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

(incorporated in Hong Kong with limited liability)

(Stock Code: 1668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH

	2011	2010	**Approximate**
	HK$'000	*HK$'000*	**Change %**
Revenue	**2,234,033**	1,570,229	**+42.3%**
Gross profit	**1,333,048**	982,707	**+35.7%**
Profit attributable to owners of the parent	**1,552,455**	1,329,593	**+16.8%**
Net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effect	**542,339**	410,692	**+32.1%**
Operating cash inflow	**1,325,317**	885,339	**+49.7%**
Net assets value	**10,618,036**	9,026,685	**+17.6%**
Gearing ratio	**15%**	6%	
Proposed final dividend (per share)	**HK2.5 cents**	HK2 cents	**+25%**

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2011

The board of directors (the "Board") of China South City Holdings Limited ("China South City" or the "Company"), together with its subsidiaries (the "Group") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2011 together with the comparative figures for the previous financial year as follows:

Consolidated Income Statement
Year ended 31 March 2011

		For the year ended 31 March	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,234,033**	1,570,229
Cost of sales		**(900,985)**	(587,522)
Gross profit		**1,333,048**	982,707
Other income and gains	*4*	**39,499**	150,434
Fair value gains on investment properties	*4*	**1,464,168**	1,308,543
Selling and distribution costs		**(111,805)**	(83,573)
Administrative expenses		**(208,079)**	(187,696)
Other expenses		**(34,566)**	(25,427)
Finance costs	*6*	**(30,495)**	(32,982)
Share of profits and losses of:			
A jointly-controlled entity		**1,337**	1,287
Associates		**(331)**	(302)
PROFIT BEFORE TAX	*5*	**2,452,776**	2,112,991
Income tax expense	*7*	**(908,658)**	(785,345)
PROFIT FOR THE YEAR		**1,544,118**	1,327,646
Attributable to:			
Owners of the parent		**1,552,455**	1,329,593
Non-controlling interests		**(8,337)**	(1,947)
		1,544,118	1,327,646
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK25.95 cents**	HK25.32 cents
Diluted		**HK25.80 cents**	HK25.10 cents

Details of the dividend proposed for the year are disclosed in note 8.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**1,544,118**	1,327,646
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**302,644**	19,072
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,846,762**	1,346,718
Attributable to:		
Owners of the parent	**1,851,482**	1,348,565
Non-controlling interests	**(4,720)**	(1,847)
	1,846,762	1,346,718

Consolidated Statement of Financial Position
31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**204,119**	157,684
Investment properties		**11,285,288**	9,077,250
Properties under development		**3,403,663**	1,978,789
Prepaid land premiums		**7,036**	6,911
Goodwill		**20,066**	20,066
Investments in jointly-controlled entities		**11,106**	8,980
Investments in associates		**(1,177)**	(803)
Loan receivables		**—**	625
Finance lease receivables		**46,795**	54,250
Deposits paid for purchase of land		**261,316**	—
Deferred tax assets		**160,003**	75,413
Total non-current assets		**15,398,215**	11,379,165
CURRENT ASSETS			
Properties held for finance lease		**161,571**	96,116
Properties held for sale		**482,607**	677,346
Trade receivables	*10*	**589,943**	234,155
Prepayments, deposits and other receivables		**34,005**	86,077
Held for trading investments at fair value through profit or loss		**153,065**	123,932
Restricted cash		**43,181**	8,851
Cash and bank balances		**4,521,310**	3,694,126
Total current assets		**5,985,682**	4,920,603
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,324,051**	824,459
Interest-bearing bank and other borrowings		**1,696,394**	1,558,417
Tax payable		**900,503**	470,832
Total current liabilities		**3,920,948**	2,853,708
NET CURRENT ASSETS		**2,064,734**	2,066,895
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,462,949**	13,446,060

Consolidated Statement of Financial Position *(Continued)*
31 March 2011

	31 March 2011 *HK$'000*	31 March 2010 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,546,303**	2,644,308
Senior notes	**1,900,083**	—
Amount due to non-controlling interests	**51,170**	—
Deferred tax liabilities	**2,347,357**	1,775,067
Total non-current liabilities	**6,844,913**	4,419,375
Net assets	**10,618,036**	9,026,685
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**59,876**	60,000
Reserves	**10,331,349**	8,733,433
Proposed final dividends	**149,689**	119,591
	10,540,914	8,913,024
Non-controlling interests	**77,122**	113,661
Total equity	**10,618,036**	9,026,685

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and held for trading investments, 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.

2. Changes in Accounting Policy 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.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009) *(Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

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.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter*[1]
HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[4]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating Segment Information

	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Hotel operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2011						
Segment revenue:						
Sales to external customers	**2,046,309**	**133,453**	**30,695**	**21,670**	**1,906**	**2,234,033**
Intersegment sales	**—**	**—**	**21,200**	**30,912**	**—**	**52,112**
	2,046,309	**133,453**	**51,895**	**52,582**	**1,906**	**2,286,145**
Elimination of intersegment sales						**(52,112)**
Revenue						**2,234,033**
Segment results before increase in fair value of investment properties	**1,315,764**	**61,964**	**(33,158)**	**(13,427)**	**1,905**	**1,333,048**
Increase in fair value of investment properties	**—**	**1,464,168**	**—**	**—**	**—**	**1,464,168**
Segment results after increase in fair value of investment properties	**1,315,764**	**1,526,132**	**(33,158)**	**(13,427)**	**1,905**	**2,797,216**
Interest income						**9,978**
Unallocated income						**29,521**
Unallocated expense						**(354,450)**
Finance costs						**(30,495)**
Share of profit of a jointly-controlled entity						**1,337**
Share of losses of associates						**(331)**
Profits before tax						**2,452,776**
Segment assets	**1,950,534**	**14,243,061**	**2,255**	**67,041**	**119**	**16,263,010**
Reconciliation:						
Investments in jointly-controlled entities						**11,106**
Investments in associates						**(1,177)**
Unallocated assets						**5,110,958**
Total assets						**21,383,897**
Segment liabilities	**163,091**	**3,004,583**	**8,837**	**2,664**	**189**	**3,179,364**
Reconciliation:						
Unallocated liabilities						**7,586,497**
Total liabilities						**10,765,861**
Other segment information:						
Depreciation and amortisation	**—**	**6,327**	**590**	**10,812**	**121**	**17,850**
Corporate and other unallocated amounts						**17,601**
						35,451
Increase in fair value of investment properties	**—**	**1,464,168**	**—**	**—**	**—**	**1,464,168**

