華南城

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

(incorporated in Hong Kong with limited liability)

(Stock code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2020	2019	
	HK$'000	*HK$'000*	**Change**
Contracted sales	**13,514,126**	14,677,062	**-7.9% (-4.3%)⁺**
Revenue	**9,887,654**	10,274,255	**-3.8% (0.0%)⁺**
Among which, Recurring income	**2,411,919**	2,314,884	**4.2% (8.2%)⁺**
Gross profit margin	**45.7%**	43.2%	
Core net profit attributable to owners of the parent*	**1,553,250**	1,749,575	**-11.2% (-7.7%)⁺**
Profit attributable to owners of the parent	**2,633,141**	3,250,962	**-19.0% (-15.8%)⁺**
Earnings per share – Basic	**HK32.47 cents**	HK40.33 cents	
Cash and bank balances	**10,303,541**	9,359,772	
Gearing ratio	**67.2% (61.2%)⁺**	68.9%	
Proposed final dividend per share	**HK3.0 cents**	HK5.0 cents	

* Mainly represents the net profit attributable to owners of the parent excluding fair value gains on investment properties and certain tax effects, impairment of goodwill, etc..

⁺ Excluding the impact of Renminbi depreciation.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") announces herewith the consolidated annual results of the Group for the year ended 31 March 2020 ("FY2019/20" or the "Year") together with the comparative figures for the previous year (year ended 31 March 2019 ("FY2018/19")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

		For the year ended 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**9,887,654**	10,274,255
Cost of sales		**(5,365,007)**	(5,834,661)
Gross profit		**4,522,647**	4,439,594
Other income and gains	*4*	**487,217**	804,061
Fair value gains on investment properties	*4*	**1,677,947**	2,793,403
Selling and distribution expenses		**(484,712)**	(666,069)
Administrative expenses		**(1,001,916)**	(1,129,949)
Other expenses		**(212,803)**	(333,407)
Finance costs	*6*	**(517,621)**	(530,858)
PROFIT BEFORE TAX	*5*	**4,470,759**	5,376,775
Income tax expenses	*7*	**(1,842,611)**	(2,133,661)
PROFIT FOR THE YEAR		**2,628,148**	3,243,114
Attributable to:			
Owners of the parent		**2,633,141**	3,250,962
Non-controlling interests		**(4,993)**	(7,848)
		2,628,148	3,243,114
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**HK32.47 cents**	HK40.33 cents
Diluted			
– for profit for the year		**HK32.47 cents**	HK40.33 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,628,148**	3,243,114
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,410,861)**	(3,273,127)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(3,410,861)**	(3,273,127)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(782,713)**	(30,013)
Attributable to:		
Owners of the parent	**(758,049)**	(9,480)
Non-controlling interests	**(24,664)**	(20,533)
	(782,713)	(30,013)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	31 March 2020 HK$'000	31 March 2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,451,308**	1,400,177
Investment properties		**50,873,673**	52,464,934
Right-of-use assets		**1,424,217**	–
Properties under development		**1,120,379**	979,151
Prepaid land lease payments		**–**	1,328,747
Goodwill		**34,128**	49,111
Financial assets at fair value through profit or loss		**8,524**	12,965
Other long-term receivables		**587,944**	21,904
Deposits paid for purchase of land use rights		**29,799**	31,740
Deferred tax assets		**3,550,178**	3,578,802
Total non-current assets		**59,080,150**	59,867,531
CURRENT ASSETS			
Properties held for finance lease		**259,431**	295,545
Properties held for sale		**40,065,384**	39,155,078
Inventories		**109,087**	133,427
Trade receivables	*10*	**560,891**	1,064,890
Contract assets		**161,830**	99,621
Prepayments, other receivables and other assets		**2,536,396**	2,847,730
Financial assets at fair value through profit or loss		**357,342**	283,368
Cash and bank balances		**10,303,541**	9,359,772
Total current assets		**54,353,902**	53,239,431
CURRENT LIABILITIES			
Trade and other payables	*11*	**15,589,798**	15,729,226
Contract liabilities		**15,578,700**	13,655,066
Interest-bearing bank and other borrowings		**8,200,428**	8,778,903
Senior notes		**5,356,119**	2,314,682
Medium-term notes		**55,820**	2,459,903
Corporate bonds		**–**	562
Domestic company bonds		**1,277,098**	1,733,161
Tax payables		**4,241,087**	4,202,083
Total current liabilities		**50,299,050**	48,873,586
NET CURRENT ASSETS		**4,054,852**	4,365,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**63,135,002**	64,233,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 March 2020

	31 March 2020 *HK$'000*	31 March 2019 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,920,685**	8,959,775
Senior notes	**8,963,385**	10,017,690
Medium-term notes	**651,847**	–
Domestic company bonds	**328,350**	–
Other long term payables	**122,732**	–
Deferred tax liabilities	**9,265,483**	9,106,084
Total non-current liabilities	**28,252,482**	28,083,549
Net assets	**34,882,520**	36,149,827
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,222,312**	7,222,312
Other reserves	**27,610,414**	28,768,281
	34,832,726	35,990,593
Non-controlling interests	**49,794**	159,234
Total equity	**34,882,520**	36,149,827

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the year ended 31 March 2020 and the financial information related to the year ended 31 March 2019 included in this preliminary announcement of annual results for the year ended 31 March 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2019, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2020 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 March 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 these financial statements for the year ended 31 March 2019. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied as no adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

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.

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 prepaid land lease payments, 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 with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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 consolidated statement of financial position.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/ (decrease) *HK$'000*
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 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	152,512
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(4,463)
	148,049
Weighted average incremental borrowing rate as at 1 April 2019	6.84%
Discounted operating lease commitments as at 1 April 2019	119,795
Lease liabilities as at 1 April 2019	119,795

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates continued to be measured at amortized cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions*[2]

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

3. OPERATING SEGMENT INFORMATION

During the year ended 31 March 2020, the Group has changed the structure of its internal management in a manner that changes the compositions of its reportable segments mainly by combining property investment business and property management business. In addition, the E-commerce business has been combined into the "others" segment. As a result, the corresponding information for the year ended 31 March 2019 has been restated.

	Property Development *HK$'000*	Property Investment and Management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2020				
Segment revenue:				
Sales to external customers	**7,475,735**	**1,344,130**	**1,067,789**	**9,887,654**
Segment results before increase in fair value of investment properties and impairment of goodwill	**3,465,958**	**905,948**	**417,328**	**4,789,234**
Increase in fair value of investment properties	**–**	**1,677,947**	**–**	**1,677,947**
Impairment of goodwill	**–**	**(14,983)**	**–**	**(14,983)**
Segment results after increase in fair value of investment properties and impairment of goodwill	**3,465,958**	**2,568,912**	**417,328**	**6,452,198**
Unallocated cost of sales				**(266,587)**
Interest income				**99,617**
Fair value gains on financial assets at fair value through profit or loss, net				**8,638**
Unallocated income and gains				**378,962**
Unallocated expenses				**(1,684,448)**
Finance costs				**(517,621)**
Profit before tax				**4,470,759**
As at 31 March 2020				
Segment assets	**47,527,066**	**49,932,093**	**2,468,746**	**99,927,905**
Reconciliation:				
Unallocated assets				**13,506,147**
Total assets				**113,434,052**
Segment liabilities	**18,865,279**	**7,830,825**	**998,545**	**27,694,649**
Reconciliation:				
Unallocated liabilities				**50,856,883**
Total liabilities				**78,551,532**
Other segment information:				
Depreciation	**97,611**	**27,577**	**28,229**	**153,417**
Corporate and other unallocated amounts				**465**
				153,882
Capital expenditure*	**4,512,097**	**386,822**	**98,514**	**4,997,433**

