing has started the construction of residential ancillary with a GFA of approximately 583,400 sq.m., of which approximately 333,800 sq.m. is expected to be completed in FY2019/20.

Business Management Division

Consolidating Existing Resources to Open up New Channel for Recurring Business

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 cluster, China South City has been providing or introducing a variety of ancillary facilities and services in response to the demands of its project management and expansion, to develop a comprehensive business portfolio. The business management division is principally engaged in tenants recruitment and operation management of the Group, providing professional operation and management services along the value chains of China South City's development, investment and financing. Its business covers trade centers, logistics zones, hotels, integrated commercial complexes, commercial blocks, neighborhood centers, residential ancillary, multi-purpose offices and apartments, with the total GFA under management exceeding 17 million sq.m.

In this fiscal year, the business management division focused on consolidating existing resources to effectively lower operation costs. Meanwhile, the Group carried out the strategy of "Emphasizing on Merchants Recruitment and Strengthening Operation", vigorously developed five new sectors, namely food, health, education, e-commerce and automobile, as well as integrated commercial ancillaries, with a view to establishing a diverse integrated business circle. As the operation of projects gradually improves, the Group has witnessed stable growth momentum of its recurring business, maintaining a diverse and steadily expanding revenue streams with an annual target growth of 20-30%. In 1H FY2019/20, the Group recorded total recurring income of HK$1,197.1 million (1H FY 2018/19: HK$1,036.5 million) with an increase of 15.5% (an increase of 20.5% if excluding currency exchange impact), accounting for 20.5% of the total revenue. Revenue from rental, property management, logistics and warehousing services and outlets operations amounted to HK$389.3 million, HK$324.6 million, HK$196.4 million and HK$201.3 million, respectively (1H FY2018/19: HK$377.6 million, HK$204.8 million, HK$134.9 million and HK$168.6 million, respectively).

Warehousing and Logistics Services

After years of continuous efforts, the Group's warehousing and logistics services have expanded from warehouse leasing services on China South City projects to three new business segments, covering warehouse leasing and management, national warehousing logistics and national forwarder distribution services, etc., providing all-rounded logistic services that integrate warehouse leasing and third-party integrated logistics for regional and national brands, manufacturers and channel partners. Warehouse leasing and management segment mainly caters to the demand from merchants in eight CSC projects, providing them with convenient warehousing service at a close distance. Supported by a national network of outlets, the national warehousing logistics business provides customized warehousing and logistic solutions according to the actual needs of customers. The national forwarder distribution business leverages its efficient planning of routes and professional third-party transportation teams, to provide customers with timely, efficient and stable logistic services regionally and nationally.

As of the Reporting Period, the Group managed to expand its operating networks in seven projects across Jiangsu, Sichuan and Guangdong, increasing the number of national logistics and warehousing outlets to 20, enabling its transportation to cover nearly 700 cities nationwide and serving customers including the world's top-500 enterprises, domestic listed companies, industry leaders and well-known brands such as Lee Kum Kee and Nestle, serving industries of consumption and manufacturing, for example, fast consumables, food and beverage, industrial building materials and major infrastructure, which represents solid recognition of the Group's extensive logistics experience. During 1H FY2019/20, the revenue from warehousing and logistics services amounted to HK$196.4 million (1H FY2018/19: HK$134.9 million) with a year-on-year increase of 45.6%.

Project and Property Management

Given the diversity of its property types and industries in China South City projects, the Group's business management division also provides diversified projects and property management services, to cater to the needs of different property types and industries across respective projects. China South City has earned National First-Class Property Management Qualification and become one of the few integrated commercial management firms capable of managing both trade center premises and residential properties in China. In 1H FY2019/20, the revenue from property management amounted to HK$324.6 million (1H FY2018/19: HK$204.8 million), representing a year-on-year increase of 58.5%.