	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Hotel operation HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2010						
Segment revenue:						
Sales to external customers	1,419,353	101,277	24,523	22,930	2,146	1,570,229
Intersegment sales	—	—	—	4,994	—	4,994
	1,419,353	101,277	24,523	27,924	2,146	1,575,223
Elimination of intersegment sales						(4,994)
Revenue						1,570,229
Segment results before increase in fair value of investment properties	991,400	30,126	(24,656)	(16,309)	2,146	982,707
Increase in fair value of investment properties	—	1,308,543	—	—	—	1,308,543
Segment results after increase in fair value of investment properties	991,400	1,338,669	(24,656)	(16,309)	2,146	2,291,250
Interest income						6,449
Unallocated income						143,985
Unallocated expense						(296,696)
Finance costs						(32,982)
Share of profits and losses of jointly-controlled entities						1,287
Share of loss of an associate						(302)
Profits before tax						2,112,991
Segment assets	1,139,450	11,065,178	2,666	75,828	1,278	12,284,400
Reconciliation:						
Investments in jointly-controlled entities						8,980
Investments in associates						(803)
Unallocated assets						4,007,191
Total assets						16,299,768
Segment liabilities	22,505	2,261,885	6,197	7	5,268	2,295,862
Reconciliation:						
Unallocated liabilities						4,977,221
Total liabilities						7,273,083
Other segment information:						
Depreciation and amortisation	—	254	645	18,852	216	19,967
Corporate and other unallocated amounts						17,327
						37,294
Increase in fair value of investment properties	—	1,308,543	—	—	—	1,308,543

4. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net sales of completed properties, finance lease income, rental income, hotel income and income from the provision of property management services and other fee income, net of business tax.

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

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**1,832,580**	1,408,108
Finance lease income	**213,729**	11,245
Rental income	**133,453**	101,277
Hotel income	**21,670**	22,930
Property management service income	**30,695**	24,523
Other fee income	**1,906**	2,146
	2,234,033	1,570,229
Other income		
Interest income from:		
Banks	**5,700**	1,049
Loan receivables	**4,278**	5,400
Others	**9,423**	4,646
	19,401	11,095
Gains		
Gains on held for trading investments at fair value through profit or loss	**20,098**	2,630
Gain on restructuring and buying back of interest-bearing notes	**—**	136,709
	20,098	139,339
	39,499	150,434
Fair value gains on investment properties	**1,464,168**	1,308,543

5. Profit Before Tax

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

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Cost of properties sold	**610,004**	422,031
Cost of properties held for finance lease	**120,541**	5,922
Cost of service provided	**170,440**	159,569
Depreciation	**35,638**	37,355
Less: Depreciation capitalised in respect of properties under development	**(187)**	(61)
	35,451	37,294
Amortisation of prepaid land premiums	**180**	162
Minimum lease payments under operating leases in respect of land and buildings and vehicles	**6,853**	7,414
Auditors' remuneration	**3,018**	2,330
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**136,227**	109,633
Equity-settled share option expense	**396**	3,294
Pension scheme contributions	**6,739**	3,070
	143,362	115,997
Foreign exchange differences, net	**(2,838)**	(3,931)
Provision for impairment of trade receivables**	**34,959**	25,468
Loss on disposal of items of property, plant and equipment	**3,250**	369
Written back of impairment of investment in a jointly-controlled entity**	**(393)**	(41)

* Included amounts of HK$22,718,000 and HK$7,076,000 for the years ended 31 March 2011 and 2010 respectively, which were capitalised under properties under development.

** Included in "other expenses" in the consolidated income statement.

6. Finance Costs

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank and other loans, net		
Wholly repayable within five years	**198,528**	166,691
Wholly repayable beyond five years	**19,360**	17,389
Interest on senior notes	**57,196**	—
Interest on interest-bearing notes	**—**	72,581
Less: Interest capitalised	**(244,589)**	(223,679)
Total	**30,495**	32,982

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 (2010: Nil).

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

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the PRC corporate income tax rates of 24% and 22% for the years ended 31 March 2011 and 2010, respectively.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved. It became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 March 2011 and 2010 have been provided at the enacted corporate tax rates.

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 amortisation of land use rights, borrowing costs and all property development expenditures. Amounts of LAT of HK$284,174,000 and HK$269,619,000 were charged to the consolidated income statement for the years ended 31 March 2011 and 2010, respectively.

The major components of income tax expense for the years are as follows:

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Current — Mainland China corporate income tax	**221,824**	170,243
LAT in Mainland China	**284,174**	269,619
Deferred Mainland China corporate income tax	**402,660**	345,483
Total tax charged for the year	**908,658**	785,345

8. Dividends

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Proposed final dividends — HK2.5 cents per ordinary share (2010: HK2 cents per ordinary share)	**149,689**	119,591

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 5,982,908,219 (2010: 5,252,054,795) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potentially dilutive ordinary shares into ordinary shares.

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

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,552,455**	1,329,593

	Number of Shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,982,908,219**	5,252,054,795
Effect of dilution — weighted average number of ordinary shares:		
Share options	**33,361,963**	45,957,447
	6,016,270,182	5,298,012,242

10. Trade Receivables

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**652,401**	259,667
Impairment	**(62,458)**	(25,512)
	589,943	234,155

Trade receivables represent sales income, rentals receivable and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

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

	2011	2010
	HK$'000	*HK$'000*
Current	**403,419**	86,663
1 to 2 months	**29,310**	34,308
2 to 3 months	**49,835**	71,774
Over 3 months	**107,379**	41,410
	589,943	234,155

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

	2011	2010
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**25,512**	—
Impairment losses recognised	**34,959**	25,468
Exchange realignment	**1,987**	44
Carrying amount at end of year	**62,458**	25,512

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group has retained the legal ownership of the property sold to purchasers for debtor balances.