	Property Development *HK$'000*	Property Investment and Management *HK$'000* (Restated)	Others *HK$'000* (Restated)	Total *HK$'000*
Year ended 31 March 2019				
Segment revenue:				
Revenue	7,959,371	1,244,583	1,070,301	10,274,255
Segment results before increase in fair value of investment properties and impairment of goodwill	3,422,238	866,093	537,743	4,826,074
Increase in fair value of investment properties	–	2,793,403	–	2,793,403
Impairment of goodwill	–	(134,228)	–	(134,228)
Segment results after increase in fair value of investment properties and impairment of goodwill	3,422,238	3,525,268	537,743	7,485,249
Unallocated cost of sales				(386,480)
Interest income				89,240
Fair value gain on financial assets at fair value through profit or loss, net				1,003
Unallocated income and gains				713,818
Unallocated expenses				(1,995,197)
Finance costs				(530,858)
Profit before tax				5,376,775
As at 31 March 2019				
Segment assets	45,906,024	52,395,521	1,823,612	100,125,157
Reconciliation:				
Unallocated assets				12,981,805
Total assets				113,106,962
Segment liabilities	18,804,518	9,167,631	729,100	28,701,249
Reconciliation:				
Unallocated liabilities				48,255,886
Total liabilities				76,957,135
Other segment information:				
Depreciation	81,700	12,125	26,932	120,757
Corporate and other unallocated amounts				19,482
				140,239
Capital expenditure*	10,131,938	1,878,472	32,652	12,043,062

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

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

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

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

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Revenue*		
Revenue from contracts with customers	**8,766,047**	8,763,085
Revenue from other sources		
Rental income	**733,407**	669,256
Finance lease income	**46,842**	496,569
Others	**341,358**	345,345
	9,887,654	10,274,255
Other income		
Interest income	**99,617**	89,240
Government grants**	**267,467**	540,875
Others	**46,867**	64,972
	413,951	695,087
Gains/(losses)		
Gains/(losses) on disposal of items of property, plant and equipment	**347**	(1,077)
Fair value gains on financial assets at fair value through profit or loss, net	**8,638**	1,003
Gains on repurchase of the senior notes and asset-based securities	**83,096**	94,607
Gains on disposal of subsidiaries	**–**	24,515
Exchange losses, net	**(18,815)**	(10,074)
	73,266	108,974
	487,217	804,061
Fair value gains on investment properties	**1,677,947**	2,793,403

* Included amounts of HK$440,201,000 (2019: HK$427,852,000) related to income from outlet operations and HK$404,921,000 (2019: HK$289,290,000) related to income from logistics and warehousing services.

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

5. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Cost of properties sold	**3,991,759**	4,157,769
Cost of properties held for finance lease	**18,018**	379,364
Depreciation of property, plant and equipment	**154,128**	140,597
Less: Depreciation capitalized in respect of properties under development	**(246)**	(358)
	153,882	140,239
Depreciation of right-of-use assets (2019: amortization of prepaid land lease payments)	**84,246**	34,087
Minimum lease payments under operating leases in respect of land and buildings	**–**	10,807
Lease payments not included in the measurement of lease liabilities	**7,859**	–
Auditor's remuneration	**4,500**	4,350
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**598,701**	763,780
Equity-settled share option expense	**1,928**	14,595
Pension scheme contributions	**84,037**	113,986
	684,666	892,361
Impairment of financial assets**	**117,847**	86,115
Impairment of goodwill**	**14,983**	134,228
(Gains)/losses on disposal of items of property, plant and equipment	**(347)**	1,077

* Included an amount of HK$52,149,300 for the year ended 31 March 2020 (2019: HK$64,073,000), which was capitalized under properties under development.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	**2,629,075**	2,494,708
Interest on lease liabilities	**9,356**	–
Less: Interest capitalized	**(2,120,810)**	(1,963,850)
Total	**517,621**	530,858

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2019: Nil).

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at the statutory rate of 25% (2019: 25%) on their respective taxable income during the year. Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% for the years ended 31 March 2020 and 2019.

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

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

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Current Mainland China corporate income tax	**696,153**	1,013,337
LAT in Mainland China	**618,642**	611,687
Deferred Mainland China corporate income tax	**527,816**	508,637
Total tax charged for the year	**1,842,611**	2,133,661

8. DIVIDEND

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend — HK3.0 cents per ordinary share (2019: HK5.0 cents per ordinary share)	**242,757**	405,361

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

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,109,207,023 (2019: 8,060,551,947) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	For the year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**2,633,141**	3,250,962

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**8,109,207,023**	8,060,551,947

10. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**858,981**	1,351,630
Impairment	**(298,090)**	(286,740)
	560,891	1,064,890

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 minimize credit risks. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 March 2020 and 2019 based on the payment due date net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**277,152**	729,854
Over 3 months	**283,739**	335,036
	560,891	1,064,890

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**286,740**	472,175
Impairment losses	**105,279**	86,115
Amount written off as uncollectible	**(78,982)**	(238,035)
Exchange realignment	**(14,947)**	(33,515)
At end of year	**298,090**	286,740

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

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

As at 31 March 2020

		Past due				
	Current	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Expected credit loss rate	3%	3%	25%	75%	100%	35%
Gross carrying amount (HK$'000)	100,595	392,294	91,936	53,997	220,159	858,981
Expected credit losses (HK$'000)	2,948	11,501	22,984	40,498	220,159	298,090

As at 31 March 2019

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

11. TRADE AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Other payables and accruals		**5,434,637**	5,500,942
Notes payable	*(i)*	**1,655,544**	2,951,877
Advanced rental and other receipts		**5,573,375**	2,135,255
Lease liabilities		**48,921**	–
Refund liabilities		**654**	8,273
Construction fee and retention payables	*(ii)*	**2,876,667**	5,132,879
		15,589,798	15,729,226

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

	2020 HK$'000	2019 HK$'000
Within 3 months	**534,931**	1,102,099
Over 3 months	**1,120,613**	1,849,778
	1,655,544	2,951,877

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

	2020 HK$'000	2019 HK$'000
Within 1 year	**1,060,018**	3,906,003
Over 1 year	**1,816,649**	1,226,876
	2,876,667	5,132,879

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

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company and its subsidiaries, I present herewith the consolidated results of the Group for the financial year ended 31 March 2020. Over the past year, both domestic and international economic situations were intricate, along with the continuing trade tension between China and the US, putting considerable downward pressure on the economy. In the second half of the Year, with the sudden outbreak of COVID-19 pandemic, there was a phasal suspension of work and production for the whole society, jeopardising both the real economy and the export trade. In the first quarter of 2020, a decrease of 6.8% in China's Gross Domestic Product ("GDP") was rarely witnessed, putting a halt to the nearly 20 years' growth on end. Subject to the macro environment, the operating results of China South City experienced some fluctuations.

At the end of January 2020, China South City, in prompt response to the government's call for full dedication to COVID-19 prevention and control, proactively reduced rentals for our tenants against the backdrop of pandemic fight. The Group's wholly-owned subsidiaries specialised in warehousing and logistics business took the initiative to share its spare warehouses for anti-epidemic items and supplies distribution amid this very period, playing an important bridging role as a warehouse to the society. As of the beginning of March 2020, China South City was gradually back to normal business. All employees resumed work in an orderly manner under safe condition. Operation in every aspect was fully back on track. In April 2020, China's Manufacturing Purchasing Managers Index (PMI) stood at 50.8%, remaining in expanding territory two months on end, which suggested that we are one step closer to "an improved trend in the Chinese economy". China South City will seize the opportunities from the quick recovery of the economy and promote full development of each of its businesses swiftly.