Maturing projects and increasing operating activities will contribute additional operating revenues to the Group, strengthening its management services and expand revenue streams, including revenue from advertising, exhibitions, pop-up space leasing and parking. In 1H FY2019/20, the Group started to operate paid parking spaces in eight cities and recorded parking management revenue over RMB10 million. Apart from that, after the launch of the intelligent electronic service systems such as mobile payment last fiscal year, the Group introduced an intelligent elevator control system during the Reporting Period, with a view to saving energy effectively while optimizing user experience, which is in line with national sustainability concept of environment-friendly operation.

Outlet Operations

The Group operates outlet malls on the eight China South City projects nationwide, with a GFA of approximately 407,000 sq.m. and around 550 brands, which satisfies the significantly increased demand for branded products driven by the growing income of urban and rural residents. In the future, the Group will further improve its operational efficiency, consolidate proprietary brand resources and enrich business lines, to cater to new consumption trends whilst complementing other light asset businesses, aiming to grow into a comprehensive business segment with synergy. Externally, the Group will continuously extend urban integrated outlets to deliver "Quality Huasheng, People's Outlet".

The Group maintains an efficient operating model that constantly consolidates less efficient business to enhance brand yield. In 1H FY2019/20, the Group's outlet operations recorded a gross turnover of approximately RMB831.6 million (1H FY2018/19: RMB748.8 million), representing a year-on-year increase of approximately 11.1% and generated recurring income of HK$201.3 million (1H FY2018/19: HK$168.6 million) with a year-on-year increase of approximately 19.4%. In terms of sales turnover, the Shenzhen project remained the largest contributor, followed by our Zhengzhou project and Xi'an project, which accounted for 37%, 21% and 14% of the turnover respectively.

Other Businesses

As e-commerce continues to integrate with other industries, the Group has engaged itself in industry incubation, cultivation, concentration and demonstration by properly taking local conditions into account and in line with the trend of local development. While helping business tenants to optimize business via e-commerce, CSC also provides brick-and-mortar space for online business tenants to expand their offline presence at the Group's integrated logistics and trade centers. The Group has successively established e-commerce industry parks in its projects in Shenzhen, Zhengzhou, Nanchang, Nanning and Harbin, with some of the projects becoming provincial or state-level ones and attracting the concentrated entry of leading cross-border e-commerce players. In 1H FY2019/20, CSC Harbin's E-commerce Demonstration Base won the Outstanding Organization Award in the series of large-scale activities under the "Campaign for Empowering the Development of Small and Medium-sized Enterprises, Serving for Entrepreneurship and Employment (助力小微企業發展暨服務創業就業在行動), an award conferred by Daowai District Government of Harbin City. CSC Nanning spearheaded the campaign with pilot initiatives across eight cities to join the first batch of 5G commercial areas in Guangxi, further promoting the development of digital trade. CSC Zhengzhou strongly supported the industry-education integration by enabling school-enterprise cooperation to provide businesses with professional operation talents, as a result of which quite a few businesses have established themselves in the project.

HOBA Furnishing has opened large furniture chain stores in regions including South China, North China and Southwest China in such forms as corporate store and franchise. In 1H FY2019/20, seven new HOBA Furnishing franchise stores were opened for business in areas including Shandong, Yunnan and Jiangsu, with a corporate store opened in Dezhou City of Shandong Province. It is expected that such projects will commence operation successively in

2020. Based on market feedback, HOBA Furnishing focuses its strategy to expand corporate stores. Under its active and stable expansion across markets nationwide, flagship corporate stores have been in operation in CSC Shenzhen, CSC Nanning and CSC Zhengzhou, providing consumers with quality products and services.

Last but not least, as a large-scale trading and logistics platform in major provincial capitals and direct-administered municipalities, the Group has been a long-term partner and co-host of trade fairs with local governments and trade unions. During the Reporting Period, the Group saw a number of its projects selected to host major trade fairs and exhibitions organized by local governments. These successful events, well-received by international and domestic 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 CSC projects.