11. Trade and Other Payables

		2011	2010
	Note	***HK$'000***	*HK$'000*
Other payables		**302,786**	198,763
Receipts in advance		**111,902**	162,017
Rental deposits		**32,310**	29,904
Construction fee and retention payables	*(i)*	**831,825**	395,735
Accruals		**45,036**	36,585
Co-operative deposits		**192**	1,455
		1,324,051	824,459

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

	2011	2010
	HK$'000	*HK$'000*
Within 1 year	**605,813**	378,214
Over 1 year	**226,012**	17,521
	831,825	395,735

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

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report the annual results of the Group for the year ended 31 March 2011.

Results and Dividend

The Group achieved remarkable financial performance in the fiscal year ended 31 March 2011 ("FY2011"). Total revenue rose by 42.3% year-on-year from approximately HK$1,570.2 million to approximately HK$2,234.0 million. Profit attributable to owners of the parent increased by 16.8% year-on-year from approximately HK$1,329.6 million to approximately HK$1,552.5 million. Basic earnings per share were HK25.95 cents (fiscal year 2010 ("FY2010"): HK25.32 cents).

The Board proposed a final dividend of HK2.5 cents per share for the year ended 31 March 2011 (FY2010: HK2 cents per share), subject to shareholders' approval at the forthcoming annual general meeting of the Company.

Review

During the year under review, China's economy as a whole continued to maintain its strong growth momentum. With this robust economic growth and the effective implementation of government policies and measures aimed at stimulating domestic demand, the consumer markets and business environment throughout the country were invigorated, creating a favorable market condition for the Group's integrated logistics and trade center business. In addition, the tightening property control measures launched by the government have also created an environment beneficial to the sales of trade center units.

For fiscal year 2011, China South City Shenzhen ("CSC Shenzhen") continued to have outstanding performance, enjoying both high occupancy rates and strong trade center units sales. During the year under review, the Group entered into sales contracts and letters of intent for trade center units for a total gross floor area ("GFA") of approximately 94,000 square meters ("sq.m."), of which approximately 85,600 sq.m. (FY2010: approximately 98,000 sq.m.) were contracted for and included in the income statement for the year under review. There was also solid growth in the selling prices of trade center units, with the average selling price reaching HK$16,750 per sq.m., equivalent to an increase of 11.7% compared to that of last year (FY2010: approximately HK$15,000 per sq.m.). In light of revenue contribution from China South City Heyuan ("CSC Heyuan"), and the limited saleable trade center units in CSC Shenzhen, the Group reduced the sales quantity of trade center units during the year under review so as to keep the properties for future price appreciation.

The occupancy rates of trade center units also increased during the year under review. The total occupancy rate of the phase I trade centers and shops increased from 82% to 86%, while that of the phase II trade centers and shops which have been launched rose from 25% to 36%. Meanwhile, the average effective monthly rental rates recorded an increase of 15.7% to HK$32 per sq.m. for the phase I trade center units and shops during the year under review. The phase II trade center units and shops were leased at approximately HK$34 per sq.m..

CSC Shenzhen's new office tower attained a very high occupancy rate of approximately 96% shortly after its completion in the fiscal year under review. In response to the strong demand for quality office spaces at CSC Shenzhen, the Group is building another office tower with GFA of 52,000 sq.m., the construction of which is expected to be completed in the first quarter of 2012. To complement the development of CSC Shenzhen, the Group plans to start building CSC Shenzhen's phase III trade centers with GFA of approximately 785,000 sq.m. in the coming fiscal year.

Building on the comprehensive planning and strong project management capability as well as the wealth of experience gained from successfully developing CSC Shenzhen, the Group's new projects in Heyuan, Nanning, Nanchang and Xi'an all made concrete progress during the year under review and are largely on track to support the Group's sustained business growth momentum in the coming years.

The construction plan of phase I and part of phase II to build approximately 223,000 sq.m. villa apartments at CSC Heyuan is progressing well, and a GFA of around 80,000 sq.m. had already been completed during the year under review. The villa apartments were launched for sale in mid January 2011. The sale was met with a very positive response, achieving contracted sales of approximately 50,200 sq.m. at a selling price of approximately HK$9,990 per sq.m..

In China South City Nanning ("CSC Nanning") and China South City Nanchang ("CSC Nanchang"), the phase I of the construction plan for trade center units and residential properties cover a total GFA of approximately 1.31 million sq.m. and 1.07 million sq.m., respectively, a substantial part of which is scheduled to be completed for sale or lease in coming fiscal year. The exhibition center at CSC Nanning was completed in October 2010 in time to host the "2010 China-ASEAN Light Industrial Products Fair" (the "Fair") later that month. The Fair attracted more than 365 exhibitors and over 335,000 visitor counts which we believe will help promoting CSC Nanning.

In China South City Xi'an ("CSC Xi'an"), where the Group has ambitious plans to develop a total site area of approximately 10 million sq.m., planning and preparation work were implemented during the year under review to help speed up the pace of development, in anticipation to a strong demand for trade center units as a result of the redevelopment of the old town in Xi'an. The Group obtained approximately 279,000 sq.m. of land in May 2011 and it expects to secure more land for this project in the coming fiscal year. Construction of the project has been commenced aimed at selling the trade center units in the coming fiscal year.

In January 2011, the Company issued senior notes due in January 2016 with a nominal value of US$250 million (equivalent to approximately HK$1,950 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. The successful issuance of the senior notes not only broadened the financing channel of the Group but also proved the business model of the Group has been well recognized by the capital market. Having the senior notes been issued, the cash and liquidity positions of the Group have been strengthened and the debt profile of the Group have been improved with longer debt maturity.

Prospects

Looking ahead to the coming fiscal year, the Group is optimistic about China's economic growth as the country embarks on the first year of its Twelfth Five-Year Plan. Continued government investment and consumer spending are expected to support the strong industrial growth, resulting in consistent and solid demand for large-scale logistics and trade center facilities. As the integrated logistics industry is an industry supported by the "Twelfth Five-Year Plan", there should be more opportunities for the Group to expand its business.

With the current construction underway in CSC Shenzhen, CSC Heyuan, CSC Nanning, CSC Nanchang and CSC Xi'an, the Group is expecting to complete not less than 2.0 million sq.m. of properties in the coming fiscal year. Among these completed properties, the Group intends to sell part of the properties to attain a sale revenue of approximately HK$7 billion to HK$9 billion in the coming fiscal year and hold the remainder for lease and future sale. These will provide a strong foundation for the Group to grow its revenue and profit in the coming fiscal years. More importantly, the contributions from these new projects will serve as a testament to the success of our business model nationwide. When these new projects start making contributions to the Group, China South City will consider further replicating its business model in other strategic regions in China to help promoting the Group's sustainable growth and create greater value for its shareholders.