During the Year, China's government strongly supported the real economy by aiding small- and medium-sized enterprises through various ways, including tax reduction and loan interest discount. China South City, meanwhile, adhered to its "trade and logistics+" model and participated in real economy, and have welcomed the favourable policies of full resumption of production and full backing for real economy, which afford the Group the opportunity of rapid development. As such, China South City Group has fully enhanced its corporate position, striving to build up to a world-class trade and logistics center, a digital center, an innovation center and a living center. China South City projects in various locations will work towards this goal according to their respective regional advantages and local policies. CSC Shenzhen principally orients to the Guangdong-Hong Kong-Macao Greater Bay Area, while CSC Nanning to the China-ASEAN Free Trade Area; CSC Nanchang principally orients to Jiangxi and radiant to Yangtze River Economic Belt; CSC Xi'an orients to the five northwest provinces and the five stans in Central Asia, while CSC Harbin to northeast Asia, CSC Zhengzhou to central China; CSC Hefei to Anhui, Jiangsu, Zhejiang and Shanghai, and CSC Chongqing to southwest China, radiant to the Chongqing-Xinjiang-Europe international corridor.

Furthermore, China South City also benefits from the strategic development opportunity from the "Belt and Road Initiative" of China. Standing on the principles of equality and mutual benefits, the "Belt and Road" strategy finally bears fruit in Asia and across the world after around seven years of development. It has opened up the important traffic hubs along the way and established various platforms for exchanges in economy and trade between countries and regions. Apart from the Group's projects being afoot in key participating cities such as Shenzhen, Xi'an and Chongqing, CSC Harbin is established in the northeast Asia market under the national "Belt and Road Initiative", serving as a bridge for the economic alliance and collaboration between China and Eurasia; whereas CSC Nanning, which enjoys the geographical advantages of being adjacent to Southeast Asia, benefits from the preferential policy on cross-border trading activities devised by the "China-ASEAN Free Trade Zone". Besides, Zhengzhou, Nanchang and Hefei are leading inland open economies enjoying economic favour from surrounding areas.

At present, China South City's layout in the eight Mainland cities highly adheres to important national development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Yangtze River Economic Belt", especially the "Guangdong-Hong Kong-Macau Greater Bay Area" in great vogue in recent years. China South City, as one of the representative enterprises in the Greater Bay Area, was invited to share experience of successful project management on behalf of key introduced enterprises in exchange meetings launched in the regions like Guangxi and Henan. As the China South City's projects in eight regions become more mature, a number of them have been included in the provincial or municipal key projects. China South City would quickly seize market opportunities amidst industry transformation, smoothing the way to speed up the development.

Results and Dividends

In the first three quarters of the Year, China South City has made steady progress with a firm foundation, comprehensive structure and sophisticated system. Contracted sales for the first three quarters increased by 8.3% year-on-year to HK$11.701 billion (first three quarters of FY2018/19: HK$10.809 billion). However, under the impact of COVID-19 in the fourth quarter of the Year, the contracted sales of the Group in the FY 2019/20 decreased by 7.9% to HK$13.514 billion (FY2018/19: HK$14.677 billion). Revenue also decreased by 3.8% to HK$9,887.7 million (FY2018/19: HK$10,274.3 million) due to the pandemic, while recurring income was able to maintain a growth of 4.2% to HK$2,411.9 million (FY2018/19: HK$2,314.9 million).

Core net profit attributable to owners of the parent (excluding fair value gains on investment properties and certain tax effects, impairment of goodwill, etc.) was HK$1,553.3 million (FY2018/19: HK$1,749.6 million), while profit attributable to owners of the parent recorded HK$2,633.1 million (FY2018/19: HK$3,251.0 million). Basic earnings per share was HK32.47 cents (FY2018/19: HK40.33 cents).

The Board recommended the payment of a final dividend of HK3.0 cents per share for FY2019/20 (FY2018/19: HK5.0 cents per share), subject to approval of our shareholders at the forthcoming annual general meeting (the "AGM") to be held by the Company on 22 September 2020.

Review of the Market and Operations

China South City has implemented professional operational management with great efforts. The strategic deployment of "Emphasizing Tenant Recruitment and Strengthening Operations" has achieved proactive effects. The Year is the first full financial year since the setup of investment development division and business management division, after which more professional and dedicated management in construction and operation is enhanced.

The investment development division has achieved greater efficacy by fully sorting out the key nodes of project operation, budget management, and workflow management. In respect of project operation, a full operational management has been implemented, which would gradually lead to an all-round operational management model with schedules and costs fully covered. Currently, a panoramic operational plan for all projects under construction has been realised. It optimizes the tendering system as it orients target cost management. A comprehensive budget management system was enforced to strengthen the management and control before, during and after the project, forming a multi-layer budget management structure. Project investment analysis system is also established to provide scientific basis for investment decisions.

Keeping up with the times, the business management division has developed a diversified and flexible model for commercial management and ancillary services to ensure stable revenue sources and sustainable development in the future. Residential facilities, shopping malls, wholesale markets, as well as conference and exhibition, are developed to achieve synergy. Business is tuned and optimized according to local market demands, for example, the introduction of education and mega-health sectors to attract premium clients, which further improve tenant mix to safeguard prospective branding development. The business management division achieved great results, of which new sectors such as medical and healthcare, education, entertainment experience, and e-commerce accounted for almost one-fourth of the new GFA recruited. In December 2019, the Group entered into a strategic cooperation agreement with Wanda Group, under which a new generation of Wanda Plaza will be erected in China South City Shenzhen. By then, the surrounding commercial ancillaries and traffic will be enhanced enormously, further better the quality of consumption on the whole project site.

Based on the fundamental property management service provided by the business management division, business has further advanced to provide comprehensive property management model with diversification, which received recognition from the industry. In 2019, Shenzhen First Asia Pacific Property Management Company Limited, the Group's wholly-owned subsidiary, was awarded the "2019 Integrated Capabilities Assessment Top 100 Property Management Services Companies of Guangdong Province" (2019廣東省物業管理服務企業綜合實力測評TOP100).

In addition to the provision of property management services, the Group has unceasingly developed various businesses, including warehousing and logistics services, outlet operations and large-scale one-stop home furnishing sale, which would raise high quality development of the Group as a whole.

Qianlong Logistics Group Limited ("Qianlong Logistics"), the Group's wholly-owned subsidiary, is a modern comprehensive logistics enterprise. Taking advantage of the platform supported by China South City's projects, it has developed to cover road transportation, warehousing, freight forwarding, logistics information and supply-chain financing with its own nation-wide warehousing network and operation team. Based on the logistics parks it operates, comprehensive supply-chain integrated logistics solutions are offered to customers with warehousing as substance, and shipment consolidation and distribution as service extension. During the Year, Qianlong Logistics successfully developed business in the vertical market by reaching cooperation with well-known domestic and foreign manufacturers, greatly expanding its business channels.

Shenzhen Huasheng Commercial Development Company Limited ("Huasheng Outlet"), the Group's wholly-owned subsidiary specialised in outlet development and operation, unceasingly enhances its commercial value through professional and effective light asset management. During the Year, Huasheng Outlet took an active role to roll out new initiatives in the areas of operations, tenant recruitment, and business expansion. For operations, events were organized non-stop to increase visitor traffic. It has optimised tenant recruitment relentlessly and a comprehensive branding database of the whole country was established. Through cooperation with strategic brands, cost-saving, optimization of operation structure, and the change in tenant mix and operation, a firm foundation has been laid for future development.

HOBA Furnishing, another subsidiary of the Group, is a renowned group of chained professional in distribution of household products, principally covering middle-to-high end furniture, household products and home decoration. During the Year, HOBA Furnishing continued to enhance its existing store operations, increase its leasing rate and advance its overall operating capability. The newly added eight franchise projects, such as Weihai, Ordos and Maomin, etc. and the new direct stores in Zhengzhou and Dezhou in operation have prepared the groundwork for continuous development.