Trade Fairs at a Glance

The 16th China-ASEAN Expo and Light Industrial Exhibition

The 16th China-ASEAN Expo and Light Industrial Exhibition is an international economic and trade event co-hosted by the Chinese Ministry of Commerce, the government authorities on economy and trade of 10 ASEAN member states and the China-ASEAN Expo Secretariat, and organized by the People's Government of Guangxi Zhuang Autonomous Region. The 16th China-ASEAN Expo and Light Industrial Exhibition took place successively at CSC Nanning in September 2019. The Exhibition, with more than 300 business participants, has brought together branded products from domestic and international merchants, and attracted high-quality specialty products from ASEAN countries and the "Belt and Road" countries such as Nepal and Pakistan. CSC Nanning has hosted the event for ten 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 6th China-Russia Expo and the 30th Harbin International Economic and Trade Fair – CSC Session

The 6th China-Russia Expo and the 30th Harbin International Economic and Trade Fair – CSC Session was co-hosted by the China Chamber of International Commerce, the People's Government of Harbin, the Department of Commerce of Heilongjiang Province and Heilongjiang Trade Promotion Council, and co-organized by the People's Government of Daowai District and CSC Harbin. The Exhibition, which took place at CSC Harbin on 15 June 2019, gathered more than 400 exhibitors from over 10 countries and regions including Russia, Belarus, Pakistan, Malaysia, Vietnam etc. CSC Harbin has made full use of its regional and environmental advantages and created extensive investment opportunities, which affirmed CSC Harbin's key position in the Northeast Asia Economic Zone.

CSC Zhengzhou • Central China Building and Decoration Materials and Hardware Exhibition (Spring) 2019

In May 2019, CSC Zhengzhou held the Central China Building and Decoration Materials and Hardware Exhibition (Spring) 2019, an event co-hosted by CSC Zhengzhou, Echronos Group (華世界集團) and HOBA Furnishing, and co-organized by Henan Business Daily (河南商報), Zhengzhou Building Materials Merchants Association (鄭州市建材商協會) and Henan Runfa Property Service Co., Ltd. (河南潤發物業服務有限公司). The exhibition successfully attracted customers from 18 cities in the province, neighboring provinces and cities to deal negotiation. This signals that CSC Zhengzhou has developed into a benchmark and model in the trade and logistics industry of Central China with the best economy of agglomeration and scale in leading the development of industry-city integration (產城融合).

CSC Xi'an • The First Motorcycle Riders Festival

The First Motorcycle Riders Festival, organized by CSC Xi'an, successfully took place in CSC Xi'an in June 2019. The event, which attracted numerous motorcycle riders and visitors, undoubtedly provided a platform to pool a large number of automobile and motorcycle parts suppliers as well as motorcycle enthusiasts, generated tremendous passenger flow and business opportunities in the project area, and created the influence of China South City as a cultural brand in the motorcycle enthusiasts' circle in Xi'an.

Land Bank

The Group is aiming to build a domestic large-scale integrated trade and logistics platform with wide array of property types to cater to various demands for short-term and long-term development, with flexible allocation of property portfolio for rental, sale or self-operation. In the long run, the Group will reserve no less than 50% of its commercial properties such as trade center units, warehousing and logistics facilities for self-use or long-term leasing purposes, while the remaining 50% of trade center units , multi-purpose offices and apartments and residential properties will be used for sale to generate the cash flow for the Group's future development. In support of its growth momentum and revenue base, the Group will acquire lands in a timely manner based on market conditions and business needs. During the Reporting Period, the Group acquired new plots of land with a GFA of approximately 469,000 sq.m. at a consideration of approximately RMB115.7 million for projects in Harbin and Zhengzhou. Such new lands are mainly used for warehousing purposes.