To substantiate the further replication plan, and in light of the new projects of the Group will start making revenue contribution in the coming fiscal year, the Group signed a framework agreement to develop a large-scale integrated logistics and trade centers with land area of approximately 10 square kilometers in Harbin in June 2011. The Group intends to develop the project through a joint venture which the Company expects to own 51% interest. It is preliminary anticipated that the total capital commitment by the joint venture to the project would be approximately RMB2 billion (equivalent to approximately HK$2.4 billion). No commitment as to the project or the joint venture has been made by the Group. Details of the project and the joint venture are subject to further negotiations.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, noteholders, clients and business partners for their trust and unwavering support. I would also like to thank the management and staff for their professionalism and dedication.

Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 28 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the fiscal year under review, China's economy maintained its stable and relatively fast development. Leveraging China's prospering economy and policies aimed at further stimulating domestic demand, the Group achieved remarkable financial results for the fiscal year 2011.

While China South City Shenzhen continued to have outstanding performance both in terms of sales and lease during the fiscal year under review, all of the Group's new projects in Heyuan, Nanning, Nanchang and Xi'an were largely on track in terms of the implementation of their respective development plans. Moreover, the Heyuan project is starting to make revenue contributions to the Group's overall business growth in the fiscal year under review.

China South City Shenzhen

CSC Shenzhen, the Group's first project in China, which is strategically located in the heart of the Pearl River Delta region, occupies a site area of approximately 1.06 million sq.m. and has a planned total GFA of approximately 2.6 million sq.m.. As of 31 March 2011, approximately 1.5 million sq.m. of the trade center units and ancillary facilities are in operation. Phase I of CSC Shenzhen has approximately 464,000 sq.m. of trade center units and ancillary facilities while phase II takes up the remaining approximately 1.0 million sq.m..

CSC Shenzhen phase I currently houses suppliers of five key light industries complementary to each other, namely, Textile and Clothing, Leather and Accessories, Electronics and Accessories, Printing, Paper and Packaging, Metals, Chemicals and Plastics. With the development of CSC Shenzhen and the surrounding region, phase II now has an expanded product range that includes industrial raw materials, finished products, small commodities, themed products and regional goods. Furthermore, a factory outlet of well-known brands was opened in April 2011. A number of trade centers of themed and regional products have begun operation or are in the process of discussing operation at CSC Shenzhen. These include a branded underwear trade center, a timepiece trade center, an automobile mega showroom, a household goods center, tea product trade center as well as a Hong Kong products sales center.

As a modern integrated logistics platform, CSC Shenzhen provides exhibition, wholesaling as well as trading facilities and makes available to its tenants and their clients a full range of ancillary facilities and services, including offices, residential facilities, both bonded and common warehousing, and hotel and restaurants. Banking and financial services, on-site logistics services and quality testing services provided by third parties and on-site governmental organizations are available as well. The tenants and their clients are able to enjoy convenient one-stop services at CSC Shenzhen.

CSC Shenzhen recorded an outstanding performance during the reporting period with regard to the sale and lease of its trade center units. In the fiscal year ended 31 March 2011, CSC Shenzhen entered into sale contracts and letters of intent for trade center units for approximately 94,000 sq.m., of which approximately 85,600 sq.m. (FY2010: approximately 98,000 sq.m.) were contracted and included in the consolidated income statement of the Group. There was also solid growth in the selling price of trade center units, with an average selling price of approximately HK$16,750 per sq.m., representing an increase of 11.7% compared to that of last fiscal year (FY2010: approximately HK$15,000 per sq.m.). In light of the limited saleable GFA of trade center units and CSC Heyuan started revenue contribution, the Group decided to sell less trade center units in CSC Shenzhen during the year under review so as to keep properties for future price appreciation.

As of 31 March 2011, the total occupancy rate of the phase I trade centers and shops increased from 82% last year to 86%, while that of the phase II trade centers and shops' launched GFA rose from 25% to 36%. The average effective monthly rental rate for the phase I trade centers and shops was HK$32 per sq.m., while that for the phase II trade centers and shops was HK$34 per sq.m..

During the fiscal year under review, CSC Shenzhen secured finance lease arrangements for approximately 24,000 sq.m. for the office tower in phase II. The average price for the finance lease arrangement was approximately HK$8,760 per sq.m.. The new office tower with GFA of approximately 38,000 sq.m. achieved a remarkable total occupancy rate of 96% shortly after its completion during the year under review. The average effective monthly rental rate for the operating lease of the new office tower was approximately HK$39 per sq.m..

In light of the strong market demand for office spaces, during the fiscal year under review, CSC Shenzhen commenced construction for another new office tower with GFA of approximately 52,000 sq.m.. To complement the development of CSC Shenzhen, the Group plans to commence the construction of CSC Shenzhen's phase III trade centers, which will have a total GFA of approximately 785,000 sq.m., in the coming fiscal year.

Trade Centers and Trade Fairs in CSC Shenzhen

To cater to the exhibition and promotion needs of different industries, CSC Shenzhen established themed trade centers and organized various trade fairs during the fiscal year under review.

In April 2010 and October 2010, the Group continued to co-host the 2nd and 3rd China (Shenzhen) International Industrial Fair ("CIIF") with China Council for Promotion of International Trade, China Chamber of International Commerce and Shenzhen Municipal People's Government. The industrial trade fair is one of CSC Shenzhen's premier events. The 2nd and 3rd CIIF took up exhibition areas of over 72,000 sq.m. and 90,000 sq.m., respectively. The 2nd CIIF attracted over 1,200 exhibitors and 103,000 visitor counts while the 3rd one drew approximately 1,300 exhibitors and 128,000 visitor counts from across China and around the world. The success of CIIF not only had boosted the economy of the region, but also boosted the traffic and business flows at CSC Shenzhen, and enhanced the reputation of the Group.

In May 2010, Runfang China South City Mega Showroom was opened in CSC Shenzhen to showcase and sell some of China's hottest mid-range car models. A two-day car show, occupying an area of over 20,000 sq.m., was held in August 2010 and attracted participation of more than 30 car makers from China and overseas.