Furthermore, China South City also emphasize on the strategic layout and incubation of new industries. It has organized matchmaking meetings among government bodies, banks and enterprises, to encourage the development of new technological industries, including the start ups. CSC Shenzhen has been established a national cross-border e-commerce industry base. A few top cross-border e-commerce enterprises are located in CSC Shenzhen, which has been entitled as the "National E-commerce Model Base" by the Ministry of Commerce of China. CSC Chongqing 1668 Startups Park, which is planned to roll out, would be developed as a new industry base for e-startups. CSC Hefei has successfully introduced a range of education and training institutions, forming an industry cluster for education. China South City will keep abreast with the development trend towards enterprises of technology and innovation, and adjust industry focus in a timely manner. The introduction of emerging industries onto our project sites will bring vim and vigour for industry transformation and upgrade, as well as new momentum for future development.

Financial Management

During the Year, the Group remained prudent in its financial management to maintain multi-channel financing for better cash management, and debt structure. In offshore market, the Group made a US$60 million senior notes tap issuance in June 2019, a US$150 million senior notes new issuance in December 2019, followed with a US$200 million senior notes tap issuance in January 2020, and a US$225 million issuance in February 2020 followed with a US$125 million tap issuance in June 2020. Domestically, the Group issued RMB600 million of medium-term notes in April 2019, and an aggregate amount of RMB1.4 billion of company bonds in August 2019. The Group continued to maintain the smooth development for multiple financing channels in both domestic and offshore capital markets, selected the best window based on market conditions and optimized the overall debt structure. The Group further optimized its debt structure by repurchasing and cancelling offshore bonds. In addition, during the Year, the Group was granted a number of domestic long-term bank loans amounting to RMB4.83 billion by various banks with terms from five to 15 years. Such loans shall significantly extend the loan terms and increase the flexibility of working capital. On top of the repayment of the original loans due, it allowed the Group to acquire additional liquidity by making full use of property valuation. Looking forward to next financial year, the Group will maintain and extend its prudent and sound financial management strategy as well as flexible and smooth financing channels in both domestic and offshore capital markets, with the aim of achieving steady growth under healthy financial structure and thereby create maximum value for shareholders.

Prospects

In the year 2020, with uncertainties of international environment and possible recurrence of COVID-19, China South City will continue to focus on real business and closely follow the direction of government policies, in order to facilitate overall business upgrade. In particular, after years of development, projects in Zhengzhou, Xi'an, Shenzhen, Nanchang, Nanning and other cities have already gained numerous advantages such as well-equipped facilities, wide-ranging industries and high accessibility. With the introduction of more brands and the emerge of new industries, the number of visits and traffic flow will be further boosted, while the projects in Chongqing, Hefei and Harbin are set to grow rapidly as the transportation and ancillary infrastructure become sounder. The simultaneous growth of each project will lay a solid foundation for the healthy development of China South City.

While managing to run the principal business well, China South City keeps strengthening capital operation via broadening financing channels, controlling costs strictly, prioritizing efficacy and making full use of the constructive role in the capital markets for resources allocation. The Group will also enhance tenant recruitment, capability of operation and the quality of projects as a whole. It will further refine specific management work division and products to facilitate upgrade and development of the Group. Meanwhile, China South City will still adhere to its unique "Trade and Logistics+" business model, which allows the best use of its own business ecosystem and gives the best value.

China South City has been striving towards the development strategy of “Integrating Industries into Projects, Building Beautiful New ‘City’ Conducive to Work and Life”. Leveraging its wealth of experience throughout the years, China South City has positioned itself to be world-class integrated trade and logistics center, digital center, innovation center and living center, and is committed to being an incubator for strategic emerging industries that align with the national strategy and economic transformation, uncovering new growth point collectively with the real economy. Last but not least, the Group’s vision to build beautiful new “cities” conducive to work and life would be ultimately realised through the development of each project with strong urban function, together with well industry and sector layout.

The management plans that the Group will deliver its annual contracted sales target of HK$16,000 million for the financial year ended 31 March 2021. In respect of recurring business, the Group will strive to keep its growth momentum and develop diversified and stable revenue streams.

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

Cheng Chung Hing
Chairman and Executive Director

Hong Kong, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Focusing on Primary Business and Continuously Expanding New Business

During the Year, the international environment was complex. There was the resurgence of unilateral protectionism, and challenges facing China's exports and overall economy resulted from the Sino-U.S. trade war. In the second half of the Year, the outbreak of COVID-19 has further impacted on the real economy. During the first quarter of 2020, China's GDP declined by 6.8%, representing a negative growth for the first time. With gradual ease of the pandemic in China, various industries have resumed work and production in an orderly manner since March 2020. It is expected that all businesses will be back on the right track step by step in the second half of the year.

Facing the slowdown in economic growth and the ever-evolving domestic and international situation, the diversified and flexible business model of China South City has enabled timely and effective adjustments to sales and operations strategies according to different development stages of a project and the market demand in different regions. Leveraging its innovative and integrated trade and logistics model over the years, the Group will remain as a leading developer and operator of large-scale integrated logistics and trade center in China.

As the projects in various places are becoming mature, China South City has actively been adding new industries and businesses in the respect of innovation and technology on these project sites, apart from continuously strengthening the provision and services on residential units, multi-purpose commercial properties, office buildings, commercial complexes, property management, conference and exhibition facilities, warehousing and logistics, outlets and financial services. For example, with the strategic cooperation agreement signed between China South City and Wanda Group, a new generation of Wanda Plaza will soon be present in CSC Shenzhen. Together with the opening of Subway line 10 passing through CSC Shenzhen, commercial ancillaries in the area will be upgraded, which will in turn significantly stimulate the flow of people. CSC Hefei has actively introduced education and training institutions, clustering together the education industry on the project. CSC Zhengzhou has opened up specific areas for commodities such as food, lighting, footwear, etc., specially for merchants who are affected by the demolition of other wholesale markets. CSC Nanning has successfully earned the titles of "China-ASEAN Digital Trade Hub" and "New Western Land-Sea Corridor Digital Trade Hub", which provided an opportunity to develop the new landmark of China-ASEAN commodity trading by virtue of its regional advantages.

During the Year, the Group's total revenue was HK$9,887.7 million (FY2018/19: HK$10,274.3 million). Its recurring income grew by 4.2% year-on-year to HK$2,411.9 million (FY2018/19 HK$2,314.9 million), accounting for 24.4% of the total revenue (FY2018/19: 22.5%). Gross profit margin was 45.7% (FY2018/19: 43.2%). Profit attributable to owners of the parent was HK$2,633.1 million (FY2018/19: HK$3,251.0 million). Basic earnings per share amounted to HK32.47 cents (FY2018/19: HK40.33 cents).

Refined Management Facilitating Steady Development

The Group has established projects standing in eight cities in China, covering a first-tier city, provincial capitals and a direct-administered municipality for over a decade. Trade centers, warehousing and logistics facilities, residential units, multi-purpose commercial properties, and commercial complexes were successfully developed on these projects, which delivered sustainable revenue for the Group. During the Year, the investment development division and business management division unceasingly refined the professional management on project construction, merchant recruitment and project operation, with good results achieved. Such division of labor made services to tenants and residents more specific and professional, in response to their different needs.

Project Investment and Development

The investment development division mainly focuses on the Group's project investment, development and construction. To meet local demands of projects in different places, the Group has developed various types of commercial complexes accordingly. Multi-purpose commercial properties are being developed in various projects, such as Zhengzhou, Xi'an, Nanchang and Shenzhen. Government service centers have been introduced on certain projects, for example, and the opening of China South City sub-center of Shenzhen Longgang District Administrative Service Hall in CSC Shenzhen. To cope with the government's infrastructural plan, public facilities such as parks have been constructed on China South City projects. There are also facilities such as substations and gas stations on each project. Ancillary services are continuously enhanced to meet the different needs from the tenants and residents on site.

In FY2019/20, the Group recorded total contracted sales of approximately HK$13,514.1 million, with GFA of approximately 1,477,500 sq.m..