Projects	Completed properties (1)		Properties under development	Properties to be completed in FY2019/20	Properties planned for future development on GFA acquired(2)	Total planned GFA(3)	Planned GFA for acquired land (% to total planned GFA)(4)	
(sq.m.)	Sold	In operation		Estimated	Estimated	Estimated		
CSC Shenzhen	859,400	1,532,900	185,000	–	66,700	2,644,000	2,644,000	100%
CSC Nanchang	1,406,500	994,400	426,000	–	1,967,500	6,866,000	4,794,400	70%
CSC Nanning	675,900	1,277,200	154,300	–	372,600	4,880,000	2,480,000	51%
CSC Xi'an	813,800	980,300	1,127,300	194,200	1,755,200	17,500,000	4,676,600	27%
CSC Harbin	577,000	1,260,400	1,008,400	–	2,799,600	12,000,000	5,645,400	47%
CSC Zhengzhou	1,551,200	1,774,700	2,318,700	758,500	4,547,600	12,000,000	10,192,200	85%
CSC Hefei	1,560,700	1,188,600	961,300	–	2,282,400	12,000,000	5,993,000	50%
CSC Chongqing	635,900	1,363,600	583,400	333,800	3,918,900	13,100,000	6,501,800	50%
	8,080,400	10,372,100	6,764,400	1,286,500	17,710,500	80,990,000	42,927,400	53%

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 planned GFA 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 may vary subsequently according to needs of the Group.

Financial Review

The main objective of the Group's financial management is to pursue long-run sustainable growth with a strong and stable capital base while maintaining financial health at the same time.

The Group proactively adjusts its business development strategies, the pace of land acquisition and other capital expenditures in concurrence with its cash flows from operating and financing activities, in order to maintain healthy growth while preserve.

The Group actively manages its financing structure through various financing channels: onshore and offshore bank loans, different inter-bank and capital market instruments, in order to achieve an optimal capital structure and maturity profile. During the Reporting Period, the satisfactory contracted sales and steady growth of its recurring income have helped optimize the debt structure of the Group. As at 30 September 2019, the total interest-bearing debts of the Group were HK$32.5 billion, representing a decrease of HK$1.8 billion or 5.1% compared to 31 March 2019. The gearing ratio was 68.7% (31 March 2019: 68.9%). Furthermore, as at 30 September 2019, cash and bank balances were HK$9,279.7 million (31 March 2019: HK$9,359.8 million) and the Group had unused banking facilities of approximately RMB15.4 billion.

Comparing with the same period last year, the revenue of the Group increased 11.8% to HK$5,827.2 million (1H FY2018/19: HK$5,212.4 million) while the core net profit attributable to owners of the parent increased by 19.4% to HK$501.7 million (1H FY2018/19: HK$420.1 million). Net profit attributable to owners of the parent decreased 25.9% to HK$628.2 million (1H FY2018/19: HK$848.2 million) and the basic earnings per share decreased to HK7.75 cents (1H FY2018/19: HK10.59 cents). 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 which is a non-cash item.

Revenue

Revenue for the Reporting Period increased by 11.8% to HK$5,827.2 million (1H FY2018/19: 5,212.4 million) comparing with the same period last year. The increase was mainly attributable to more properties were sold and delivered during the Reporting Period and increase of recurring income.

	For the six months ended 30 September		
	2019	2018	Change
	HK$'000	*HK$'000*	%
Sales of properties and finance lease income	**4,630,099**	4,175,933	10.9
Sales of trade center	***407,287***	*820,744*	*-50.4*
Sales of residential properties	***4,137,825***	*3,304,202*	*25.2*
Sales of multi-purpose office and apartments	***58,642***	*14,752*	*297.5*
Finance lease income	***26,345***	*36,235*	*-27.3*
Recurring income	**1,197,059**	1,036,514	15.5
Rental income	***389,268***	*377,609*	*3.1*
Property management service income	***324,566***	*204,768*	*58.5*
Other revenue	***483,225***	*454,137*	*6.4*
	5,827,158	5,212,447	11.8

Sales of Properties and Finance Lease income

Revenue from sales of properties increased by 11.2% to HK$4,603.8 million (1H FY2018/19: HK$4,139.7 million). The increase was mainly attributable to more sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects during the Reporting Period. The sales of properties for each project are as follows:

	Sales revenue (before deduction of sales tax*) *HK$ million*		**Sales revenue (net of sales tax*)** *HK$ million*		**GFA sold** *(sq. m.)*		**Average selling price (before deduction of sales tax*)** *(HK$/sq.m.)*	
	2019	2018	2019	2018	2019	2018	2019	2018
CSC Nanchang	**12.8**	**84.9**	**12.0**	**80.4**	**900**	**6,300**	**14,000**	**13,500**
– Trade center	2.1	25.1	1.9	23.8	400	1,100	5,000	21,700
– Residential property	10.7	59.8	10.1	56.6	500	5,200	22,000	11,700
CSC Nanning	**130.9**	**318.6**	**122.3**	**300.9**	**9,800**	**29,200**	**13,300**	**10,900**
– Trade center	35.7	58.0	32.3	54.5	2,600	4,200	13,700	13,800
– Residential property	33.1	245.1	31.4	231.6	3,300	23,300	9,900	10,500
– Multi-purpose office & apartments	62.1	15.5	58.6	14.8	3,900	1,700	15,900	9,000
CSC Xi'an	**209.7**	**105.0**	**193.3**	**97.2**	**22,100**	**13,000**	**9,500**	**8,100**
– Trade center	209.7	105.0	193.3	97.2	22,100	13,000	9,500	8,100
CSC Harbin	**146.0**	**158.1**	**139.6**	**141.9**	**19,300**	**22,200**	**7,600**	**7,100**
– Trade center	144.8	92.5	138.4	81.8	19,000	11,000	7,600	8,400
– Residential property	1.2	65.6	1.2	60.1	300	11,200	4,000	5,800
CSC Zhengzhou	**1,842.1**	**563.7**	**1,702.2**	**513.9**	**174,600**	**66,200**	**10,600**	**8,500**
– Trade center	18.2	563.7	17.5	513.9	1,800	66,200	10,300	8,500
– Residential property	1,823.9	–	1,684.7	–	172,800	–	10,600	–
CSC Hefei	**2,002.1**	**2,754.9**	**1,864.2**	**2,498.0**	**190,500**	**284,300**	**10,500**	**9,700**
– Residential property	2,002.1	2,754.9	1,864.2	2,498.0	190,500	284,300	10,500	9,700
CSC Chongqing	**619.7**	**557.8**	**570.2**	**507.4**	**75,800**	**78,800**	**8,200**	**7,100**
– Trade center	25.6	54.0	23.9	49.5	2,200	3,500	11,400	15,300
– Residential property	594.1	503.8	546.3	457.9	73,600	75,300	8,100	6,700
Total	**4,963.3**	**4,543.0**	**4,603.8**	**4,139.7**	**493,000**	**500,000**	**10,100**	**9,100**
– Trade center	436.1	898.3	407.3	820.7	48,100	99,000	9,100	9,100
– Residential property	4,465.1	3,629.2	4,137.9	3,304.2	441,000	399,300	10,100	9,100
– Multi-purpose office & apartments	62.1	15.5	58.6	14.8	3,900	1,700	15,900	9,000

* Sales tax represents value-added-tax and surcharges.

Finance lease income derived from the leasing of office buildings decreased by 27.3% to HK$26.3 million (1H FY2018/19: HK$36.2 million). During the Reporting Period, the Group entered into finance lease arrangements with tenants for approximately 1,800 sq.m. (1H FY2018/19: 2,000 sq.m.) at an average price of HK$14,800/sq.m. (1H FY2018/19: HK$14,700/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 become an important component of the recurring income in the long run. CSC Shenzhen, being the more mature project in the Group's portfolio, contributed substantial part of the rental income. As at 30 September 2019, the total occupancy rate of the rentable GFA of CSC Shenzhen's trade centers and shops were approximately 86% to 94% (As at 30 September 2018: 85% to 96%). Meanwhile, other projects also gradually expand and start to contribute rental income.

During the Reporting Period, rental income of the Group slightly increased by 3.1% to HK$389.3 million (1H FY2018/19: HK$377.6 million) comparing to the same period last year. It is worth noting that HOBA Furnishing's on-going adjustment of operation has resulted in drop in revenue and affected the growth rate of the Group's rental income. If rental income of HOBA was excluded, rental income of the Group significantly increased by 10.3% to HK$336.3 million (1H FY2018/19: HK$304.8 million).