In April 2010, Shenzhen International Branded Underwear Fair ("SIUF") held its branded underwear show at CSC Shenzhen. The CSC SIUF International Branded Underwear Trade Center was later opened in August with a planned exhibition area of approximately 40,000 sq.m.. Positioned as the largest underwear exhibition and trade platform in China, CSC SIUF International Branded Underwear Trade Center has already attracted a number of recognized underwear brands, including Embry Form and Aimer to move in.

The Pearl River Delta Hong Kong Products Sales Center ("HK Products Sales Center") is one of the key projects that highlight the collaboration between Shenzhen and Hong Kong. In October 2010, the Trade and Information Technology Commission of Shenzhen Municipality (SZSITIC) and the Federation of Hong Kong Industries (FHKI) announced the establishment of the HK Products Sales Center in CSC Shenzhen, which is a platform for Hong Kong brands and products to explore and expand their distribution channels in the Mainland. It also serves as a bridge for introducing Hong Kong products into the Chinese market. After months of planning, market research and promotion, the Hong Kong Products Sales Center has successfully attracted a number of enterprises and is scheduled to commence operation in the coming fiscal year. Currently, the sales center is expected to occupy approximately 10,000 sq.m. for its phase I.

On 28 April 2011, Shenzhen Outlet Center, with a planned GFA of 50,000 sq.m. was launched in CSC Shenzhen. It represented a significant enhancement to the service mix provided by the Group. As of the report date, the outlet center has already successfully attracted a number of well-known sports-wear brands, including Nike, Lining, Anta, Kappa and Baleno, with the first phase of it occupying a GFA of approximately 7,000 sq.m.. More famous brands are expected to open there in the future which will further expand the outlet center's business. By the time when this outlet center is fully developed, it is expected to be the biggest outlet center in the Pearl River Delta Region.

In addition, CSC Shenzhen has continuously introduced other themed trade centers with variety, including a timepiece trade center, together with a tea products trade center, and a household goods center in preparation. CSC Shenzhen will constantly initiate products meeting the local demand.

China South City Heyuan

Located in Heyuan, Guangdong Province, CSC Heyuan occupies a total site area of approximately 1.14 million sq.m.. The planned total GFA of residential properties and supporting commercial facilities of the project is approximately 2.25 million sq.m..

Construction for phase I and part of phase II have been commenced and is expected to yield a total GFA of approximately 223,000 sq.m. villa apartments. The construction of the villa apartments with a total GFA of about 80,000 sq.m. was completed during the fiscal year under review. The properties were launched to the market in mid January 2011 and were met with strong market response. The Group secured contracted sales of approximately 50,200 sq.m. at an average selling price of approximately HK$9,990 per sq.m.. Construction of the phase I and part of phase II are well on track and an additional GFA of approximately 81,000 sq.m. of villa apartments are expected to be completed in the coming fiscal year.

CSC Heyuan planned to expand its business scope to include large-scale integrated logistics and trade centers by signing a master agreement with the Government of Zijin County of Heyuan City of Guangdong Province of China（廣東省河源市紫金縣人民政府）in December 2010. The current expected site area and GFA for the integrated logistics and trade center is approximately 1.2 million sq.m. and 1.5 million sq.m. respectively.

China South City Nanning

Strategically located in Nanning, Guangxi Zhuang Autonomous Region, CSC Nanning is expected to occupy a site area of approximately 1.83 million sq.m.. According to the construction plan, CSC Nanning will have a total GFA of approximately 4.88 million sq.m. and upon completion will provide a full array of facilities, including trade centers, supporting commercial facilities and residential facilities, hotel, warehouse facilities, and car parks.

Taking advantage of its close proximity to Southeast Asia, the Group intends to develop CSC Nanning into one of the most modern and large-scale commodity trade centers in Southeast Asia for manufacturers and merchants. With the establishment of the China-ASEAN Free Trade Area in January 2010, the waived tariffs for cross-border trade will help boost business and trade activities for CSC Nanning.

The Group acquired a piece of land of approximately 890,000 sq.m., which has a planned GFA of approximately 2.40 million sq.m., in October 2009. Construction of the project will be carried out in stages. Phase I of the complex will have a total GFA of approximately 1.31 million sq.m., comprising about 855,000 sq.m. of trade centers units and 456,000 sq.m. of residential facilities. According to the current plan, approximately 1.01 million sq.m. of the GFA under construction will be completed in the coming fiscal year. Both trade center units and residential facilities are expected to be launched for sale and lease in the coming fiscal year.

The marketing for CSC Nanning has been rolled out in tandem with the construction in order to promote and accelerate the development of the project. Currently, CSC Nanning has contracted for long term lease for a block of trade centers with a professional market operator of home furnishing products in China. With the keen demand generated from the local market and from cross border trade among China-ASEAN countries, the Group is confident about the development of CSC Nanning.

China-ASEAN Light Industrial Products Fair in CSC Nanning

The China-ASEAN Light Industrial Products Fair, co-organised by the China Chamber of International Commerce, the China-ASEAN Expo Secretariat, the Nanning Municipal People's Government and the Group, was successfully held at CSC Nanning in October 2010 when the exhibition center was completed. The five-day light industrial products fair occupied an exhibition area of approximately 14,100 sq.m., and attracted over 365 exhibitors and more than 335,000 domestic and international visitor counts. The success of the fair has enhanced the Group's brand recognition in the region and among ASEAN countries.

China South City Nanchang

Located in Nanchang, Jiangxi Province, CSC Nanchang is expected to occupy a site area of approximately 1.55 million sq.m. and, according to the construction plan, will have a total GFA of approximately 4.28 million sq.m. upon completion. It will provide comprehensive facilities that include trade centers, supporting commercial and residential facilities, warehouse facilities and car parks.

CSC Nanchang is strategically located to serve the Pan Pearl River Delta and Yangtze River Delta regions. It is in close proximity to the extensive transportation network in Nanchang. The Group believes that CSC Nanchang is well-positioned to benefit from the development of Central China.

In December 2009, CSC Nanchang acquired a plot of land of approximately 1.05 million sq.m., which has a planned GFA of 2.48 million sq.m.. Construction of the project will be carried out in stages. Phase I of the construction will provide a total GFA of approximately 1.07 million sq.m., approximately 682,000 sq.m. of which will be trade centers and 384,000 sq.m. residential units. According to the current plan, approximately 760,000 sq.m. of the GFA under construction will be completed in the coming fiscal year. Both trade center units and residential facilities are expected to be launched for sale in the coming fiscal year.