Contracted sales

	FY2019/20				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	**9,200**	**17,100**	**157.8**	**1.2%**	34,000	14,600	495.7	3.4%
CSC Nanchang	**65,100**	**12,700**	**826.5**	**6.1%**	43,300	9,300	402.9	2.7%
CSC Nanning	**56,000**	**9,400**	**525.0**	**3.9%**	66,900	10,700	716.6	4.9%
CSC Xi'an	**396,700**	**9,200**	**3,664.7**	**27.1%**	164,600	8,700	1,433.3	9.8%
CSC Harbin	**233,800**	**7,700**	**1,809.2**	**13.4%**	107,000	7,200	767.5	5.2%
CSC Zhengzhou	**484,600**	**9,200**	**4,441.8**	**32.9%**	517,900	10,000	5,174.3	35.3%
CSC Hefei	**18,700**	**10,200**	**191.6**	**1.4%**	305,100	11,700	3,580.9	24.4%
CSC Chongqing	**213,400**	**8,900**	**1,897.5**	**14.0%**	250,300	8,400	2,105.9	14.3%
Total/average	**1,477,500**	**9,100**	**13,514.1**	**100.0%**	1,489,100	9,900	14,677.1	100.0%

CSC Shenzhen

As of 31 March 2020, construction of a GFA of approximately 2.39 million sq.m. was completed in CSC Shenzhen. As of 31 March 2020, construction of a GFA of approximately 185,500 sq. m. was underway.

In FY2019/20, CSC Shenzhen recorded contracted sales of approximately HK$157.8 million (FY2018/19: HK$495.7 million), for a GFA of 9,200 sq. m. at an average selling price ("ASP") of HK$17,100/sq. m. (FY2018/19: 34,000 sq. m. at an ASP of HK$14,600/sq. m.).

CSC Nanchang

As of 31 March 2020, construction a GFA of approximately 2.40 million sq. m. was completed in CSC Nanchang. As of 31 March 2020, construction of a GFA of approximately 652,300 sq. m. was underway, of which approximately 168,300 sq. m. was expected to complete in FY2020/21.

In FY2019/20, CSC Nanchang recorded total contracted sales of HK$826.5 million (FY2018/19: HK$402.9 million), for a GFA of 65,100 sq. m. at an ASP of HK$12,700/sq. m. (FY2018/19: 43,300 sq. m. at an ASP of HK$9,300/sq. m.).

CSC Nanning

As of 31 March 2020, construction of a GFA of approximately 1.95 million sq. m. was completed in CSC Nanning. As of 31 March 2020, construction of a GFA of approximately 154,800 sq. m. was underway.

In FY2019/20, CSC Nanning recorded total contracted sales of HK$525.0 million (FY2018/19: HK$716.6 million), including a GFA of 56,000 sq. m. at an ASP of HK$9,400/sq. m. (FY2018/19: 66,900 sq. m. at an ASP of HK$10,700/sq. m.).

CSC Xi'an

The development of CSC Xi'an is well underway with a GFA of approximately 1.84 million sq. m. was completed. As of 31 March 2020, construction of a GFA of approximately 1.07 million sq. m. was underway, of which approximately 231,900 sq.m. was expected to complete in FY2020/21.

In FY2019/20, CSC Xi'an recorded total contracted sales of HK$3,664.7 million (FY2018/19: HK$1,433.3 million) for a GFA of 396,700 sq. m. of at an ASP of HK$9,200/sq. m. (FY2018/19: 164,600 sq. m. at an ASP of HK$8,700/sq. m.).

CSC Harbin

The development of CSC Harbin is well underway with a GFA of approximately 1.84 million sq. m. completed. As of 31 March 2020, construction of a GFA of approximately 1.01 million sq. m. was underway, of which approximately 170,900 sq. m. was expected to complete in FY2020/21.

In FY2019/20, CSC Harbin recorded total contracted sales of HK$1,809.2 million (FY2018/19: HK$767.5 million), for a GFA of approximately 233,800 sq. m. of at an ASP of HK$7,700/sq. m. (FY2018/19: 107,000 sq. m. at an ASP of HK$7,200/sq. m.).

CSC Zhengzhou

The development of CSC Zhengzhou is well underway with a total GFA of approximately 3.60 million sq. m. completed. As of 31 March 2020, construction of a GFA of approximately 2.10 million sq. m. was underway, of which approximately 1.09 million sq. m. was expected to complete in FY2020/21.

In FY2019/20, CSC Zhengzhou recorded total contracted sales of HK$4,441.8 million (FY2018/19: HK$5,174.3 million), for a GFA of 484,600 sq. m. of at an ASP of HK$9,200/sq. m. (FY2018/19: a GFA of 517,900 sq. m. at an ASP of HK$10,000/sq. m.).

CSC Hefei

The development of CSC Hefei is well under underway with a GFA of approximately 2.75 million sq. m. completed. As of 31 March 2020, construction of a GFA of approximately 1.14 million sq. m. was underway, of which approximately 562,500 sq. m. was expected to complete in FY2020/21.

In FY2019/20, CSC Hefei recorded total contracted sales of HK$191.6 million (FY2018/19: HK$3,580.9 million) for a GFA of 18,700 sq. m. of residential ancillaries at an ASP of HK$10,200/sq. m. (FY2018/19: a GFA of 305,100 sq. m. at an ASP of HK$11,700/sq. m.).

CSC Chongqing

The development of CSC Chongqing is well underway with a GFA of approximately 2.00 million sq. m. completed. As of 31 March 2020, construction of a GFA of approximately 583,800 sq. m. was underway, of which approximately 333,800 sq. m. was expected to complete in FY2020/21.

In FY2019/20, CSC Chongqing recorded total contracted sales of HK$1,897.5 million (FY2018/19: HK$2,105.9 million) for a GFA of 213,400 sq. m. at an ASP of HK$8,900/sq. m. (FY2018/19: a GFA of 250,300 sq. m. at an ASP of HK$8,400/sq. m.).

Sustaining the Healthy Growth of Recurring Business

China South City pays high attention to the overall operation of its projects. Apart from actively enriching the industries available on project sites and promoting industry concentration, China South City has offered room to accelerate vertical market integration within different industries. The Group also provides tenants with a one-stop solution by consolidating resources such as business management, property management, brand value, merchant resources, etc. The Group held a number of international expositions and themed events this Year, for example, the 16th China-ASEAN Expo and Light Industrial Exhibition in CSC Nanning, the CSC session of the 6th "China-Russia Expo" in CSC Harbin, the Building and Decoration Materials and Hardware 2019 Autumn Trade Fair in CSC Zhengzhou and so forth, which drew great attention in those districts. The success of these Expo and events attracted a large number of visitors, effectively promoted its popularity among surrounding areas and greatly enlarged the brand influence of China South City.

As each project matures over time, the recurring business has become a diversified and steadily increasing revenue stream of the Group. During the Year, the new coronavirus pandemic has extensively and severely affected the domestic commercial and livelihood activities after the Lunar Chinese New Year. Under such environment, the Group still recorded total recurring income of HK$2,411.9 million (FY2018/19: HK$2,314.9 million) representing an increase of 4.2% (if excluding the impact of Renminbi depreciation, the growth would be 8.2%). If not hit by the pandemic, it was believed that the growth would be more significant. Revenues from property leasing and property management, logistics and warehousing services and outlet operations amounted to HK$1,344.1 million, HK$404.9 million and HK$440.2 million, respectively (FY2018/19: HK$1,244.6 million, HK$289.3 million and HK$427.9 million, respectively).

Business Management and Operation

The Group practically kept implementing the strategy of "Emphasizing on Tenant Recruitment and Strengthening Operation" during the Year. Emerging and new industries that aligned with the upcoming development trend were introduced through professional project management and merchants recruitment by the business management division.