Property Management Service Income

Income from property management services increased by 58.5% to HK$324.6 million (1H FY2018/19: HK$204.8 million). The increase in property management service income was mainly attributable to the increase in GFA of trade centers, shops and residential properties delivered and put into use during the Reporting Period.

Other Revenue

Other revenue increased by 6.4% to HK$483.2 million (1H FY2018/19: HK$454.1 million). The increase was mainly attributable to the continuous growth of the revenue from outlet operations increased by 19.4% to HK$201.3 million (1H FY2018/19: HK$168.6 million) while that of logistics and warehousing services increased by 45.6% to HK$196.4 million (1H FY2018/19: HK$134.9 million) respectively during the Reporting Period.

Increase in income from outlet operations was mainly due to the growth of outlet business. During the Reporting Period, the gross mall sales turnover from the outlet business increased by 11.1% to RMB831.6 million (1H FY2018/19: RMB748.8 million). The substantial increase in income from logistics and warehousing services was mainly due to the increase in rent rate of warehouse and the increase in the third party logistic service income during the Reporting Period.

Cost of Sales

The Group's cost of sales mainly includes construction costs, borrowing costs and land costs of properties sold and properties sold under finance lease and operating costs of recurring business. During the Reporting Period, cost of sales increased by 15.7% to HK$3,580.1 million (1H FY2018/19: HK$3,095.5 million). The increase in cost of sales was in line with the increase of total recognised sales during the Reporting Period.

Gross Profit

Gross profit increased by 6.1% to HK$2,247.1 million (1H FY2018/19: HK$2,117.0 million). During the Reporting Period, gross profit margin decreased to 39% (1H FY2018/19: 41%) which was mainly due to a higher portion of residential properties project with relatively low gross profit margin.

Other Income and Gains

Other income and gains decreased by 56.2% to HK$172.3 million (1H FY2018/19: HK$393.0 million), mainly attributable to decrease in government grants (1H FY2019/20: HK$30.1 million; 1H FY2018/19: HK$240.1 million) and decrease in gains on repurchase of senior notes (1H FY2019/20: HK$18.2 million; 1H FY2018/19: HK$70.3 million).

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 68.2% to HK$278.4 million (1H FY2018/19: HK$876.0 million).

For each of interim and annual financial reporting date, the Group appoints an independent professional qualified valuer to determine the fair value of our investment properties. The change in fair value of our investment properties 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 addition of the investment properties, the change in market conditions and different construction phrases of our projects. Therefore, the amount of fair value gains/(losses) will also fluctuate accordingly.

Selling and Distribution Expenses

While maintaining a healthy revenue growth, the Group's selling and distribution expenses decreased by 6.9% to HK$323.9 million (1H FY2018/19: HK$348.0 million). The decrease was mainly attributable to successfully implementing effective cost control measures over marketing activities for promoting the sales of properties during the Reporting Period.

Administrative Expenses

Administrative expenses decreased by 7.1% to HK$555.7 million (1H FY2018/19: HK$598.4 million). The decrease was primarily due to the actions taken by the Group to streamline human resources and the effective control of administrative costs.

Other Expenses

Other expenses decreased by 56.7% to HK$94.4 million (1H FY2018/19: HK$218.2 million). The decrease was mainly because there had been no impairment of goodwill recognized during the Reporting Period (1H FY2018/19: HK$134.2 million).

Finance Costs

Finance costs remained stable at HK$302.3 million (1H FY2018/19: HK$302.1 million). Due to change in capital market conditions, the Group's weighted average financing cost slightly increased to 7.34% at the end of September 2019 (31 March 2019: 7.17%).

Tax

Income tax expenses recorded a decrease of 26.1% to HK$791.2 million (1H FY2018/19: HK$1,070.2 million). The decrease in income tax expenses was due to the tax effect of the decrease in fair value gains of investment properties partly offset by the increase in revenue and operating profits during the Reporting Period.