China South City Xi'an

Located in Xi'an International Trade and Logistics Park, CSC Xi'an is expected to occupy a total site area of 10 square kilometers. According to the current plan, it is expected to have a total GFA of approximately 17.5 million sq.m., with about half of the area planned to be used as an integrated logistics and trade center, while the remainder is planned to be used for ancillary residential and commercial facilities. CSC Xi'an is a joint venture between the Group and Xin Hao Da (Hong Kong) Holding Limited and is 65% owned by the Company.

Riding on the opportunities arising from the country's strategic development of the northwestern regions, the Group intends to position CSC Xi'an as a major, comprehensive logistics and trade center in the region serving the growing development needs of northwest China. The region's urban development also represents a good development opportunity for CSC Xi'an. The Group is confident that the demand for trade center facilities in Xi'an will be strong as its municipal government plans to relocate and upgrade its existing trade markets. During the year under review, the Group carried out detailed development plan and pre-construction preparation work to make sure that the construction of CSC Xi'an can commence as soon as possible after the first piece of land is acquired.

In May 2011, CSC Xi'an acquired its first plot of land of approximately 279,000 sq.m. and expects to secure more land for this project in the coming fiscal year. With the extensive preparation performed in the year under review, the construction of trade center units was commenced to meet burgeoning market demand as a result of the demolition of old trade centers under the city's old town redevelopment program. Currently it is planned to build trade centers and exhibition centers with an aggregate GFA of approximately 630,000 sq.m. of which the trade center units will be launched for sales in the coming fiscal year.

Issuance of Senior Notes

In January 2011, the Company issued senior notes due in January 2016 with a nominal value of US$250 million (equivalent to approximately HK$1,950 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new projects and for general corporate use. The successful issuance of the senior notes not only broadened the financing channel of the Group but also proved the business model of the Group has been well recognized by the capital market. Having the senior notes been issued, the cash and liquidity positions of the Group have been strengthened and the debt profile of the Group have been improved with longer debt maturity.

Business Model and Strategy

The Group pioneers a unique and flexible business model of "One Body with Two Wings". "One Body" refers to the large-scale integrated logistics and trade centers strategically located in various regional economic hubs where they serve the economic and industry needs of the regions. They are supported by "Two Wings", the supplementary residential properties and commercial facilities that complement the trade centers' rapid and sustainable development by response to the demand for residential properties and commercial facilities within the project and the region around. For each of the new projects, the integrated logistics and trade centers, being the "Body", will account for approximately 40-50% of the total GFA of the project, while the supporting commercial and residential facilities, being the two "Wings", will account for the remaining 50-60% of the total GFA. For each of the large scale projects, construction of which will be in stages. The Group intends to sell all the residential areas and not more than 50% of the trade center areas to ensure quick cash flows to cover capital expenditure requirement for the development of the project. The remaining trade center areas will be hold for lease and for long terms benefits of the Group. For the commercial facilities, the Group intends to hold and operate on its own or form partnership with specialized players.

Prospect and Outlook

Looking forward, we believe China's continued economic growth will continue to support the demand for large-scale integrated logistics and trade centers. Domestic government policies, aimed at consistently stimulating domestic demand, will also provide a favorable environment for the sale and leasing of the Group's trade center units. With the continued development of second tier cities where our new projects are located, we are confident that our residential projects will do well in terms of sales, despite a series of macro policies aimed at the residential sector.

In the coming fiscal year, we believe CSC Shenzhen will continue to have outstanding performance. As for new developments in CSC Shenzhen, CSC Nanning, CSC Nanchang and CSC Heyuan, we will have a total GFA of approximately 3.44 million sq.m. under the current plan. With the land already acquired and to be acquired in the current fiscal year, CSC Xi'an is expected to add a total GFA of approximately 630,000 sq.m. to its phase I development. Unless affected by changes in market conditions and in the Group's development plans, the Group expects to complete no less than 2.0 million sq.m. in the coming fiscal year, and sell part of the completed properties to attain a sale revenue of approximately HK$7 billion to HK$9 billion in the coming fiscal year. With various new projects beginning to make contributions, the Group's revenue and profit are expected to grow substantially in the coming years.

As China's economy continues its sustained growth, CSC's various projects are also making stunning progress. We believe this favorable environment provides the Group with more opportunities to diversify and achieve further growth. Leveraging its unique business model, the extensive experience of its management team and support from local governments, the Group is confident that it can replicate the successful business model of CSC Shenzhen in other strategic regions in China, to further realize our "One Body with Two Wings" business model, and thereby help the Group achieves sustainable growth and create greater value for its shareholders.

To substantiate the replication plan, and in light of the new projects will start making revenue contribution in the coming fiscal year, the Group signed a framework agreement to develop a large-scale integrated logistics and trade centers with land area of approximately 10 square kilometers in Harbin in June 2011. The Group intends to develop the project through a joint venture which the Company expects to own 51% interest. It is preliminary anticipated that the total capital commitment by the joint venture to the project would be approximately RMB2 billion (equivalent to approximately HK$2.4 billion). No commitment as to the project or the joint venture had been made by the Group in the meanwhile. Details of the project and the joint venture are subject to further negotiations.

Financial Review

For the fiscal year 2011, the Group reported a remarkable growth in its financial performance, with revenue growth of 42.3% to approximately HK$2,234.0 million (FY2010: approximately HK$1,570.2 million). Meanwhile, profit attributable to owners of the parent grew 16.8% to approximately HK$1,552.5 million (FY2010: approximately HK$1,329.6 million). Excluding the effects of the fair value gains of our investment properties and related tax effect, the adjusted profit attributable to owners of the parent increased by 32.1% to approximately HK$542.3 million (FY2010: HK$410.7 million). Net cash inflow from operations during the year increased by 49.7% to approximately HK$1,325.3 million (FY2010: approximately HK$885.3 million).

Revenue

Revenue increased by 42.3% to approximately HK$2,234.0 million (FY2010: approximately HK$1,570.2 million). The increase was mainly due to the commencement of sales of residential properties located in CSC Heyuan, and the significant increase in finance lease income, which was mainly generated from the leasing of office units located in CSC Shenzhen during the fiscal year under review.