The Group provided customized wholesale markets to tenants. For example, CSC Zhengzhou set up special areas for lighting, footwear, food and other businesses for merchants affected by demolition of other wholesale markets. These areas were well-equipped, together with other facilities to form a sizable marketplace. In addition, the Group targeted on the incubation of strategic emerging industries and has constructed commercial complexes for individual high-tech industries. It has conducted negotiation with industries such as e-commerce and healthcare, including the startups, to facilitate industry clustering and integration. In particular, the e-commerce segment has attained notable results after years of development, where some of them became demonstration base at provincial or national level. Besides, a few leading domestic cross-border e-commerce enterprises were located in CSC Shenzhen, while some of them had been successfully listed on the A-shares and the NEEQ. In December 2019, CSC Shenzhen was named as "National E-commerce Demonstration Base" by the Ministry of Commerce.

During the Year, the Group also put effort on enhancing portfolio management by introducing quality tenants such as education industry. The education industry in CSC Hefei has been developing towards a cluster for education, education and teaching aids. In addition, the total space experience hall in CSC Nanchang containing aerospace technology displays, extracurricular science education and technology interaction become more sizable in a couple of years. China South City also proactively reserves schooling facilities on its projects to cater to the demands of tenants and residents, meanwhile it would also bring about traffic flow. CSC Zhengzhou First Primary School was officially delivered and opened in August 2019. CSC Zhengzhou donated various equipment to the school and was honored with "Respect for Teachers and Teaching".

During the Year, HOBA Furnishing continuously solidified its project operation by improving occupancy rate and comprehensive operation capacity. There were eight franchised projects newly added in the Year and those in Weihai, Ordos and Maoming commenced operation one after another. The new corporate stores in Zhengzhou and Dezhou were also launched and they altogether have become a foundation to sustain the growth momentum.

Property Leasing and Property Management

As a leading developer and operator of large-scale integration logistics and commodity trading center in China, China South City has adapted to changes to ensure steadily-increasing revenue streams and sustainable development for future. To promote the collaborative development of residential units, shopping complexes, multi-purpose commercial properties, trade centers, exhibitions, etc. on each project site, business focus is adjusted and optimized timely according to local market demands.

After years of development, the property management segment has gained National First-Class Property Management Qualification. It has developed a diversified and flexible model and become one of the few integrated property management firms capable of managing both trade center premises and residential properties in China. During the Year, the revenue from property leasing and property management amounted to HK$1,344.1 million (FY2018/19: HK$1,244.6 million), representing a year-on-year increase of 8.0%. With more projects commencing operation, the Group expected its recurring income to continue to grow and provide a stable cash flow.

As the projects in various cities mature over time, the Group continuously seeks to add multiple streams of revenue to improve its operation, including pop-up space leasing and car parking, advertising and exhibitions. Meanwhile, the Group continued to strengthen digitalization on its project and property management through the application of mobile payment, online payment, electronic invoicing, smart device control, etc., with a view to providing higher usability while significantly reducing manpower costs but increasing efficiency.

Logistics and Warehousing Services

Qianlong Logistics is an integrated modern logistics enterprise. During the Year, the business scope of the segment has gradually expanded from merely logistics park leasing to include comprehensive third-party logistics services, covering the three basic product lines of logistics park leasing, warehousing management and forwarder distribution. Integrated logistics services were provided for brands, manufacturers and channel partners to enhance the Group's competitiveness.

Built on the base of stable logistics park operation, Qianlong Logistics actively expanded its comprehensive third-party logistics services of warehousing and distribution. During the Year, significant breakthroughs were seen in the new warehousing area and land bank to serve such purpose. Being in cooperation with well-known manufacturers at home and abroad has successfully allowed the access to the upstream and downstream enterprises of the vertical market, which greatly widened its business channels. In addition, regarding infrastructure development, Qianlong Logistics has enhanced it service level by upgrading to include high standard warehouses and planning to expand its business on cold chain warehousing.

During the Year, revenues generated from logistics and warehousing services amounted to HK$404.9 million (FY2018/19: HK$289.3 million), representing a year-on-year increase of 40.0%.

Outlet Operations

Huasheng Outlet, specialised in outlet development and operation, unceasingly enhances its commercial value through professional and effective management. During the Year, Huasheng Outlet took an active role to extend its customer contacts by organising various events throughout the year and to boost customer flow. Following the up marketing trend, influencers live-streaming was also adopted. In terms of tenant recruitment, Huasheng Outlet keeps adjusting and optimising the tenant portfolio. It has also established a comprehensive nationwide branding database and been in cooperation with various strategic brand names. Through cost-saving, optimization of operation structure, and the change in tenancy mix and operation, a firm foundation is laid for future development.

During the Year, the Group's outlet operations recorded a gross turnover of approximately RMB1.7 billion (FY2018/19: RMB1.7 billion), and generated a recurring income of HK$440.2 million (FY2018/19: HK$427.9 million), which have a mild growth compared with last fiscal year. In terms of sales turnover, the Shenzhen project remained the largest contributor, followed by Zhengzhou project and Nanning project.

Land Bank

With its unique and flexible business model, the Group intends to retain properties such as logistics and warehousing facilities and hotels, as well as 50% of trade center units for self-use or long-term leasing purposes, in order to generate stable recurring income and capital appreciation, while the remaining approximately 50% of trade center units and all of the residential properties will be sold progressively to generate cash flow for the Group's development. The Group's current land bank is mainly for residential, warehousing and logistics, and commercial purposes. Details of the land bank are as follows:

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*	*Unsold and in operation*		*Estimated*	*Estimated*	*Estimated*		
CSC Shenzhen	862,500	1,529,800	185,500	–	66,200	2,644,000	2,644,000	100%
CSC Nanchang	1,406,600	994,300	652,300	168,300	1,741,200	6,866,000	4,794,400	70%
CSC Nanning	679,700	1,273,400	154,800	–	372,100	4,880,000	2,480,000	51%
CSC Xi'an	881,600	962,900	1,069,300	231,900	1,762,800	17,500,000	4,676,600	27%
CSC Harbin	580,300	1,257,100	1,007,700	170,900	2,872,100	12,000,000	5,717,200	48%
CSC Zhengzhou	1,756,100	1,842,000	2,096,800	1,091,700	4,497,300	12,000,000	10,192,200	85%
CSC Hefei	1,558,300	1,187,000	1,136,900	562,500	2,110,800	12,000,000	5,993,000	50%
CSC Chongqing	642,900	1,357,500	583,800	333,800	3,917,600	13,100,000	6,501,800	50%
Total	**8,368,000**	**10,404,000**	**6,887,100**	**2,559,100**	**17,340,100**	**80,990,000**	**42,999,200**	**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 commercial properties, 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, properties under development and properties planned for future development. The actual GFA may vary subsequently according to needs of the Group.

Strengthening the Senior Management Team

To cope with the domestic and international complex environment, the Group continued to strengthen its management team during the Year to ensure an optimal mix of management resources and operational capabilities to deliver its business strategies. In April 2020, the Group appointed Mr. Wu Guangquan as the executive director of the Company. He is responsible for the management of Group's resources integration, business development strategy and daily operations. Mr. Wu graduated from Tongji University with a Master degree in Business Administration. He has extensive experience in finance, administration and management. In addition, Mr. Wu is the president of presidium of China Federation of Industrial Economics, and also the president and executive chairman of Federation of Shenzhen Industries. Under the leadership of the Board, the senior management team will continue to lead the Group to create greater value for the shareholders.

FINANCIAL REVIEW

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

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 interbank and capital market instruments, in order to achieve an optimal capital structure and maturity profile. As at 31 March 2020, the total interest-bearing debts of the Group were HK$33.8 billion (31 March 2019: HK$34.3 billion), representing a decrease of 1.5% compared to 31 March 2019. The gearing ratio was 67.2% (31 March 2019: 68.9%). Furthermore, as at 31 March 2020, cash and bank balances were HK$10,303.5 million (31 March 2019: HK$9,359.8 million) and the Group had unused banking facilities of approximately HK$17.2 billion.