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 onshore and offshore 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 30 September 2019, the Group had HK$9,279.7 million cash and cash equivalents and restricted cash (31 March 2019: HK$9,359.8 million), among which non-restricted cash and cash equivalents amounted to approximately HK$6,081.1 million (31 March 2019: HK$5,933.8 million). The Group's cash and cash equivalents and restricted cash were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 30 September 2019, the total interest-bearing debts of the Group was HK$32,500.1 million, which decreased by HK$1,764.6 million from HK$34,264.7 million as of 31 March 2019. The details of borrowings and charges on the Group's Assets are set out below.

Interest-bearing bank and other borrowings

The Group had aggregated interest-bearing bank and other borrowings of HK$17,719.4 million as at 30 September 2019 (31 March 2019: HK$17,738.7 million), of which HK$8,748.4 million is repayable within one year or on demand, HK$5,290.6 million will be repayable in the second year, HK$2,734.8 million will be repayable in the third to fifth years and HK$945.6 million will be repayable after five years. As at 30 September 2019, the Group's interest-bearing bank and other borrowings of approximately HK$15,963.7 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$37,979.2 million.

The interest-bearing bank and other borrowings of the Group were mainly denominated in Renminbi with interest rates ranging from 4.26% to 12.35% (31 March 2019: 4.08% to 12.35%) per annum. Furthermore, as at 30 September 2019, the Group had unused banking facilities of approximately RMB15.4 billion. The Group will, depending on the needs of project development and working capital status, utilize these banking facilities as appropriate.

Issuance of Notes

Senior Notes

In September and October 2016, the Company issued senior notes due in September 2021 with a nominal value of US$200 million (equivalents to approximately HK$1,560 million) and US$150 million (equivalents to approximately HK$1,170 million) respectively, in a total of US$350 million (equivalents to approximately HK$2,730 million). These notes were consolidated and 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 it 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 (equivalent to approximately HK$2,340 million) at a coupon rate of 7.25% per annum ("2017 November Notes"). The net proceeds 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 it 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 (equivalent to approximately HK$1,950 million) at a coupon rate of 7.25% per annum ("2018 January Notes"). The net proceeds 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 it 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 (equivalent to approximately HK$1,170 million) and US$100 million (equivalent to approximately HK$780 million) respectively, in a total of US$250 million (equivalent 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 proceeds 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 it cancelled 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 proceeds 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 30 September 2019, the carrying value of senior notes were HK$12,537.6 million. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of share of certain subsidiaries.

Medium-Term Notes

In April 2014, China South International Industrial Materials City (Shenzhen) Company Limited ("China South International") obtained the relevant approval for issuing the medium term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4.0 billion. In May 2014, China South International issued the first tranche of the medium term notes of 2014 with a total principal amount of RMB1.0 billion with a maturity period of 5 years and at an interest rate of 7.5% per annum. The proceeds thereof were to be used for repaying part of short-term bank loans of the Group. In September 2014, China South International issued the second tranche of the medium-term notes of 2014 with a total principal amount of RMB1.0 billion with a maturity period of 5 years and at an interest rate of 8.4% per annum. The proceeds thereof were to be used for repaying part of bank loans of the Group. The first tranche and second tranche of the medium-term notes of 2014 was repaid in May and September 2019, respectively.

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 maximum 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, of which the interest rate was 8.05% per annum, 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 obtained another approvals for issuing the domestic company bonds with a maximum principal amount of RMB4.4 billion in total in the PRC. In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. The proceeds thereof were to be used for repayment of existing borrowings of the Group. China South International may issue remaining new domestic company bonds as when appropriates.

As at 30 September 2019, the carrying values of China South International's medium term notes were HK$687.1 million and domestic company bonds were HK$1,556.1 million respectively.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 68.7% as at 30 September 2019, 68.9% as at 31 March 2019 and 76.3% as at 30 September 2018 respectively. The total liabilities over total assets ratio was 69.4% as at 30 September 2019, 68.0% as at 31 March 2019 and 68.1% as at 30 September 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. The depreciation of Renminbi against Hong Kong dollar during the Reporting Period has resulted in the decrease in the Group's net assets presented in Hong Kong dollar. Taking out the effect of foreign currency, the adjusted gearing ratio would become 64.0%, which represented a significant decrease when compared with that at same period of last year.