	For the year ended 31 March		
	2011	2010	Change
	HK$'000	*HK$'000*	*%*
Sales of properties	**1,832,580**	1,408,108	30.1%
Sales of properties — trade centers	***1,358,310***	*1,408,108*	*(3.5%)*
Sales of properties — residential properties	***474,270***	—	*N/A*
Finance lease income	**213,729**	11,245	1,800.7%
Rental income	**133,453**	101,277	31.8%
Property management service fee income	**30,695**	24,523	25.2%
Hotel income	**21,670**	22,930	(5.5%)
Other fee income	**1,906**	2,146	(11.2%)
	2,234,033	1,570,229	42.3%

Revenue from Sales of Properties

Revenue from sales of properties increased by 30.1% to approximately HK$1,832.6 million (FY2010: approximately HK$1,408.1 million). The increase was mainly due to the commencement of sales of residential properties located in CSC Heyuan, which generated revenue of approximately HK$474.3 million. During the fiscal year under review, the Group sold approximately 50,200 sq.m. of residential properties with an average selling price of approximately HK$9,990 per sq.m..

For CSC Shenzhen trade center units, the Group sold approximately 85,600 sq.m. (FY2010: approximately 98,000 sq.m.) during the year at an average selling price of approximately HK$16,750 per sq.m., equivalent to an increase of 11.7% compared to that of last year (FY2010: approximately HK$15,000 per sq.m.). In view of revenue contribution from CSC Heyuan and limited saleable trade center units in CSC Shenzhen, the Group reduced the sales quantity of trade center units during the year so as to keep the properties for future price appreciation.

Finance Lease Income

Finance lease income, derived from the leasing of office units and residential properties, increased sharply by approximately 18 times to approximately HK$213.7 million (FY2010: approximately HK$11.2 million). The increase was primarily due to the completion of the office tower, Global Logistic Center in CSC Shenzhen, during the fiscal year under review, and where finance lease arrangements were entered into with tenants for approximately 24,000 sq.m. The average price for the finance lease arrangements was approximately HK$8,760 per sq.m..

Rental Income

Rental income increased by 31.8% to approximately HK$133.5 million (FY2010: approximately HK$101.3 million). The increase was primarily due to the rising rental income contribution from CSC Shenzhen phase II Trade Plaza One and Trade Plaza Two following their respective commencement of operations in Q4 and Q3 2009.

Occupancy at CSC Shenzhen has been driven by the demand for large-scale integrated logistics and trade center facilities and the growing profile of China South City. As at 31 March 2011, the total occupancy rate of the phase I trade centers and shops was at a rate of approximately 86% (FY2010: 82%), while the total occupancy rate for phase II Trade Plaza One, Trade Plaza Two and shops was about 36% (FY2010: 25%) of the launched area. The average effective monthly rental rates for the phase I and phase II trade centers and shops were approximately HK$32 per sq.m. and HK$34 per sq.m., respectively.

Property Management Services Income

Income from property management services rose 25.2% to approximately HK$30.7 million (FY2010: approximately HK$24.5 million). The increase was primarily due to the rising property management fee contribution from CSC Shenzhen phase II Trade Plaza One, Trade Plaza Two and their supporting facilities, with the total occupancy rate increased during the year and up to 36% of the launched area as at 31 March 2011.

Cost of Sales

Cost of sales of the Group mainly includes construction cost of properties sold, construction cost of properties under finance lease and rental expenses. Cost of sales increased by 53.4% to approximately HK$901.0 million (FY2010: approximately HK$587.5 million). The increase was mainly due to the commencement of sales of residential properties in CSC Heyuan and the finance lease of office units in CSC Shenzhen during the fiscal year under review.

Gross Profit

Gross profit increased by 35.7% to approximately HK$1,333.0 million (FY2010: approximately HK$982.7 million). Gross profit margin dropped slightly to 59.7% during the fiscal year under review (FY2010: 62.6%), which was mainly due to the change of product mix to include the sales of residential properties and the finance lease of office units. Sales of trade center units usually generated a comparatively higher gross profit margin when compared with other types of revenue.

Other Income and Gains

Other income and gains decreased by 73.7% to approximately HK$39.5 million (FY2010: approximately HK$150.4 million). The decrease was mainly due to the previous year's one-off gain on the restructuring and buying back of interest-bearing notes of HK$136.7 million. As there was no similar one-off gain recorded during the fiscal year under review, other income and gains reduced accordingly.

Fair Value Gains on Investment Properties

The fair value gains on investment properties increased by 11.9% to approximately HK$1,464.2 million (FY2010: approximately HK$1,308.5 million). The increase was mainly due to the continuous rise in property prices in Shenzhen during the fiscal year under review and the addition of new investment properties during the year.

Selling and Distribution Costs

Selling and distribution costs increased by 33.8% to approximately HK$111.8 million (FY2010: approximately HK$83.6 million). The increase was mainly due to advertising and promotion expenses incurred by our new projects during the fiscal year under review, especially CSC Heyuan, which commenced sales of residential properties, and CSC Nanning, which held the China-ASEAN Light Industrial Products Fair in October 2010.

Administrative Expenses

Administrative expenses increased by 10.9% to approximately HK$208.1 million (FY2010: approximately HK$187.7 million). The rise was primarily due to the increase in business activities as a result of more new projects being developed and the expanded management team.

Finance Costs

Finance costs decreased by 7.5% to approximately HK$30.5 million (FY2010: approximately HK$33.0 million). The decrease was mainly attributable to an increase in new bank and other loans for construction purposes with interest expenses capitalized to properties under development.

Tax

Tax expenses increased by 15.7% to approximately HK$908.7 million (FY2010: approximately HK$785.3 million). The increase in tax expenses was mainly due to the increases in both current and deferred tax expenses during the fiscal year under review, which was in line with the increase in revenue and gains.

Liquidity and Financial Resources

The Group finances its operations primarily through internally generated funds, bank and other loans, debt financing and IPO proceeds.

Borrowing and Charges on the Group's Assets

As at 31 March 2011, the Group had approximately HK$4,564.5 million in cash and bank balances and restricted cash (FY2010: approximately HK$3,703.0 million), among which non-restricted cash and bank balances were approximately HK$4,521.3 million (FY2010: approximately HK$3,694.1 million).