Comparing with the last fiscal year, the revenue of the Group decreased 3.8% to HK$9,887.7 million (FY2018/19: HK$10,274.3 million) while the core net profit attributable to owners of the parent decreased by 11.2% to HK$1,553.3 million (FY2018/19: HK$1,749.6 million) during the Year. Net profit attributable to owners of the parent decreased by 19.0% to HK$2,633.1 million (FY2018/19: HK$3,251.0 million) and the basic earnings per share decreased to HK32.47 cents (FY2018/19: HK40.33 cents). The decrease in net profit attributable to owners of the parent and basic earnings per share are mainly due to the decrease in fair value gain of investment properties, which is a non-cash item.

Revenue

Revenue for the Year decreased by 3.8% to HK$9,887.7 million (FY2018/19: HK$10,274.3 million) comparing with last fiscal year. The decrease was mainly attributable to the impact of COVID-19 outbreak on the delivery of properties and the growth in recurring income during the Year.

	FY2019/2020	FY2018/2019	Change
	HK$'000	*HK$'000*	*%*
Sales of properties and finance lease income	**7,475,735**	7,959,371	-6.1
Sales of properties	***7,142,767***	*7,348,017*	*-2.8*
Finance lease income	***46,842***	*496,569*	*-90.6*
Others	***286,126***	*114,785*	*149.3*
Recurring income	**2,411,919**	2,314,884	4.2
Property leasing and management service income	***1,344,130***	*1,244,583*	*8.0*
Other recurring revenue	***1,067,789***	*1,070,301*	*-0.2*
	9,887,654	10,274,255	-3.8

Sales of Properties and Finance Lease income

Revenue from sales of properties decreased by 2.8% to HK$7,142.8 million (FY2018/19: HK$7,348.0 million). The decrease was mainly attributable to the impact of COVID-19 outbreak on the delivery of properties during the Year. The sales of properties for each project are as follows:

	Sales revenue (before deduction of sales tax*)		Sales revenue (net of sales tax*)		GFA sold		Average selling price (before deduction of sales tax*)	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	(HK$ million)		*(HK$ million)*		*(sq. m.)*		*(HK$/sq. m.)*	
CSC Shenzhen	**25.9**	–	**24.7**	–	**1,600**	–	**16,200**	–
CSC Nanchang	**15.9**	173.4	**15.2**	165.6	**1,000**	10,400	**15,900**	16,700
CSC Nanning	**163.0**	561.4	**155.2**	543.4	**13,500**	53,100	**12,100**	10,600
CSC Xi'an	**811.8**	493.1	**747.4**	449.8	**90,000**	71,100	**9,000**	6,900
CSC Harbin	**172.8**	255.5	**162.6**	241.1	**22,600**	34,900	**7,600**	7,300
CSC Zhengzhou	**3,863.2**	1,654.2	**3,560.4**	1,498.4	**379,500**	175,000	**10,200**	9,500
CSC Hefei	**1,997.7**	2,704.4	**1,855.3**	2,448.6	**188,200**	284,100	**10,600**	9,500
CSC Chongqing	**673.7**	2,203.6	**622.0**	2,001.1	**82,800**	311,400	**8,100**	7,100
Total	**7,724.0**	8,045.6	**7,142.8**	7,348.0	**779,200**	940,000	**9,900**	8,600
– Trade center units	**648.8**	1,729.1	**606.7**	1,600.7	**70,300**	203,300	**9,200**	8,500
– Residential properties	**6,614.5**	6,283.5	**6,112.7**	5,716.2	**656,300**	733,500	**10,100**	8,600
– Multi-purpose commercial properties	**460.7**	33.0	**423.4**	31.1	**52,600**	3,200	**8,800**	10,300

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

Finance lease income derived from the leasing of office buildings decreased by 90.6% to HK$46.8 million (FY2018/19: HK$496.6 million). The decrease was primarily attributable to less finance lease on office building at CSC Shenzhen made during the Year. During the Year, the Group entered into finance lease arrangements with tenants for approximately 3,300 sq.m. (FY2018/19: 36,600 sq.m.) at an average price of HK$15,000/sq.m. (FY2018/19: HK$14,400/sq.m.).

Property Leasing and Management Service Income

The Group intends to retain approximately 50% of the trade center units for self-use or rental purposes. Meanwhile, the Group also provide property management services for its trade centers, shops and residential properties delivered and in use. Given the diversity of its property types and industries in China South City projects, the Group's business management division provides diversified leasing and property management services, to cater to the needs of different property types and industries across respective projects in the Year. Property leasing and management service 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 a substantial part of the property leasing and property management service income. As at 31 March 2020, the total occupancy rate of the rentable GFA of CSC Shenzhen's trade centers and shops were approximately 78% to 96% (As at 31 March 2019:

87% to 94%). Meanwhile, other projects also gradually expand and start to contribute to property leasing and property management service income. During the Year, property leasing and property management service income of the Group increased by 8.0% to HK$1,344.1 million (FY2018/19: HK$1,244.6 million) comparing to last fiscal year.

Other Recurring Revenue

Other recurring revenue remained stable at HK$1,067.8 million (FY2018/19: HK$1,070.3 million). As a result of the growth in volume of business the revenue from outlet operations slightly increased by 2.9% to HK$440.2 million (FY2018/19: HK$427.9 million). Meanwhile, revenue from logistics and warehousing services significantly increased by 40.0% to HK$404.9 million (FY2018/19: HK$289.3 million) during the Year, which is mainly due to the increase in area of warehouse and the increase in the third party logistic service income. It is worth noting that HOBA Furnishing's adjustment to operation has resulted in a drop in revenue, which in turn affected the growth rate in the Group's income.

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 Year, the cost of sales decreased by 8.0% to HK$5,365.0 million (FY2018/19: HK$5,834.7 million). The decrease in cost of sales was in line with the decrease in total recognized sales during the Year.

Gross Profit

Gross profit increased by 1.9% to HK$4,522.6 million (FY2018/19: HK$4,439.6 million). During the Year, gross profit margin increased to 45.7% (FY2018/19: 43.2%), which was mainly due to the increasing average selling price of sales of properties.

Other Income and Gains

Other income and gains decreased by 39.4% to HK$487.2 million (FY2018/19: HK$804.1 million), mainly attributable to a decrease in government grants (FY2019/20: HK$267.5 million; FY2018/19: HK$540.9 million) and a decrease in gains on repurchase of senior notes (FY2019/20: HK$63.8 million; FY2018/19: HK$94.6 million).

Fair Value Gains on Investment Properties

The fair value gains on investment properties decreased by 39.9% to HK$1,677.9 million (FY2018/19: HK$2,793.4 million) because less properties were transferred to investment properties comparing to last fiscal year.

For each of the 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 be 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 that 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

The Group's selling and distribution expenses decreased by 27.2% to HK$484.7 million (FY2018/19: HK$666.1 million), which was mainly attributable to successfully implementing effective cost control measures over marketing activities for promoting the sales of properties during the Year.

Administrative Expenses

Administrative expenses decreased by 11.3% to HK$1,001.9 million (FY2018/19: HK$1,129.9 million) which was primarily due to the measures taken by the Group to streamline human resources and the effective control of administrative costs. Besides, during the Year, the Company granted in aggregate 73,800,000 share options to two executive directors and certain employees of the Group. Together with the share options granted in prior years, share options expenses of HK$1.9 million (FY2018/19: HK$14.6 million) were recorded.

Other Expenses

Other expenses decreased by 36.2% to HK$212.8 million (FY2018/19: HK$333.4 million), which was mainly because there was a decrease in impairment of goodwill recognized during the Year (FY2019/20: HK$15.0 million; FY2018/19: HK$134.2 million).

Finance Costs

Finance costs remained stable at HK$517.6 million (FY2018/19: HK$530.9 million). Due to the change in capital market conditions, the Group's weighted average financing cost increased to 7.85% at the end of March 2020 (31 March 2019: 7.17%).

Tax

Income tax expenses recorded a decrease in 13.6% to HK$1,842.6 million (FY2018/19: HK$2,133.7 million), which was due to the tax effect of the decrease in fair value gains of investment properties and the decrease in revenue and operating profits during the Year.