Net Current Assets and Current Ratio

As at 30 September 2019, the Group had net current assets of HK$4,844.7 million (31 March 2019: HK$4,365.8 million) at a current ratio of 1.10 (31 March 2019: 1.09).

Contingent Liabilities

The Group has provided guarantees with respect to banking facilities granted by certain banks in connection with mortgage loans entered into by purchasers of the Group's trade centers and residential properties and bank loans entered into by lessees of the Group's residential and commercial properties. The guarantees granted to purchasers of trade centers and residential properties will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly when the lessees repaid the loan. As at 30 September 2019, the guarantees amounted to HK$14,516.3 million (31 March 2019: HK$15,219.0 million).

Commitments

As at 30 September 2019, the Group had future capital expenditure contracted but not yet provided for in the amount of HK$13,970.7 million (31 March 2019: HK$15,530.9 million).

Acquisition and Disposal of Subsidiary and Associated Companies

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

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material exposure to foreign exchange risk and no foreign currency hedging was done during the Reporting Period.

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. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided by the Group. The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the political environment in such territories may also affect the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk is set out in note 50 to the financial statements in the Company's 2018/19 Annual Report.

Land for Projects and Restriction on Sales

The Group signs project agreements with local governments prior to the development of all projects in order to outline the long-term blueprints of relevant projects. These agreements generally set out the size and use of lands and the related development plans. However, the actual acquisition of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may discuss to adjust the details of these agreements to align with the actual needs of developments and market conditions.

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

Pursuant to certain project and land related contracts and documents, some of the land acquired by the Group may have sales restrictions on properties built on it. These include the saleable area of trade centers of CSC Shenzhen is limited to 30% of the total buildable GFA of properties built on the relevant parcels of land. The saleable area of trade centers and warehousing facilities built on certain parcels of land acquired by CSC Nanchang and CSC Nanning in 2010 are limited to 60% of the relevant total buildable GFA. The saleable area of trade centers or commercial properties built by CSC Hefei and CSC Chongqing are limited to 50% of their relevant total buildable GFA. The saleable area of trade centers or commercial properties of phase I and future phases of CSC Zhengzhou are limited to 60% and 50% respectively of its relevant total buildable GFA. According to the Group's business model, the Group intends to hold not less than 50% of trade centers and commercial facilities for leasing and self-use, the related sales restrictions will not have significant impact to the Group.

Human Resources

As at 30 September 2019, the Group had a workforce of approximately 5,130 people. The number of the Group's staff decreased by approximately 1.3% from 5,200 people as at 31 March 2019. The Group aims to recruit, retain and develop competent individuals who are committed to the Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.6.7 provides that independent non-executive Directors and other non-executive Directors, are equal board members, should attend general meetings of the Company. During the Reporting Period, two non-executive Directors and one independent non-executive Director of the Company were unable to attend the last annual general meeting of the Company held on 13 September 2019 as they had other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2019.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2019 have been reviewed by the Audit Committee and Ernst & Young, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased a total of 9,902,000 shares of the Company at prices ranging from HK$1.03 to HK$1.07 per share on the Hong Kong Stock Exchange during the Reporting Period. Details of the repurchases of such shares were as follows:

Date of the repurchase	**Number of share repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid (excluding expenses)** *HK$*
1 August 2019	6,122,000	1.07	1.03	6,447,500
2 August 2019	3,780,000	1.05	1.03	3,931,880
	9,902,000			10,379,380

All 9,902,000 shares repurchased were cancelled on 12 September 2019. The Company believes that the repurchase of shares will lead to an enhancement of the net assets value and earnings per each share of the Company.

During the Reporting Period, a subsidiary of the Company repurchased part of the senior notes with an aggregated principal amount of US$37.6 million from the open market, details will be set out in the note to the financial statements of the Company's 2019/20 Interim Report.

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

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

Hong Kong, 20 November 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, BBS, Mr. Cheng Tai Po and Mr. Lin Ching Hua; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Mr. Yung Wing Ki Samuel, SBS, MH, JP.

This announcement contains operating statistics for the 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.