The Group's cash and bank balances and restricted cash are mainly denominated in RMB, HK dollar and US dollar.

As at 31 March 2011, the Group had approximately HK$6,142.8 million in interest-bearing bank and other borrowings and senior notes (FY2010: approximately HK$4,202.7 million). The Group had an aggregated interest-bearing bank and other borrowings as at 31 March 2011 of approximately HK$4,242.7 million (FY2010: approximately HK$4,202.7 million), of which approximately HK$1,696.4 million will be repayable within one year or on demand, approximately HK$1,060.4 million will be repayable in the second year, approximately HK$829.0 million will be repayable in the third to fifth years and approximately HK$656.9 million will be repayable beyond five years. As at 31 March 2011, the Group's interest-bearing bank and other borrowings of approximately HK$2,896.1 million were secured by certain of its buildings, hotel properties, investment properties, properties under development and leasehold land with total carrying values of approximately HK$9,338.3 million.

All interest-bearing bank and other borrowings of the Group bear interest at floating rates ranging from 4.78% to 6.10% per annum and are denominated in RMB. Furthermore, as at 31 March 2011, the Group had unutilized banking facilities of approximately HK$2,186.5 million. The Group will deploy the unutilized banking facilities as appropriate, depending on project development needs and the Group's working capital status.

In January 2011, the Company issued senior notes due in January 2016 with a nominal value of US$250 million (equivalent to approximately HK$1,950 million) at a coupon rate of 13.5% per annum for the purpose of financing existing and new property projects and for general corporate use.

As at 31 March 2011, the carrying value of the Group's senior notes was approximately HK$1,900.1 million (FY2010: Nil).

The successful issuance of the senior notes not only broadened the financing channel of the Group but also proved the business model of the Group has been well recognized by the capital market. Having the senior notes been issued, the cash and liquidity positions of the Group have been strengthened and the debt profile of the Group have been improved with longer debt maturity.

Gearing ratio

The gearing ratio of the Group was 15% (net debt divided by total equity) as at 31 March 2011, which increased from 6% as at 31 March 2010 mainly due to the payment made for project construction costs.

Net Current Assets and Current Ratio

As at 31 March 2011, the Group had net current assets of approximately HK$2,064.7 million (FY 2010: approximately HK$2,066.9 million), while the current ratio was at 1.53 (FY2010: 1.72).

Contingent Liabilities

The Group has provided guarantees in respect of banking facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's trade center units and residential properties, and bank loans entered into by lessees of the Group's residential and commercial properties. As at 31 March 2011, the guarantees amounted to approximately HK$152.6 million (FY2010: approximately HK$217.9 million). The guarantees granted to purchasers will be released when the purchasers obtain the building ownership certificates which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly along with the repayment of loan principals by the lessees.

Capital Commitments

As at 31 March 2011, the Group's future capital expenditure contracted but not yet provided for amounted to approximately HK$966.1 million (FY2010: approximately HK$48.9 million), while its future capital expenditure authorized but not yet contracted for amounted to approximately HK$6,408.7 million (FY2010: approximately HK$5,641.4 million).

Foreign Exchange Risk

The Group conducts its business, inclusive of income and expenses, and assets and liabilities, mainly in Renminbi. The management believes that the fluctuation of the Renminbi will not have a significant impact on the Group's operation. The Group has not issued any financial instruments for hedging purposes.

Acquisitions and Disposals of Subsidiaries and Associated Companies

Except for the acquisition of the remaining 30% non-controlling interest in CSC Heyuan, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the fiscal year under review.

Restrictions on Sales

Pursuant to several land grant contracts entered into by CSC Shenzhen, the saleable GFA of properties built on these parcels of land is limited to 30% of the total GFA that can be built. The Group holds and constructs the properties with sales restrictions for leasing and self-use. Pursuant to the land grant contracts entered into by CSC Nanchang and CSC Nanning, respectively, the saleable GFA of trade center units and storage built on these parcels of land are limited to 60% of the total GFA that is built for such purpose. This restriction does not apply to the properties that are built for residential, commercial and other uses. Despite the restriction, the Group plans to hold not less than 50% of the total GFA of such properties for leasing. Management believes that the Group is benefited by maintaining this optimal mix between properties for sale and properties held for investment.

Human Resources

As at 31 March 2011, the Group had a workforce of approximately 1,870 people, including approximately 1,680 people directly employed by the Group and approximately 190 people employed by our jointly-controlled entities. The total employee benefit expense amounted to approximately HK$143.4 million for the year ended 31 March 2011. The Group aims to recruit, retain and develop competent individuals committed to its long-term success and growth. Employee remuneration and other benefits are reviewed annually in response to 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 displaying an outstanding performance and contribution to the Group. For fiscal year 2011, 6,000,000 of share options has been granted under the Share Option Scheme.

On 11 April 2011, a total of 226,900,000 share options under the Share Option Scheme were granted to an executive director and certain employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK$1.29 per share and an exercise period ranging from 11 April 2011 to 10 April 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the directors of the Company ("Directors"), the Company has complied with the applicable code of provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") 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 ended 31 March 2011 in relation to the securities dealings, if any.

AUDIT COMMITTEE

The Company has established an audit committee in September 2009 and has formulated its written terms of reference in accordance with the provisions set out in the CG Code. The audit committee comprises four independent non-executive Directors, namely Mr. Li Wai Keung (chairman of audit committee), Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung Stephen and Mr. Shi Wan Peng. The principal duties of the audit committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2011.

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

For the year ended 31 March 2011, the Company repurchased a total of 20,436,000 shares on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Date of repurchase	No. of shares repurchased	Price paid per share Highest	Lowest	Aggregate Purchase Price
		HK$	*HK$*	*HK$*
17 May 2010	3,856,000	1.18	1.13	4,454,300
18 May 2010	6,744,000	1.24	1.18	8,253,060
19 May 2010	3,668,000	1.22	1.20	4,432,600
20 May 2010	6,168,000	1.23	1.17	7,476,220
	20,436,000			24,616,180

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 August 2011 to Wednesday, 24 August 2011, both days inclusive, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 19 August 2011.

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

Hong Kong, 28 June 2011

As at the date of this announcement, the executive Directors are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive Directors are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive Directors are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, Stephen, JP and Mr. Shi Wan Peng.