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 notes 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 Bank Balances

As at 31 March 2020, the Group had HK$10,303.5 million cash and bank balances (31 March 2019: HK$9,359.8 million), among which non-restricted cash and cash equivalents amounted to approximately HK$6,842.4 million (31 March 2019: HK$5,933.8 million). The Group's cash and bank balances were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2020, the total interest-bearing debts of the Group was HK$33,753.7 million, which decreased by HK$511.0 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$17,121.1 million as at 31 March 2020 (31 March 2019: HK$17,738.7 million), of which HK$8,200.4 million is repayable within one year or on demand, HK$3,947.8 million will be repayable in the second year, HK$2,820.3 million will be repayable in the third to fifth years and HK$2,152.6 million will be repayable after five years. As at 31 March 2020, the Group's interest-bearing bank and other borrowings of approximately HK$16,291.8 million were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$32,501.5 million.

All interest-bearing bank and other borrowings of the Group were denominated in Renminbi and US dollars with interest rates range from 3.95% to 12.35% (31 March 2019: 4.08% to 12.35%) per annum. Furthermore, as at 31 March 2020, the Group had unused banking facilities of approximately HK$17.2 billion. The Group will, depending on the needs of project development and working capital status, utilize these banking facilities as appropriate.

Insurance of Notes

Senior Notes

In September and October 2016, the Company issued senior notes due in September 2021 with a nominal value of US$200 million (equivalents to approximately HK$1,560 million) and US$150 million (equivalents to approximately HK$1,170 million) respectively, in a total of US$350 million (equivalents to approximately HK$2,730 million). These notes were consolidated and formed a single series of "2016 Notes" at a coupon rate of 6.75% per annum. The Company repurchased an aggregate principal amount of US$4.5 million, US$4.8 million and US$8.0 million of the 2016 Notes at different time and had them cancelled. After such cancellation, the principal amount of the 2016 Notes outstanding was US$332.7 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 Company repurchased an aggregate principal amount of US$1.5 million and US$50.0 million of the 2017 March Notes at different time and had them cancelled. After such cancellation, the outstanding principal amount of the 2017 March Notes was repaid in full in March 2020 upon its maturity by the Company.

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 Company repurchased an aggregate principal amount of US$13.5 million of the 2017 November Notes and had it cancelled. After such cancellation, the principal amount of the 2017 November Notes outstanding was 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 Company repurchased an aggregate principal amount of US$12.0 million, US$9.0 million, US$9.6 million and US$12.3 million of the 2018 January Notes at different time and had them cancelled or to be cancelled later. After such cancellation, the principal amount of the 2018 January Notes outstanding was US$207.1 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 Company repurchased an aggregate principal amount of US$7.0 million, US$2.0 million and US$39.9 million of the 2018 May Notes at different time and had them cancelled. After such cancellation, the principal amount of the 2018 May Notes outstanding was US$201.1 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 Company repurchased an aggregate principal amount of US$8.0 million, and US$8.5 million of the 2019 March Notes at different time and had them cancelled. After such cancellation, the principal amount of the 2019 March Notes outstanding was US$243.5 million.

In December 2019 and January 2020, the Company issued senior notes due in February 2022 with a nominal value of US$150 million (equivalents to approximately HK$1,170 million) and US$200 million (equivalents to approximately HK$1,560 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 "2019 December Notes" at a coupon rate of 11.5% per annum.

In February 2020 and June 2020, the Company issued senior notes due in June 2022 with a nominal value of US$225 million (equivalent to approximately HK$1,755 million) and US$125 million (equivalent to approximately HK$975 million) respectively, a total of US$350 million (equivalent to approximately HK$2,730 million). These notes were consolidated and formed a single series of "2020 February Notes" at a coupon rate of 10.875% per annum.

As at 31 March 2020, the carrying value of senior notes were HK$14,319.5 million (31 March 2019: HK$12,332.4 million). The senior notes are jointly guaranteed by certain subsidiaries and part of the senior notes are secured by pledges of share of certain subsidiaries.

Medium-Term Notes

In May 2014, China South International Industrial Materials City (Shenzhen) Company Limited ("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. 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 first tranche and second tranche of the medium-term notes of 2014 was repaid in May and September 2019, respectively.

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.

Corporate Bonds

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

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.

As at 31 March 2020, the carrying values of China South International's medium term notes were HK$707.7 million (31 March 2019: HK$2,459.9 million), corporate bonds were nil (31 March 2019: HK$562,000) and domestic company bonds were HK$1,605.4 million (31 March 2019: HK$1,733.2 million).

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 67.2% as at 31 March 2020, and 68.9% as at 31 March 2019.

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 61.2%, which represented a significant decrease when compared with that at same period of last year.

Net Current Assets and Current Ratio

As at 31 March 2020, the Group had net current assets of HK$4,054.9 million (31 March 2019: HK$4,365.8 million) at a current ratio of 1.08 (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 31 March 2020, the guarantees amounted to HK$13,787.3 million (31 March 2019: HK$15,219.0 million).

Commitments

As at 31 March 2020, the Group had future capital expenditure contracted but not yet provided for in the amount of HK$13,221.6 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 Year.

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material exposure to foreign exchange risk. During the Year, the Group entered into certain forward currency contract with bank to hedge the amount of US$300 million of the foreign exchange exposure.

The Group continues to adopt a proactive approach to closely monitor the foreign currency market, 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 will be set out in notes to the financial statements.

Land for Projects and Restriction on Sales

The Group signs project agreements with local governments prior to the development of all projects in order to outline the long-term blueprints of relevant projects. These agreements generally set out the size and use of lands and the related development plans. However, the actual acquisition of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may 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 31 March 2020, the Group had a workforce of approximately 4,730 people, decreased by approximately 9.0% 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. During the Year, the Company granted in aggregate of 73,800,000 share options to two Executive Directors and certain employees of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.6.7

Code Provision A.6.7 provides that Independent Non-Executive Directors and other Non-Executive Directors, and equal board members, should attend general meetings of the Company. During the Year, two Non-Executive Directors and one Independent Non-Executive Director of the Company were unable to attend the last annual meeting of the Company held on 13 September 2019 as they had other prior business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 March 2020. It has also received the said consolidation financial statements.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the Year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

The Company repurchased a total of 25,238,000 shares of the Company at prices ranging from HK$0.87 to HK$1.07 per share on The Hong Kong Stock Exchange during the Year. Details of the repurchases of such shares were as follows:

Date of the Repurchase	Number of shares repurchased	Highest price per Share	Lowest price per Share	Aggregate consideration paid (excluding expenses)
		HK$	*HK$*	*HK$*
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
27 February 2020	7,518,000	0.89	0.88	6,668,100
28 February 2020	3,000,000	0.87	0.87	2,610,000
2 March 2020	4,818,000	0.89	0.88	4,269,840
	25,238,000			23,927,320

The above shares repurchased were cancelled on 12 September 2019 and 27 April 2020, respectively. 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 Year, the Company and a subsidiary of the Company repurchased part of the senior notes of the Company from the open market. Details are set out in the sub-section "Senior Notes" and notes to the financial statements.

Save as disclosed above and notes to the financial statement of the Company's FY2019/20 Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 22 September 2020, the register of members of the Company will be closed from Thursday, 17 September 2020 to Tuesday, 22 September 2020, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders shall lodge all transfer documents for registration with Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 16 September 2020.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed from Tuesday, 29 September 2020 to Monday, 5 October 2020, both days inclusive. The ex-dividend date will be on Friday, 25 September 2020. In order to qualify for the final dividend, Shareholders shall lodge all transfer documents for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 September 2020. The proposed final dividend, subject to the approval of the shareholders of the Company at the AGM, will be distributed around Tuesday, 20 October 2020 to shareholders of the Company whose names appear on the Register of Members on Monday, 5 October 2020.

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

Hong Kong, 29 June 2020

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

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